



Performance Plus™

2012





Performance Plus™

Agent Bonus Program for Outstanding Annuity Production

Integrity, loyalty, trust...

These words have significance when financial professionals like you help people plan for retirement. At National Life Group we value these characteristics. We understand our business is all about delivering on our promises, both to you and our policyholders. That is why we design outstanding annuities that have proven crediting methods to stand the test of time, and why we develop outstanding, straightforward compensation programs like *Performance Plus* for our agents.

The Performance Plus™ Program

We have designed the *Performance Plus* program to reward our top producers for outstanding, continuous, and persistent annuity production. *Performance Plus* members can receive significant extra income each year based on their new and continuing single premium and flow sales! Performance Plus is in addition to the many outstanding incentives we offer, including the Conference of Champions and Chairman's Club!

Qualify with 2,250,000 or More in Performance Plus Production Credits

To qualify an individual agent must produce 2,250,000 or more in Performance Plus Production Credits from a minimum of 30 Qualifying Life Insurance Company of the Southwest ("LSW") annuity policies issued during the subject calendar year.

How are the Performance Plus Production Credits calculated?

1. One Performance Plus Production Credit is awarded for each \$1 of annuity premium paid into a Qualifying SPDA Policy issued during the then calendar year and/or any single sum premiums (non-systematic) paid into a Qualifying Flex Policy issued during the then calendar year, each subject to a maximum credit per life of 500,000.
2. Six Performance Plus Credits are awarded for each \$1 of first-year annualized flexible premium, paid into a Qualifying Flex Policy which is collected in a salary reduction/deduction, bank draft or other systematic basis, subject to a maximum credit per life of 100,000.

integrity

How Performance Plus Works

Step 1. At the end of each calendar year, we will determine which agents have 2,250,000 or more in Performance Plus Production Credits from a minimum of 30 Qualifying Annuity policies issued in that current calendar year. The first time an agent qualifies for the *Performance Plus* program, we will distribute the monies from the *Compensation Account* after the first qualification year. Thereafter, the agent has the opportunity to select one of three distribution choices: For any monies in the Compensation Account, namely (1) distribute each year; (2) defer to a year specific and then pay; (3) defer to an age specific and then pay.

Step 2. We will create two accounts for the agent: the **Rewards Account** and *Compensation Account*.

Step 3. For both new and continuing *Performance Plus* participants, we will set aside those policies constituting the 2,250,000 or more in *Performance Plus* Production Credits into the Rewards Account. The *Rewards Account* balance will reflect the policies' Accumulation Value (AV). (AV = the premiums paid + interest earned – withdrawals.) All policies in the *Rewards Account* both from the current year and any applicable prior year will be used to determine money paid into the *Compensation Account*.

It is important to remember that *Performance Plus* Production Credits may differ from the Accumulation Value. The difference will depend on the mix of flow and single premium business.

For example:

- At policy issue, \$2,250,000 of SPDA premium is equal to 2,250,000 of Performance Plus Production Credits. However, at the end of the policy year, the Accumulation Value of the \$2,250,000 of SPDA premium may grow because of interest earned.
- \$375,000 of first-year annualized flex premium generates 2,250,000 of Performance Plus Production Credits ($\$375,000 \times 6$). The calendar year end Accumulation Value of the policies into which the premium was paid will depend on the timing of the issue. These policies could have an Accumulation Value between \$100,000 to \$500,000 at the end of the applicable calendar year, with the expectation of the Accumulation Value increasing with the renewal premium.

Step 4. We will determine the **Total Accumulation Value** of the policies in the *Rewards Account* at the end of the calendar year. Every year the agent qualifies, we will **multiply the Accumulation Value by 20 basis points** (.0020) to determine the contribution we will make to the producer's *Compensation Account*. Once we transfer the money to the *Compensation Account*, it is immediately vested, and it will grow at an annually declared interest rate!

Step 5. We send an annual statement to all qualifying agents notifying them of the Accumulation Value in the *Rewards Account* and the money that was transferred to the *Compensation Account*.



loyalty



Qualifying Policies are held in the
PRODUCER'S REWARDS ACCOUNT

The Rewards Account and Compensation Account

This diagram below shows how Production Credits from single premium annuity sales provide for an award for the producer. (Remember, there are no limits to amount of Production Credits that a producer can earn.)

How the Accounts Grow...New and Old

When a producer continues to qualify each year he or she will:

1. Have the Accumulation Value of new policies added to the *Rewards Account*.
2. Have transferred to the *Producer's Compensation Account* 20 basis points on the Accumulation Value of all policies in the *Rewards Account*.



AFTER ONE YEAR:
Accumulation Value (AV)
= \$2,286,397

(Assumes earned interest and no surrenders)

AV x 20 Basis Points

**PRODUCER'S
COMPENSATION ACCOUNT**



\$4,573 = Year 1 Award

[AV x 20bps (.0020) + Interest] = Award

The Power of Savings and Tax Deferred Growth

Three Years of Qualification

The following example shows the results of an agent who has produced \$2,250,000 of SPDA premium in three consecutive years.

REWARDS ACCOUNT

Qualifying Policies from three years of sales.

2,250,000 in SPDA Year 1

2,250,000 in SPDA Year 2

2,250,000 in SPDA Year 3



**Increasing AV
in Rewards Account**
Year 1: AV= \$2,286,397
Year 2: AV= \$4,641,387
Year 3: AV= \$7,067,026

Assumes increasing Policy Accumulation Value by 3.0% interest credits with no withdrawals.

**PRODUCER'S
COMPENSATION ACCOUNT**



**Transfer to
Compensation Account**

\$4,573 = \$4,573*
\$4,710 + 4,573 = \$9,283
\$4,851 + 4,710 + 4,573 = \$14,134
**Total Values in Compensation
Account = \$23,694**

*Values in the Compensation Account grow at an annually declared rate of interest until paid to the producer.

AV x 20 Basis Points

trust

The following charts are examples of the *Compensation Account* growing based on single premium, flow and single premium, and flow premium. Each shows the results of an agent who produces 2,250,000 of Performance Plus Credits for 10 consecutive years but with a different mix of sales. The example assumes no policy withdrawals. The producer earns .0020 or 20 basis points on qualifying policies' Accumulation Value each year.

Over 10 years,
this Compensation
Account would grow
to \$295,113!

Contributions by Calendar Year

\$2,250,000 of Single Premium each Year									
Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
4,573	4,710	4,851	4,997	5,147	5,301	5,460	5,624	5,793	5,966
	4,573	4,710	4,851	4,997	5,147	5,301	5,460	5,624	5,793
		4,573	4,710	4,851	4,997	5,147	5,301	5,460	5,624
			4,573	4,710	4,851	4,997	5,147	5,301	5,460
				4,573	4,710	4,851	4,997	5,147	5,301
					4,573	4,710	4,851	4,997	5,147
						4,573	4,710	4,851	4,997
							4,573	4,710	4,851
								4,573	4,710
									4,573
Yearly Comp									
4,573	9,283	14,133	19,130	24,277	29,578	35,038	40,662	46,455	52,422
Compensation Account Growth at 3%									
Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
-	9,283	23,694	43,535	69,118	100,770	138,831	183,658	235,623	295,113

Over 10 years,
this Compensation
Account would grow
to \$212,271!

Contributions by Calendar Year

Flow Premium \$240,000 and Single Premium \$810,000 each Year									
Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
1,883	2,427	2,987	3,565	4,160	4,772	5,403	6,053	6,722	7,412
	1,883	2,427	2,987	3,565	4,160	4,772	5,403	6,053	6,722
		1,883	2,427	2,987	3,565	4,160	4,772	5,403	6,053
			1,883	2,427	2,987	3,565	4,160	4,772	5,403
				1,883	2,427	2,987	3,565	4,160	4,772
					1,883	2,427	2,987	3,565	4,160
						1,883	2,427	2,987	3,565
							1,883	2,427	2,987
								1,883	2,427
									1,883
Yearly Comp									
1,883	4,310	7,296	10,861	15,021	19,793	25,196	31,249	37,971	45,384
Compensation Account Growth at 3%									
Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
-	4,310	11,735	22,948	38,658	59,611	86,595	120,442	162,026	212,271

Over 10 years,
this Compensation
Account would grow
to \$165,671!

Contributions by Calendar Year

Flow Premium \$375,000 each Year									
Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
369	1,143	1,939	2,759	3,604	4,475	5,371	6,294	7,245	8,225
	369	1,143	1,939	2,759	3,604	4,475	5,371	6,294	7,245
		369	1,143	1,939	2,759	3,604	4,475	5,371	6,294
			369	1,143	1,939	2,759	3,604	4,475	5,371
				369	1,143	1,939	2,759	3,604	4,475
					369	1,143	1,939	2,759	3,604
						369	1,143	1,939	2,759
							369	1,143	1,939
								369	1,143
									369
Yearly Comp									
369	1,512	3,450	6,210	9,814	14,289	19,660	25,954	33,199	41,425
Compensation Account Growth at 3%									
Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
-	1,512	5,007	11,368	21,523	36,457	57,211	84,881	120,627	165,671



Compensation Account Payment

After the first qualifying year only, we will pay the agent the amount in the *Compensation Amount*. Thereafter, the amount in the Compensation Account will be paid out in a lump sum at the earlier of the agent's: (1) death, (2) total disability (as defined by Social Security), or a date determined by reference to the agent's deferral election selected by the agent at the program's inception. If an agent doesn't select a distribution option, then we will start making award payments each calendar year from the *Compensation Account*.

What happens if the Agent does not continue to qualify?

To continue participating in the *Performance Plus* program, an agent must not fail to qualify for any two years after the Rewards Account is established. Failure to do so will cause the values in the *Compensation Account* to be paid out and the agent to start completely over the next time a *Rewards Account* is established.

Grace Period

Once an agent has established a Rewards Account, he or she may stay in Performance Plus in a calendar year they do not produce 2,250,000 in Performance Plus Production Credits provided in that year they produce a minimum of 1,000,000 in Performance Plus Production Credits. We call that a Grace Year.

If the agent fails to produce 1,000,000 in *Performance Plus* Production Credits their participation in the *Performance Plus* program will terminate. No new policies will be added to the Rewards Account during a Grace year nor will any compensation be accrued or paid during a Grace Year. An agent has the potential of only one Grace Year, while actively participating in the *Performance Plus* program.

The Program

As you can see, this program richly rewards producers for their outstanding annuity production and for their continued business. We reserve the right to prospectively alter, modify or terminate the *Performance Plus* program

in all regards for calendar year 2012, and thereafter. Any amounts payable in cash under the *Performance Plus* program are solely the obligation of LSW and are subject to offset for any indebtedness owed to any company of the National Life Group®. If an agent is terminated For Cause under such agent's Agent Agreement with any company of the National Life Group®, then the agent will not be eligible for any *Compensation Account* payout.

Eligible Individual Producers and Qualifying Policies

The term "individual producer" refers to any person licensed as an agent with any company of the National Life Group® except for those excluded below or that we may add to the list of excluded persons in the future. The following categories of sales and agents are excluded from calculating Production Credits and/or being eligible for the *Performance Plus* program: a) sales by agents or agencies contracted through National Life Insurance Company, National Life Financial Alliance, or any other organization determined by NLGroup to be ineligible for participation; b) sales by agents assigned to a marketing organization which has elected not to participate in the *Performance Plus* program.

Non-Commissioned Agents ("NCAs")

NCAs may qualify for this *Performance Plus* program, however any award for which an NCA would otherwise be eligible will be awarded to the agent or agency to which the agent's commissions are assigned.

Qualifying Policies

The *Performance Plus* program only considers sales of LSW SPDA and Flex annuities provided that the following LSW annuity products are excluded from consideration: *SureRate* and *RetireMax Secure* annuities, unallocated group annuities and such other products from time-to-time as are determined and communicated by us.

For Further Details...

For more information, please contact your Regional Sales Director or the Annuity Sales Desk at 800-906-3310.



National Life Group® is a trade name of National Life Insurance Company, Montpelier, VT, Life Insurance Company of the Southwest (LSW), Addison, TX and their affiliates. Each company of National Life Group is solely responsible for its own financial condition and contractual obligations. LSW is not an authorized insurer in New York and does not conduct insurance business in New York.