



LSW SecurePlus Provider

Indexed Universal Life Insurance

Product Guide

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Products issued by

Life Insurance Company of the Southwest®

Experience Life®

National Life Group® is a trade name representing various affiliates, which offer a variety of financial service products.

800-906-3310 | www.NationalLifeGroup.com

Centralized Mailing Address: One National Life Drive, Montpelier, VT 05604 | Home Office: Addison, TX

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Quick Reference Guide

Providing lifetime protection options and flexibility.

SecurePlus Provider IUL, from Life Insurance Company of the Southwest, is a flexible policy which provides valuable lifetime protection through the death benefit, living benefits and the opportunity for cash value accumulation.

Product Focus:

- Flexible IUL providing lifetime protection, living benefits, cash value accumulation with powerful distribution options such as LIBR.
- Ideal for middle market individuals in their late 30's to early 50's with discretionary income to overfund their policy and who plan to use their policy for income needs later in life.
- Overfund IUL to take advantage of the Tax-Free Retirement Strategy¹ or LIBR

Highlights:

- **Income for Life** – With the Lifetime Income Benefit Rider, your clients have the potential to receive a stream of income for life – guaranteed!²
- **Underwriting** – No routine medical testing required for policies with a face amount of \$250,000 or less and age of 65 or lower.
- **Overloan Protection Rider**³ – Offers protection against policy lapse
- **Systematic Allocation Rider** – Available for large annual premiums to help balance interest rate fluctuations by allocating net premiums over a 12 month period into the index strategies.
- **Interest Enhancement** – 1.25% starting at the end of year 10.
- **Accelerated Benefits Riders**⁴ – At no-additional cost
- **Interest Crediting Strategies**
 - Fixed Strategy – 2% Minimum Interest Rate
 - Point-to-Point – Guaranteed 100% Participation Rate, based on S&P 500®
 - Point-to-Average – Guaranteed No Cap, based on S&P 500®
 - Point-to-Point, Cap Rate Focus – Based on MSCI Emerging Markets Index
- **Death Benefit Protection Rider** – Protects the policy from lapsing during the death benefit protection period.

Riders are optional, may be subject to underwriting, exclusions and/or limitations and may not be available in all states. The use of some riders may reduce or eliminate other policy or rider benefits.

¹ The use of cash value life insurance to provide a tax-free resource for retirement assumes that there is first a need for the death benefit protection. Policy loans and withdrawals reduce the policy's cash value and death benefit and may result in a taxable event. Withdrawals up to the basis paid into the contract and loans thereafter will not create an immediate taxable event, but substantial tax ramifications could result upon contract lapse or surrender. Surrender charges may reduce the policy's cash value in early years.

² The Lifetime Income Benefit Rider provides a benefit for the life of the insured if certain conditions are met, including but not limited to the insured's attained age being between 60 and 85 and that the policy has been in force for at least 15 years. Insufficient policy values, outstanding policy loans and other considerations may also restrict exercising the rider. Receipt of income benefits will reduce the policy's death benefit and cash value and may terminate other riders or reduce their benefits. There is a monthly charge during the income payment period. Guarantees are dependent on the claims paying ability of the issuing company.

³ Substantial limitations apply to exercising the Overloan Protection Rider, including the policy be in force for at least 15 years and the insured having attained the age of 75. Exercising the rider results in a paid-up policy. There is no cost for this optional rider, however there is a fee charged when the rider is exercised.

⁴ Payment of Accelerated Benefits may be a taxable event and may affect eligibility for public assistance programs. Clients should consult their personal tax advisor to determine the tax status of any benefits paid under this rider and with social service agencies concerning how receipt of such a payment will affect eligibility for public assistance. Rider benefits may vary by state.

Details

Issue Ages:	0 to 85 (age last birthday)	
Minimum Face Amount:	Initial Coverage: \$25,000	
Pension Minimum Face Amount:	Preferred: Initial: \$25,000 Standard: Initial: \$5,000 (\$25,000 in WA)	
Death Benefit Options:	Both Option A and B available	
Policy Protection Period:	5 years	
Minimum Premium:	\$25.00/month	
Maximum Premium:	Both GPT or CVAT Tests allowed	
Rate Classifications:	Preferred Non-Tobacco (issue ages 15-75) <i>Face amounts greater than \$250,000 or age greater than 65.</i> Verified Standard Non-Tobacco (issue ages 0-85) Express Standard Non-Tobacco (issue ages 0-85) Preferred Tobacco (issue ages 15-75) <i>Face amounts greater than \$250,000 or age greater than 65</i> Standard Tobacco (issue ages 15-85) Note: Verified Standard Non-Tobacco will be used for non-rated issue ages 0-14	
Substandard:	Table ratings and flat extras available with Verified Standard Non-Tobacco and Standard Tobacco classes.	
Account Value Enhancement:	Starting at the end of year ten, a 1.25% account value enhancement may be credited to the accumulated value annually (non-guaranteed).	
Minimum Interest Rate:	2% Fixed Strategy	
1035 Exchanges with Loans:	Allowed – up to 50% of gross transferred amount	
Surrender Charge:	There is a surrender charge if the policy is lapsed or surrendered in the first 10 years from issue or following an increase. Charges vary based on gender, rate classification, issue age, and policy year.	
Policy Loans:⁵	Available after the first policy year, both variable and fixed net cost – variable loan rate will never be greater than 2% above the basic strategy interest rate.	
Withdrawals:⁵	Available after the first policy year	
Expense Charges:	Monthly Policy fee \$5 Premium Load 5%	
Riders:	Accelerated Benefits Riders Accidental Death Benefit Rider Children’s Term Rider Disability Income Rider (2yr. & 5yr.) Death Benefit Protection Rider Guaranteed Insurability Rider	Lifetime Income Benefit Rider Other Insured Rider Overloan Protection Rider Systematic Allocation Rider Unemployment Rider Waiver of Target Premium Rider

⁵ Policy loans and withdrawals reduce the cash value and death benefit and may result in a taxable event. Surrender charges may reduce policy values in early years.

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Certain features of this contract may be indexed to an MSCI Index. This contract is not sponsored, endorsed, sold or promoted by MSCI, Inc. and MSCI bears no liability with respect to any such contracts. A more detailed description of the limited relationship MSCI has with Life Insurance Company of the Southwest accompanies the contract. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

Premium Payments

Premiums

Universal Life is a flexible premium product so premiums can be paid in various amounts and frequencies by the policy holder subject to the following limitations:

- Minimum premium: \$25.00⁶
- Maximum premium: Limit imposed by the IRS for qualifying the policy as life insurance.
- Payment mode: annual, semi-annual, quarterly, EFT

Although policy holders have premium flexibility with universal life, it is important to educate them on how paying smaller or larger premiums can impact their policy's cash value. If the policyholder's goal is to accumulate cash value that can be used down the road, for instance with the Tax-Free Retirement strategy¹ or by exercising the Lifetime Income Benefit Rider, then it is especially important to emphasize this and encourage them to fully fund their policy by paying premiums in excess of the minimum.

Insurance Premium Test

Under Section 7702 of the Internal Revenue Code, a policy will generally be treated as life insurance for federal income tax purposes if, at all times, it meets either the:

- Guideline Premium Test (GPT) - otherwise referred to as the DEFRA Limit or
- Cash Value Accumulation Test (CVAT)

Both tests require a set of corridor factors which are used to define the minimum amount of death benefit above the contract's accumulated value which must be maintained.

The GPT also places limits on the amount of premium that can be paid into a given contract. These limitations can have an effect on the ability to pay premiums and/or make changes to the policy such as taking a withdrawal or changing the death benefit option.

The CVAT places no limits on the amount of premium that can be into a given contract, but the CVAT corridor factors are generally higher than those required under GPT.

The policyholder may choose between using the GPT or the CVAT to demonstrate compliance with IRC Section 7702. The choice is made at issue and is irrevocable.

⁶ It is possible that coverage will expire when either no premiums are paid following the initial premium, or subsequent premiums are insufficient to continue coverage.

Death Benefit Options

Both Option A and Option B Death Benefits are available.

The death benefit will be paid in a lump sum unless a settlement option is elected. If the death benefit is paid in a lump sum, it will be increased with interest from the date of the insured's death (from the date of the second insured's death for survivorship policies) to the date of payment. The rate of interest will be declared periodically by the company, but not less than 2.5% per year or as mandated by law.

The policyholder may elect an Option A (level) or Option B (increasing) death benefit option.

Option A: Under Option A, the death benefit is equal to the greater of

1. the face amount; or
2. the accumulated value multiplied by the applicable corridor factor

Option B: The death benefit is equal to the greater of

1. the face amount plus the accumulated value; or
2. the accumulated value multiplied by the corridor factor

Comparison of Death Benefit Options A and B

Death Benefit Option A

The death benefit remains level and generally allows for the maximum potential growth in the accumulated value.

Death Benefit Option B

The death benefit equals the initial amount of coverage plus the accumulated value. The death benefit will vary based on the growth or decline in the accumulated value. This option is for clients who want additional life insurance protection. Also, Option B generally allows for more premium for those clients wishing to over fund their policies.

Change in Death Benefit Option

The policy's death benefit option can be changed from Option A to Option B, or B to A, once each policy year after the first policy anniversary. If a change would cause a policy to no longer qualify as life insurance for federal income tax purposes, the change will not be allowed.

Change from Option A (Level) to Option B (Increasing)

The face amount of the policy will be reduced by the accumulated value just prior to the effective date of the change.

Change from Option B (Increasing) to Option A (Level)

The face amount will increase by an amount equal to the accumulated value just prior to the effective date of the change.

In both cases listed above, the death benefit is the same before and after the change.

Change in Face Amounts

After the first policy anniversary the policy holder may apply for an increase or decrease in coverage subject to the following terms:

Increase in Face Amount:

- Satisfactory proof of insurability. (For Survivorship policies, satisfactory proof that both insureds are alive and insurability of at least one of the insureds.)
- The requested increase meets or exceeds the minimum increase amount of \$25,000.
- Each increase will have its own surrender charges and monthly per thousand of face amount administration charges.

Decrease in Face Amount:

- Decreases which would reduce the face amount of the policy below the minimum face amount will not be permitted.
- The total face amount of the policy, plus any additional protection benefit riders, may be no less than 75% of the largest total face amount in force at any time in the 12 months prior to the request.
- Decreases do not affect the level of surrender charges or administrative charges.
- A decrease will not be permitted if it causes the policy to fail the definition of life insurance test.

Each change in coverage will cause the Commissionable Target Premium (CTP) and Minimum Monthly Premium (MMP) to be adjusted.

Charges

Policy Protection Period

The policy protection period helps protect the policy against lapse and corresponds to the first five policy years. For the five year policy protection period, cumulative premiums paid less withdrawals, less debt must be greater than or equal to cumulative Minimum Monthly Premiums. There is no interest adjustment in this calculation. If the premium test is met and the policy has positive Accumulated Value net of debt then the policy will not lapse even if the Cash Surrender Value is zero. An increase in coverage does not initiate a new policy protection period. Premium payments just equal to the Minimum Monthly Premiums will ensure that a death benefit is payable under the policy, but this level of funding will not necessarily provide for the build-up of significant accumulated value in the policy.

Surrender Charges

Surrender charges apply during the first 10 years of the policy. A dollar amount per thousand of face amount, is set based on the issue age, sex, and rate class, multiplied by a percentage based on the number of years the policy has been in-force. The percentage declines linearly from 100% in year 1 to 0% in year 11. A face amount increase will have its own surrender charges associated with it.

Premium load: 5% of premium

Monthly Deduction

Monthly Expense Charge per 1,000 based on:
age, gender, rate class and face amount

Monthly Policy fee: \$5.00 per month

Monthly Cost of Insurance

Each month, the Cost of Insurance (COI) is deducted from the accumulated value. Guaranteed maximum COI rates shown in the policy are based on the 2001 CSO mortality tables. Current COI rates vary by age, gender and rate class. The current COI rates are guaranteed for the first five years.

Loans, Withdrawals and 1035 Exchanges

Loans⁷

Loans are available at any time after the first policy year. The policy will serve as the sole collateral for the loan. The policy must be in force and have positive cash surrender value at the time of the loan.

The amount available for a loan on any day is equal to the accumulated value on the valuation date, less the surrender charge on the valuation date, less three times the monthly deductions due on the last monthly policy date.

The interest rate charged on the loan will be a variable rate based on Moody's Corporate Bond Yield Average – Monthly Corporates, subject to a minimum rate of 3%. This is called the Variable Loan Rate (VLR). The maximum loan rate will never be greater than 2% above the basic strategy interest rate.

SecurePlus Provider offers two loan options

1. Variable Net Cost Loan
2. Fixed Net Cost Loan (after year 9)

The loan option is selected by the policy holder at the time the first policy loan is taken. The loan option may be changed upon request and such changes will take effect on the next anniversary.

Interest credited on loaned funds

1. Variable Net Cost Loans – All account values will remain in the various interest crediting strategies and loaned values continue to earn interest/index credits as if no loan had been taken from the policy.
2. Fixed Net Cost Loans – Loaned values are removed from the interest crediting strategies and transferred to a segregated loan collateral account where the money is credited at the Variable Loan Rate (VLR). Any outstanding loan amounts will reduce the death benefit upon death of the insured. Outstanding loans will reduce the cash value available on surrender of the policy and may result in a taxable event.

Overloan Protection Rider

Policy loans from SecurePlus Provider are received income-tax free. If the policy lapses, with outstanding policy loans, there could be taxable income to the policy holder. In the event loan balances threaten the contract's ability to stay in-force, and the terms of the rider are met, the Overloan Protection Rider will restructure the policy so it will not lapse. Substantial limitations apply to exercising the Overloan Protection Rider, including that the policy be in force at least 15 years and the insured having attained the age of 75. There is a cost when the rider is exercised. Riders are optional and may not be available in all states.

⁷ Policy loans and withdrawals reduce the policy's cash value and death benefit and may result in a taxable event. Except in the case of a Modified Endowment Contract (MEC), withdrawals up to the basis paid into the contract and loans thereafter will not create an immediate taxable event, but substantial tax ramifications could result upon contract lapse or surrender. For MECs, policy loans and withdrawals are considered withdrawals and treated as taxable income to the extent there is gain in the policy and may also be subject to a 10% penalty for early withdrawals. Surrender charges may reduce the policy's cash value in early years.

Withdrawals⁷

At any time after the first policy year, a policy holder may withdraw funds from the contract's cash surrender value subject to the following terms:

- A fee up to \$25 may be charged at the time of withdrawal.
- The amount of withdrawal may not exceed the cash surrender value minus three monthly deductions due on the last monthly policy date.
- A withdrawal will not be permitted if it will reduce the face amount below the minimum face amount for the policy or if it would cause the policy to no longer qualify as life insurance for federal income tax purposes.
- The accumulated value will be reduced by the amount of the withdrawal plus the withdrawal fee, if any.
- The minimum withdrawal amount is \$100 for pension.
- If death benefit Option A is in effect, the face amount of the policy will be reduced by an amount equal to the amount of the withdrawal plus the withdrawal fee, if any.

Policy loans and withdrawals reduce the policy's cash value and death benefit and may be a taxable event. Surrender charges may reduce the policy's cash value in early years. Outstanding policy loans will restrict the Lifetime Income Benefit rider from being exercised

1035 Exchanges

SecurePlus Provider IUL accepts 1035 Exchanges, including 1035 Exchanges with loans up to 50% of the gross exchange amount. For 1035 Exchanges, loans are available at issue, the policy holder has the option of a Variable Net Cost Loan or a Fixed Net Cost Loan but will default to Variable Net Cost Loans.

Understanding Interest Crediting

Indexed Universal Life (IUL) offers death benefit protection and the potential for cash value accumulation based on interest credited from a major market index.

Life Insurance creates an immediate reservoir of funds that, at death, can be used to help protect the financial security of your client's family or to help maintain their business.

In addition to the death benefit, IUL insurance also offers the potential to build cash value, on a tax-deferred basis, which may be accessed income tax-free during your client's lifetime through policy withdrawals and loans.

The cash value accumulation is dependent on the interest crediting rate paid by the insurance company on the premiums in excess of the insurance costs. Besides the fixed interest crediting strategy, our IUL products offer the option to have interest credited based on the changes in either the S&P 500[®] Index or the MSCI Emerging Markets Index. The S&P 500[®] offers either a point-to-average or point-to-point strategy and the MSCI Emerging Markets offers a point-to-point strategy.

How do the indexed strategies' cap and participation rates work?

Our indexed products offer a number of different strategies. At first glance, they may seem confusing, but they all function in the same basic way.

All of our indexed strategies credit interest by measuring differences in the elected index. IUL products do not directly invest in the index or in any other securities.

Each indexed strategy has a participation rate. The participation rate determines what percentage of the index change is used in the calculation of credited interest. The participation rate can be less than or greater than 100%.

Some of the strategies also have a cap rate. The cap rate limits the amount of interest that a strategy will credit.

Index Strategies

Indexed strategy credited interest is determined by applying the participation and cap rates to the change in the selected index.

First, the change in the index is determined. This is measured over the course of a year. Each starting point or initial level is determined as of the 21st of each month. Premiums allocated to an indexed strategy will enter the strategy on the 21st of each month. If the premium is paid after the 21st of a given month it will be placed, or swept, to its allocated strategy on the 21st of the following month.

The starting index value is compared to the ending index value exactly one year later on the 21st of the 12th month. If the ending value is less than the starting value, the interest credit is 0%. This is the guaranteed floor of the indexed strategies and is often referred to as the “downside protection” offered by indexed products.

If the ending value is greater than the initial value, the percent change is calculated— $(\text{the ending value}) / (\text{the beginning value}) - 1 = \text{the \% change}$. This percent change is then multiplied by the participation rate. If there is also a cap rate, this value is compared to the cap rate. If the value is greater than the cap rate, the credited rate is equal to the cap rate. If it is less than the cap rate or if there is no cap rate, the value is the credited interest.

Point-to-Point vs. Point-to-Average

Our Point-to-Average Strategy is slightly different from the Point-to-Point strategies that are explained above. There is no difference in the initial point used for measuring index change. The difference is that the ending point in the Point-to-Average Strategy becomes the average of all daily index values, as measured at the end of each market day, over the course of the year.

Which strategy is best?

A question that comes up often is which strategy is best? Many people assume that the strategy with the highest illustrated rate will perform the best since maximum illustrated rates are determined by historical index results. However, as we see again and again, past performance is not an indicator of future performance.

In fact, there is no way to know which indexed strategy will perform the best, either over the long term or the short term. There are several things that could be considered “best practices” when determining indexed strategy allocations.

When paying a large single premium or lump sum as in a 1035 exchange, it may be prudent to allocate at least a portion of the payment to the Point-to-Average Strategy rather than a Point-to-Point Strategy to minimize a potential “eggs-in-one-basket” situation. Better still, it may be better to allocate a portion of a large single premium to the Fixed Strategy. Then funds could be periodically moved from the Fixed Strategy to the indexed strategies.

The Fixed Strategy is a fixed interest strategy that credits a declared interest rate. It is not reliant on any index. The Fixed Strategy functions exactly like the fixed accounts we have on our regular Universal Life policies. Any amount of policy value and premium payments can be allocated to the fixed account.

Allocations can also be divided among some or all of the strategies. There is no way to predict which strategy will perform the best, but by spreading the allocation across all of the strategies, you can potentially capture at least some of the best returns. Another option is to use the Systematic Allocation Rider which can be added to any of our indexed universal life policies. Systematic Allocation allows your clients to use a lump sum or 1035 exchange and spread the premium out over a 12 month period rather than dumping it into the policy all at once. By spreading the premium out over the course of a full year, clients can capitalize on potential interest rate crediting dates and reduce interest rate risk associated with one annual crediting anniversary.⁸

⁸ Systematic Allocation does not guarantee an advantage over the annual crediting method.

How do the companies of National Life Group invest to provide indexed credits?

Our insurance companies do not invest directly in the S&P 500® to provide indexed strategy credited rates. We transact in options to provide indexed credits as part of investment strategy known as hedging. Hedging is an investment technique designed to reduce or eliminate financial risk.

To deliver indexed credits, we purchase one year calls on the S&P 500® and MSCI Emerging Markets indices in sufficient quantity to cover the portion of account value eligible to receive indexed credits. If the index increases we exercise our call options and receive amounts needed to cover our indexed credited obligations.

On strategies with cap rates, it is possible to offset the cost of purchasing the necessary call options by simultaneously selling call options. The calls we sell give the excess return of the index, above what is needed to cover our interest crediting expenses, to the purchaser of the call.

How are the cap and participation rates determined?

Cap and participation rates are determined by several factors. The most obvious factor is the price of options. Generally, as option prices increase, cap and participation rates decrease. A number of financial factors cause option prices to increase. An important driver of option costs is index volatility. The more volatile the underlying index is, the higher the option costs are. The index price level, the risk-free interest rate, and the option “strike” price are also factors in determining option prices.

Since Indexed Universal Life is a fixed insurance product, it is backed by assets in our General Account. These assets earn investment income. But the amount of this investment income can vary as interest rates change. Generally, the more investment income the company earns, the more we have to purchase options and the higher our cap and participation rates will be. In times of depressed investment earnings, the less we have to spend on options to back our indexed strategies and the lower our cap and participation rates will be.

How are renewal cap and participation rates determined?

For our products with one-year strategy terms, our renewal cap and participation rates have been the same as our new money rates. Determination of the renewal rates for one year strategies is identical to the determination of the rates for new money.

All of our indexed products are managed on a portfolio rate basis. This means that all assets backing the account value and all investment income from those assets are aggregated.

How are maximum illustrated rates determined?

Our maximum illustrated rates for each strategy are determined by applying our current cap and participation rates to every hypothetical index return sequence since 1984 for the S&P 500® and since 1988 for the MSCI Emerging Markets Index. In other words, we model the returns as though our products had been available since January 1984 and assume that money was deposited each month for the entire “look-back” period. The average annual return is calculated and becomes the maximum illustrated rate. Obviously, “back-casting” to determine maximum illustrated rates only compares the strategies’ hypothetical historical results and can’t be used to predict future results. In addition, some states limit the maximum rate allowed to be illustrated on indexed products, so illustrations in those states will reflect that limit.

What is the difference between a 5-year strategy and a 1-year strategy?

Our products with 5 year strategies require that money allocated to those strategies remain in the strategy for 5 years before they can be reallocated.

Our products with 1 year strategies allow reallocation after 1 year.

How often can allocation changes be made?

Allocations can be changed at any time. But money already in a strategy will only be reallocated according to any changes at the end of the strategy term.

What is the Basic Strategy?

The Basic Strategy is a fixed account and does not earn indexed interest credits. When paid, all premiums are allocated to the Basic Strategy prior to being allocated according to allocation instructions. Once an amount equal to the estimated amount of insurance charges for the next 12 months is in the Basic Strategy, excess amounts will be moved to the indexed strategies and Fixed Strategy according to the desired allocation. Amounts in the Basic Strategy also earn daily interest at an annual equivalent rate at least equal to the policy's minimum guaranteed interest rate.

How do loans work?

Policy loans are a contractual right of all permanent cash value life insurance. That means the policyowner has the right to borrow money from the insurance company by using policy cash values as collateral for the loans. Other than having sufficient policy cash value to use as collateral, there is no condition on being able to borrow money from the insurance company.

The mechanics of a life insurance policy loan are slightly different from a regular loan. Since the insurance company is lending and needs to earn a return on its assets, loan interest is charged on the amount borrowed. This interest can be paid as it is due or it can be "capitalized" by adding it to the amount borrowed thus increasing the policy debt.

We use variable loan interest rates on our policies. Variable loan rates may not exceed an amount determined from the current Moody's Composite Yield on seasoned corporate bonds. Current variable loan rates are determined monthly by the company. However, for a given policy, the loan rate is only reset annually on the policy anniversary.

A policy loan differs from a normal loan because, while the loan is being charged interest, the collateral is also earning interest.

We offer two types of loans to our Indexed Universal Life policyowners: fixed net cost and variable net cost loans.

For our Fixed Net Cost Loans, loan collateral is moved to a special fixed account where it will earn an interest rate that is a fixed spread below the interest rate being charged on the loan. We also offer preferred loan terms that eliminate the spread between interest earned and interest charged after 10 policy years. These are often referred to, somewhat inaccurately, as "wash" or "zero-net-cost" loans.

In addition to offering fixed loan provisions described above, we extend "Variable Net Cost" loan provisions to policyowners. Variable net cost loans are unique to indexed universal life.

A Variable Net Cost loan provision means that loan collateral remains in the indexed strategies and earns indexed interest credits even while being used as loan security. The loan interest rate is charged normally. So, in times when indexed interest earnings exceed policy loan interest rates, IUL policyowners will actually earn more on collateral amounts than they are charged on the loan amounts. Obviously the opposite condition, or being "upside down" can be very harmful to the insurance policy.

An owner can switch the loan type once per policy year without paying off the existing loan. This can be a policy-saving difference if loans ever go upside down.

There are a couple of things to remember about policy loans:

1. Insurance deductions continue even if there is a loan, so sufficient unloaned account value must remain or extra premium payments may need to be made to continue coverage, otherwise a policy may lapse causing adverse tax consequences on loan amounts already received and loss of the policy and coverage.
2. Policy loan amounts reduce cash surrender values and policy death benefits.
3. Loans can be repaid; amounts meant for loan repayment should be clearly designated as such otherwise they will be considered premium payments.

How do withdrawals work?

In contrast to a policy loan, withdrawals are an actual removal of cash surrender value from the policy. Withdrawals may be taken for any amount up to the cash surrender value of the policy less 3 monthly deductions. There is a withdrawal fee assessed on withdrawals.

The portion of the cash surrender that consists of premiums paid into the policy is known as “basis” with any amounts above that considered gains. Cumulative withdrawals up to the basis amount are non-taxable provided premiums were paid with after-tax money. Withdrawal amounts above basis are taxable as income. Once the basis is withdrawn from a policy, it is usually advisable to switch to loans to access any additional cash surrender value. This avoids any immediate tax consequence, but it is important to keep the policy in force, otherwise the loans become taxable on policy lapse.

For fixed loan types and for fixed Universal Life contracts, the most efficient way to draw on policy cash surrender value is often to use withdrawals up to basis and then take policy loans for further cash flow. Keep in mind that loans and withdrawals reduce the cash surrender value and the death benefit of the policy.

Example

Let’s assume an Index Segment has a Participation Rate of 110%. If the Index Growth, comparing the Starting Index Value to the Average Daily Value of the Index, is 10%, that Index Segment would be credited 11% (10% increase times 110% Participation Rate and no Cap).

Available Index Strategies

Point-to-Point, Cap Focus Index Strategy

(available on both the S&P 500® Index and the MSCI Emerging Markets Index) The Cap Focus Index Strategy guarantees that the Participation Rate will always be greater than or equal to 100% for both the S&P 500® and the MSCI. This strategy will always provide a higher Cap than the Participation Rate focused strategy. The guaranteed minimum Cap for the S&P 500® is 3.1%; 3.0% for SecurePlus Provider policies and is 3.0% for the MSCI Emerging Markets Index.

Point-to-Point, Participation Rate Focus Index Strategy

(available on the S&P 500® Index) The Participation Rate Focus Index Strategy guarantees that the Participation Rate will be at least 110%; 100% for SecurePlus Provider policies. Since this strategy is designed to provide a higher Participation Rate, it will have a lower Cap. The guaranteed minimum Cap is 3.0%.

Point-to-Point, No Cap Index Strategy

(available on the S&P 500® Index) The No Cap Index Strategy applies no Cap and is, therefore, balanced by a lower Participation Rate. The guaranteed minimum Participation Rate is 25%.

Point-to-Average Index Strategy

(available on the S&P 500® Index) The Point-to-Average Index Strategy is guaranteed to have no Cap. The guaranteed minimum Participation Rate is 30%.

Indexed Interest Crediting Glossary of Terms

Basic Strategy

The account where all premiums are initially paid. Charges are taken from the Basic Strategy. If value in the Basic Strategy is not enough to cover the charges, charges will be taken from the Fixed-Term Strategy and the Index Strategies.

Basic Strategy Sweep Date

The 21st of the month. This is the date that funds in the Basic Strategy, in excess of the minimum value, will be allocated to the chosen interest crediting strategies.

Cap

The maximum annual effective interest rate than can be credited to an Index Segment.

Daily Average of the Index

The arithmetic average of all the published daily ending values of the Index for a 12 month period.

Ending Index Value

The value of the Index at the end of the day an Index Segment ends.

Fixed-Term Strategy

A rate of interest declared by the company will be credited to this account daily.

Guaranteed Interest Rate

This is the predetermined minimum rate of interest earned.

Index

The indices used are the S&P 500® Index or the MSCI Emerging Markets Index.

Index Segment

Each time premiums are transferred from the Basic Strategy to an Index Strategy a new Index Segment is created.

Indexed Interest

The interest credited to an Index Segment using either the Point-to-Point or Point-to-Average strategy.

Participation Rate

The percentage applied to the Index Growth used in the formula to calculate the Indexed Interest for an Index Segment.

Point-to-Average

Compares the Starting Index Value of an Index Segment to the Daily Average of the Index Segment to determine the Index Growth.

Point-to-Point

Compares the Starting Value of an Index Segment to the Ending Value of that same Index Segment to determine the Index Growth.

Policy Segment Year

The 12-month periods, beginning when an Index Segment is created, used to determine the Indexed Interest earned on the value of the Index Segment.

Starting Index Value

The value of the Index at the end of the day an Index Segment begins.

Individual Insurance Strategies

Prospect Profile #1:

Prospects who are looking for death benefit protection and the accumulation of cash value to assist with lifetime expenses such as education costs, and or supplemental retirement income.

The tax-deferred accumulation of cash value and tax favored distributions make SecurePlus Provider an effective vehicle to build cash value in the simplest to most complex situations. From a distribution perspective, SecurePlus Provider performs very well in the market and it offers strong distribution options, including the Lifetime Income Benefit Rider or optional Tax-Free Retirement Strategy and you have a powerful story to tell your clients!

For individuals making a large annual premium payment, the Systematic Allocation Rider provides the opportunity to spread the net premium over multiple crediting periods. This rider also would make gifting to an IUL more attractive since most gifting includes single sum premiums or large annual premiums.

Clients may also want to use their cash value to reduce their premium payments during their retirement years.⁷

In order for clients to take complete advantage of SecurePlus Provider's flexibility and the exciting planning opportunities it offers, they should be encouraged to pay more than the minimum premium (full pay/ overfund).

By doing so, they will have the potential for higher cash values allowing them to make the most out of their policy, whether it be for:

- College expenses for children
- Tax-free retirement¹
- Lifetime Income, guaranteed, once qualifications have been met and the rider has been exercised²
- Premium flexibility during retirement⁶

Business Market – Prospect Profile #2:

Business owners who have a business partner or key employee. The Business owner may be interested in ways to:

- Protect the business against the loss of the business partner or key employee
- Provide benefits to the business partner, key employee(s)
- Build retirement security for themselves
- Attract, retain and reward top talent
- Create a business transition plan

SecurePlus Provider may be the ideal solution for business owners who want to fund a buy-sell agreement, executive bonus plan, and non-qualified deferred compensation arrangements.

The death benefit provides funds to support the business during a loss of a key player or through a transition.

By providing premium flexibility, upside cash value accumulation through the indexed strategies, and optional benefits in the event of a chronic, critical or terminal illness, SecurePlus Provider is ideal for business planning situations.

Estate Planning Strategy – Prospect Profile #3

Individuals in their retirement years who have had successful careers, built significant assets and are interested in developing a strategy that will allow them to pass on their assets in the most tax-efficient way.

Large estates can be exposed to significant settlement costs whether through gift and estate taxes, probate expenses or costs to administer the estate.

SecurePlus Provider provides liquidity to help cover these costs and protect assets that may otherwise have to be sold in less than ideal conditions. Plus, clients have access to Accelerated Benefits Riders⁴ in the event they are diagnosed with a terminal, chronic or critical illness. These living benefits will provide funds to help meet expenses associated with the illness which in turn protects their assets from possible expense erosion related to a chronic, critical or terminal illness.

Accelerated Benefits Rider (ABR)

Refer to the ABR Agent Guide for more details.

ABR for Terminal Illness (ABR1)

Accelerates death benefit during lifetime for terminal illness

Overview

Riders are supplemental benefits that can be added to a life insurance policy and are not suitable unless the client has a need for life insurance. ABR is a no additional premium rider that allows for the death benefit, on a discounted basis, to be accelerated during lifetime, for terminal illness. A unique feature about ABR is that benefits do not have to be used to defray actual expenses associated with the terminal illness. They could be used for such things as making structural changes to a home to accommodate the illness, compensating a non-licensed care provider, etc.

Terminal Illness Definition

Terminal Illness benefit advances payment, under certain circumstances and on a Discounted basis, payment of all or part of the policy's death benefit prior to the death of the insured. The accelerated payment can be made if the Insured is suffering from a terminal illness that will result in death within 24 months.

Note: (12 months in CT & PA).

ABR Terminal Benefit

The amount of benefit available for ABR payout is based on a discount factor of the death benefit amount. The amount accelerated will reduce the death benefit, the cash value and the loan value. There is no annual limit placed on benefits received, but there is a lifetime max of \$1,500,000 per insured. A summary of the projected discounted death benefit amount can be illustrated through the NLGroup illustration system.

Accelerated Benefits Riders (ABR)

Refer to the Accelerated Benefits Riders agent guide for more details.

ABR for Chronic Illness (ABR2)

Accelerates death benefit during lifetime for chronic illness

Overview

Riders are supplemental benefits that can be added to a life insurance policy and are not suitable unless the client has a need for life insurance. ABR is a no additional premium rider that allows for the death benefit, on a discounted basis, to be accelerated during lifetime, for chronic illness. A unique feature about ABR is that benefits do not have to be used to defray actual expenses associated with the chronic illness. They could be used for such things as making structural changes to a home to accommodate the illness, compensating a non-licensed care provider, etc. however ABR proceeds in the state of MA can only be used to pay for expenses incurred for Qualified Long-Term Care Services.⁹

Chronic Illness Definition

A chronically ill individual is one who has been certified, within the past 12 months, by a licensed health care practitioner as being unable to perform, without substantial assistance, at least 2 out of 6 activities of daily living - ADLs - for a period of at least 90 days due to a loss of functional capacity. The six activities are defined as eating, toileting, transferring, bathing, dressing and continence. Cognitive impairment may also qualify.

ABR Chronic Benefit

The amount of benefit available for ABR payout is based on a discount factor of the death benefit amount. The amount accelerated will reduce the death benefit, the cash value and the loan value.

Generally, once the policy has been in force for 2 years, Life Insurance Company of the Southwest will accelerate 2% of the net death benefit each month or 24% annually, not to exceed the annual limit or lifetime maximum of \$1,500,000 per insured. A summary of the projected discounted death benefit amount can be illustrated through the NLGroup illustration system.

⁹ Qualified Long-Term Care Services: The necessary diagnostic, preventative, therapeutic, curing, treating, mitigating and rehabilitative services, and maintenance or personal care services that are required by a chronically ill individual and are provided pursuant to a plan of care prescribed by a licensed health care practitioner.

Accelerated Benefits Riders (ABR)

Refer to the Accelerated Benefits Riders agent guide for more details.

ABR for Critical Illness (ABR3)

Accelerates death benefit during lifetime for critical illness

Overview

Riders are supplemental benefits that can be added to a life insurance policy and are not suitable unless the client has a need for life insurance. ABR is a no additional premium rider that allows for the death benefit, under certain circumstances and on a discounted basis, to be accelerated during lifetime, for critical illness. A unique feature about ABR is that benefits do not have to be used to defray actual expenses associated with the critical illness. They could be used for such things as making structural changes to a home to accommodate the illness, compensating a non-licensed care provider, etc.

Critical Illness Definition

ABR 3 accelerates the death benefit when a client is suffering from a triggering illness.^{9,10} Triggering illnesses include:

- Heart Attack
- Cancer
- Stroke
- Blindness
- End Stage Renal Failure
- Major Organ Transplant
- ALS (Lou Gehrig's Disease)¹¹

ABR Critical Benefit

The amount of benefit available for ABR payout is based on a discount factor of the death benefit amount. The amount accelerated will reduce the death benefit, the cash value and the loan value. There is no annual limit placed on benefits received, but there is a lifetime max of \$1,000,000 per insured. A summary of the projected discounted death benefit amount can be illustrated through the NLGroup illustration system.

The critically ill client can request a full acceleration or partial acceleration of the policy's death benefit in the form of a lump sum. The level of discounting applied to the death benefit varies depending on the insured's age and the severity of the critical illness.

¹⁰ Covered Critical Illness in the state of Massachusetts includes: End stage renal disease; Coronary artery disease resulting in acute infarction vascular or requiring surgery; Major organ transplant; Permanent neurological deficit resulting from cerebral vascular accident; Diagnosis of an invasive malignancy characterized by the uncontrolled growth and spread of malignant cells and the invasion of tissue. Cancer does not include: Stage A Prostate Cancer; Any skin cancer except invasive malignant melanoma into the dermis or deeper; Premalignant lesions, benign tumors, or polyps; and Carcinoma in-situ.

¹¹ Upon diagnosis

Accidental Death Benefit Rider (ADB)

Provides extra death benefit if death results from accidental injury

Overview

Accidental Death Benefit Rider (ADB) provides an additional death benefit, for the rider amount, in the event death results purely from accidental bodily injury. If death results while the insured is a fare-paying passenger in a public conveyance operated by a common carrier for passenger service, the benefit amount of the rider is doubled.

The rider provides coverage and does not terminate until attained age 70. Premiums are payable through attained age 70.

The ADB Rider is appropriate for individuals who want additional benefits for their beneficiaries should they die by reason of an accident.

Availability

The ADB Rider may be added at or after issue and is not available for policies rated more than 200%, for policies rated more than \$5.00 per thousand for two or more years, or for certain occupations, aviation or avocations. It is also not available on Express Standard Non-Tobacco 2 rate class

Available issue ages: 0-60

Ratings and Amounts

- The ADB rider can be rated at 150% or 200%
- Minimum Rider Amount: \$10,000
- Maximum Rider Amount
Lesser of the sum of the base policy face amount and the amount of any Additional Protection Benefit riders, or \$250,000.

Charges

There is a charge for this rider.

Children's Term Rider

Provides term coverage on insured's children.

Overview

The Children's Term Rider provides term life insurance on all of the insured's children until they reach age 23. Each child is covered for the same selected benefit amount. Children born or adopted after issue (after they reach the age of 15 days), and dependent step-children living in the insured's home will be covered as well.

The rider can be converted while in force and within 31 days of the insured's death; within 31 days of the dependent child's marriage; or within 31 days of the policy anniversary following the dependent child's 23rd birthday.

The children's coverage is convertible for double the rider face amount when the child reaches age 23 or marries, or at the death of the primary insured.

Availability

- Issue ages 15 days - 16 years
- Rider stays in force until the policy anniversary following the last covered child's 23rd birthday, as long as the base policy remains in force.
- Minimum rider amount - \$5,000
- Maximum rider amount - \$25,000
- Are a level amount per \$1,000, regardless of the number of children covered.

Disability Income Rider

(2 year and 5 year)

Provides a fixed monthly benefit in the event of total disability.

Overview

Riders are supplemental benefits that can be added to a life insurance policy and are not suitable unless the client has a need for life insurance. The Disability Income Rider (DIR) is available with either a two-year or a five-year period. Both options provide for a fixed monthly benefit if the insured is totally disabled and unable to work. Both provide coverage for disabilities due to either sickness or accident. DIR coverage is not available on rated classes. Certain occupations are not eligible for coverage. Policy premiums are not waived under the DIR.

Availability

- Issue ages - 18-55 (age nearest birthday)
- DIR is available to the Primary Insured on the policy, as well as to the Primary Other Insured on an Other Insured Rider.
- Coverage stays in force until the policy anniversary following the insured's 65th birthday, as long as the insured's life insurance coverage and the base policy remain in force.
- Minimum benefit amount is \$300/month.
- Maximum benefit amount is \$2,000/month, subject to underwriting and any state limitations. The DIR benefit amount cannot exceed 60% of gross monthly income (40% in California) or \$20 per \$1,000 of life insurance. For example, a \$2,000 DIR must be attached to a base policy of at least \$100,000.
- Rider benefit amounts cannot be increased or decreased after issue. However, an additional DIR may be added after issue, subject to underwriting and the maximum benefit limits.

Eligibility

The DIR with the two-year maximum benefit period has a three month waiting period. Benefits are paid retroactively after the waiting period, from the date of disability. Disability is defined as the insured being unable to perform the duties of his or her occupation.¹² The DIR with a five-year maximum benefit period has a six month elimination period. No benefits are paid retroactively for the elimination period.

Charges

Charges vary with issue age and remain level for the term of the rider and are deducted on a monthly basis.

¹² In South Carolina, "Disability" is defined as the insured's inability to perform the duties of his or her occupation during the first year of disability and the inability to perform the duties of any occupation for which he or she is suited thereafter.

The Disability Income Rider is an optional rider, available at an additional cost, and may not be available in all states.

Death Benefit Protection Rider (DBPR)

Protects the policy from lapsing during times of tight cash flow.

Overview

The Death Benefit Protection Rider (DBPR), available at no additional charge, provides additional policy protection against policy lapses. It can be of particular security for those clients looking to purchase IUL for its upside potential but are fearful they may encounter a period in their lives, such as a job loss, where they will not be able to appropriately fund their policy.

The short term Death Benefit Protection Rider (DBPR) ensures that, during the (DBPR) Period, the policy will not lapse even if the Cash Surrender Value is less than or equal to zero. This is provided that the accumulation with interest of the premiums paid by the policyholder less withdrawals accumulated with interest and policy debt equals or exceeds the accumulation with interest of Monthly Guarantee Premiums (MGP). If on any Monthly Policy Date the minimum premium requirement is not met, notification will be sent to the policyholder that the rider will be cancelled if a specified premium is not paid within 61 days from the date we mail notice. Once the rider has lapsed it can not be reinstated.

Availability

- Automatically added to all new issue applicable policies and is not available for in-force policies.
- Available for issue ages 0 through 75 and the period will be expressed as a number of policy years as well as be measured from policy date.
- The maximum period is 20 years.
- The Rider will apply to the base coverage and any rider applicable to the insured.
- If the premium exceeds the Guideline Level premium the benefit will not be permitted.
- This Rider is not available if the APB Rider is elected.

Guaranteed Insurability Rider

Increase coverage without evidence of insurability

Overview

The Guaranteed Insurability Rider (GIR) allows the insured to increase coverage without evidence of insurability during specified option periods.

Availability

Issue Ages:	0 – 37
Minimum Option Amount:	\$5,000
Maximum Option Amount:	Lesser of policy's total face amount and \$50,000
Substandard:	This rider is not available on substandard policies and will not be issued with ratings.
Available After Issue:	Yes
Termination:	Coverage under this rider will terminate on: The policy anniversary following the insured's 40th birthday.

Charges

There is a charge for this rider.

Lifetime Income Benefit Rider™ (LIBR)

Growing old in America isn't what it used to be, and in many ways, that's a good thing. People are not only living longer, they have better educations – resulting in better health, higher income and a higher standard of living in retirement.

But there is a flip side to the coin. As Americans continue to live longer a new challenge presents itself: **“How do I make sure my retirement income lasts?”**

The life insurance companies of National Life Group provide life insurance products that help provide your clients and their families security if they Die Too Soon. But what if they Live Too Long?

The Lifetime Income Benefit Rider, once exercised, guarantees your clients income for life – that's money they cannot outlive.

Consumer Profile

- LIBR may be ideal for your clients who want death benefit protection in case they die prematurely, but also want the option to use their policy to supplement their retirement income when survivor protection is no longer a concern.
- Plus, your clients still retain a portion of the death benefit protection with LIBR – even if they exercise their lifetime income benefit, they will always maintain at least a \$15,000 death benefit.

Specifications

Product Availability

LIBR is automatically added to all new eligible policies and is available for eligible inforce policies upon policy holder's request.

Issue Ages: 0-70

Exercise Age Limits

Cannot be exercised before age 60 or after age 85.

Benefit Amount

A defined income base is used in determining the benefit payments available. Benefit payments may be monthly, quarterly, semi-annually or annually.

Waiting Period

15 years. Any face amount increases during this period will trigger the start of a new waiting period.

Death Benefit Option

Available for both Death Benefit Option A and B. If Option B is elected, it will automatically be switched to Option A when LIBR is exercised, as long as the policy still qualifies as life insurance under the Internal Revenue Code. Otherwise, the policy will remain under Option B and the benefit payment will be based on a lower Base Payout Percentage.

Definition of Life Insurance

Only available with GPT, not available for CVAT policies

LIBR is available for both MEC and Non-MEC policies.

How does LIBR work?

LIBR is automatically added to eligible policies at issue. LIBR gives the insured an option to exercise the rider once certain conditions have been met, and receive a lifetime stream of income – guaranteed. There is no additional charge to add the rider to the policy, but there is a monthly charge from the accumulated value during the income payment period. The guaranteed lifetime income is deducted from the policy's account value through policy loans, consequently reducing the policy's cash value and death benefit. The policy owner retains full rights, and control over, the accumulated value until a minimum threshold criterion is obtained.

Once the minimum threshold of the cash surrender value is met, the amount of each subsequent benefit payment will be credited into the policy as an interest bonus to the basic strategy, and the benefit payments will continue to be funded as fixed net cost loans for the life of the insured. Because the benefit payments are funded as fixed net cost loans, they will not be taxable if the policy is not a Modified Endowment Contract.¹³ The death benefit will never be reduced to less than \$15,000 and the cash surrender value not less than \$1,000.

¹³ This information is not intended as tax or legal advice. For advice concerning your own situation, please consult with your appropriate professional advisor.

Are Benefit Amounts Guaranteed?

The benefit is not guaranteed until LIBR is exercised. Once exercised, the income base is set equal to the cash surrender value and is used to calculate benefit payments.

Are Benefits Taxable?

For Non-MEC policies, benefit payments are taken as policy loans, and policy loans are not taxable. For MEC policies, benefit payments are subject to income tax. Policy owners may want to consult with their tax advisors.

What are the eligibility requirements to exercise LIBR?

In addition to meeting issue ages, exercise age limits and the waiting period, conditions include, but are not limited to, the following:

- Any outstanding policy loans must be repaid in full;
- The policy's death benefit ratio is less than or equal to the maximum death benefit ratio, where the death benefit ratio is equal to the death benefit divided by the cash surrender value at the time of exercise;
- Benefit payments are greater than or equal to \$100.

Are premium payments still required once LIBR is activated?

No, once the rider is exercised additional premiums cannot be paid, unless the policy holder has decided to temporarily suspend income payments.

Can Income Payments be Stopped and Restarted?

Yes, income payments can be suspended temporarily and can be resumed at any time up to and including the insured's attained age 85. However, income payments may only be suspended or resumed once per policy year.

While income payments are suspended, no LIBR rider charge will be deducted from the policy. Policy holders can make premium payments, loan repayments, request face amount increases or decreases or take partial withdrawals and policy loans - but only while income payments are suspended. Death benefit option changes cannot be requested.

Once income payments are restarted, the new benefit payments will be guaranteed to be at least as much as the prior benefit payments, as long as the policy holder has not requested face amount increases, partial withdrawals or policy loans. If income payments are not restarted before the insured reaches age 85, the rider will terminate.

How are benefits paid and can they change?

This rider includes a ratchet feature which resets the income base at the end of every fifth LIBR anniversary during the income period. At that time if the cash surrender value is higher than it was on the previous recalculation date, the income base will be increased to equal the higher cash surrender value. The benefit payments will then be recalculated using the adjusted income base. If the cash surrender value is lower than it was on the previous recalculation date, the income base will not be reduced.

Policyholders may choose, at the end of the accumulation period, between a Level Payout Option or an Increasing Payout Option. The Payout Option selected may not be changed after the rider has been exercised.

Level Payout Option

Provides benefit payments that remain level, subject to the ratchet feature increases. Payments start at a higher amount than the Increasing Payout Option but are not subject to an annual increase.

Increasing Payout Option

Benefit payments increase on every rider anniversary, by an adjustment amount equal to the benefit payment for the prior year multiplied by the Annual Increase Percentage currently at 3.0%. This increase will continue until the minimum threshold value is reached and the cash surrender value is exhausted, after which the annual Guaranteed Income Payment will remain level at the value of the payment at the last anniversary. The Increasing Payout Option is also subject to the ratchet feature increases.

Other Insured Rider

Provides low-cost renewable term

Overview

The Other Insured Rider (OIR) provides low-cost renewable term insurance on the primary insured or on an individual with a permitted relationship to the primary insured. OIR is available on up to five Other Insureds.

Conditions

Issue Ages	Same as base product.
Risk Classes	Same as base product.
Permitted Relationship	Spouse, Child and Business Partner
The following may be designated as primary other insured	Spouse and Business Partner only.
Minimum Total Face Amount	\$25,000 (\$5,000 for pension cases)
Maximum Total Face Amount	Base Policy's Total Face Amount
Substandard	Rider may be issued with table and/or flat extra ratings and may be issued on a rated policy.
Available Riders	Accidental Death Benefit, Disability Income (2&5 year), Guaranteed Insurability
Charges	There is a charge for this rider

Overloan Protection Rider

Protects the policy from lapsing when loan values threaten policy

Overview

The Overloan Protection Rider (OPR) protects a policy from lapsing as a result of the loaned amount exceeding the accumulated cash value. This feature can prevent a tax liability as a result of a policy lapse due to being over-loaned.

The policy holder will be notified of this rider option when all conditions have been met. When the rider is put into effect, the policy becomes “paid-up”. At this time, there are no future premiums or charges due. Loans and withdrawals are no longer available.

Availability:

Issue Ages: 0 – 85

The Overloan Protection Rider is not available in pension sales. This rider will automatically be added to all eligible policies at new issue. This rider is not available with CVAT

Conditions for exercising the rider:

- Policy is in corridor
- Loans at least equal to 95% of policy's accumulated cash value
- Policy is in force for at least 15 years
- Insured has attained the age of 75
- There is a charge when the rider is exercised.

Qualified Plan Exchange Privilege Rider (QPEP)

For Qualified Pension and Profit Sharing Plan trust owned life insurance

Overview

The QPEP rider will permit the exchange of the policy to which it is attached for a new policy without evidence of insurability.

Availability

This rider is automatically added to all pension cases at issue.

No evidence of insurability will be required.

Rider Conditions

This rider may be exercised when one of the following events occurs:

- The participant retires or terminates employment with the employer.
- The entire plan is being terminated.
- The plan is discontinuing the life insurance provision.
- Incidental limits have been violated.

The rider is only available with policies that are issued as part of a qualified pension plan.

The original policy will be surrendered while still owned by the pension trust.

Consult your policy form for conditions necessary to exercise this rider for the specific product.

Conditions of new policy:

- New policy will be issued based on the age the insured has attained on the date of the exchange.
- The face amount of the new policy cannot exceed the lesser of \$2 million or the face amount of the original policy, less the cash value on the date of the exchange. The flex-term dividend options may not be use.
- The maximum face amount under the new policy cannot exceed \$2,000,000 and must be at least \$25,000.
- The class of risk under the new Policy will be the same as under the pension policy.
- The new policy date will be the date of the exchange.
- The new policy may be any traditional whole life policy or flexible premium adjustable benefit life policy offered by the company, and will be issued as an individually owned policy outside of the pension plan.

Charges

There is no charge for this rider.

Systematic Allocation Rider (SA)

Allocates a net premium (premiums after insurance and administrative costs have been deducted) from new premium, 1035 exchange, or index renewal bucket money into the index strategies over a 12 month period.

Overview

Riders are supplemental benefits that can be added to a life insurance policy and are not suitable unless the client has a need for life insurance. The Systematic Allocation Rider can be used when a client has new premium, 1035 exchange, or index renewal bucket money in which they wish to spread the money out over a 12 month period. This option allows the client to build an allocation schedule in which they wish their annual premium to be distributed accordingly.

The Systematic Allocation Rider offers a convenient way for clients to spread their payment or qualifying allocation into the index strategies over the year in order to capitalize on potential interest rate crediting dates and reduce interest rate risk associated with one annual crediting anniversary.⁸

Although the Systematic Allocation Rider may mitigate some risk, it does not however, guarantee an advantage over the annual crediting method. Simply put, it gives the client a way to balance index crediting fluctuations by capturing more points within the 12 month period.

How Systematic Allocation works:

With the Systematic Allocation Rider, the net to be allocated is not just tied to the point in the index on the date the premium is paid. Instead, it is divided into 12 equal portions, allocated to the different index strategies according to the client's chosen schedule throughout the 12 month period.

Example:

The client pays a \$6,000 lump sum single premium (net after insurance and administrative costs have been deducted) into the point-to-point strategy on January 1st. Without the Systematic Allocation Rider, the \$6,000 premium minus insurance and administrative costs will be tied to one point, January 21st, and that one point change, January 21st of the current year to January 21st of the following year will dictate your client's annual crediting rate.

This could be good or bad. It all depends on where the index value ends up at the end of the 12 months.

With the Systematic Allocation Rider, interest is credited based on 12 different periods. Essentially $\frac{1}{12}$ th of their net premium (\$500) is allocated to each month. This means that instead of all your client's money being tied to one date, each monthly allocation has its own crediting period. The first allocation would have an annual crediting period² of January to January. The second allocation would have a crediting period of February to February so on and so forth with the 12th crediting period based on December to December.

Once the client has elected the Systematic Allocation Rider and created their allocation schedule, the premium is placed into the Basic Account where policy costs can be deducted. From there, the net premium is swept into the SA fixed interest account where $\frac{1}{12}$ is allocated to the chosen strategies per month. The remaining $\frac{11}{12}$ of the premium remains in the SA account where it earns a fixed interest rate until allocated into an indexed strategy.

Availability

This rider will be added automatically to all IUL policies (pension and non-pension policies).

The rider cannot be exercised while the policy is owned by a qualified pension or profit sharing plan. In order to exercise the rider in such a situation, the policy must first be transferred out of the plan.

The SA Rider option can be elected at issue or anytime thereafter, as long as the allocation schedule has been completed and the option has been elected.

This rider is available for all issue ages and all rate classes. The minimum annual SA premium is \$3,000.

Charge

There is no charge for this rider.

Unemployment Rider

Provides a one-time lump sum benefit in the event of unemployment.

Overview

The Unemployment Rider provides for a one-time lump sum payment into the policy after the insured has been involuntarily unemployed from full-time employment.

Availability

- This rider is automatically included in states where approved.
- Issue ages 0 - 60 (age last birthday)
- Rider stays in-force until the policy anniversary following the insured's 65th birthday, as long as the base policy remains in-force.
- The benefit will only be paid once

Eligibility and Payment

When the primary insured is involuntarily unemployed for three consecutive months, and submits proof such as state or federal unemployment certification, a termination notice or union certification, the insured will receive three months "target" premium into the policy's accumulated value (the target premium is the monthly planned premium, up to $\frac{1}{12}$ of the policy commissionable target premium (CTP)).

The policy must be in force when the unemployment begins and must remain in force during the waiting period.

Charges

There is no premium for this rider.

Waiver of Target Premium (WTP)

Waives the policy premium in the event of total disability

Overview

The WTP Rider pays a waiver of premium benefit into the policy's accumulated value when the insured is totally disabled. If the policy lapses while this benefit is being paid, the benefit will be paid directly to the policyowner until the disability ends. There is a six-month elimination period from the date of disability before benefits begin. If the policyholder has the WTP Rider on a policy, any application for an increase in face amount should also include additional WTP coverage unless the insured is past the WTP age limit.

Availability

- Issue ages 15-55
- Rider stays in force until the policy anniversary following the insured's 60th birthday, as long as the base policy remains in force
- The benefit amount is the entire policy target premium, including any attached riders
- Premiums are a level amount per dollar of premium to be waived, based on age

Charges

There is a premium for this rider.