

Understanding
Indexed Universal Life

Issued by Accordia Life and Annuity Company



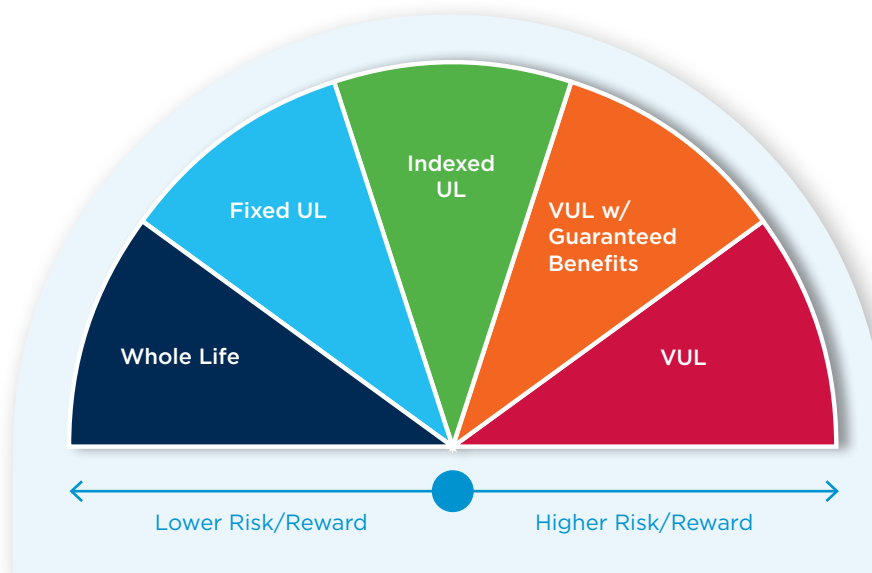
Permanent vs. Term

Broadly speaking, there are two primary categories of life insurance – “permanent” and “term.” While term insurance is designed to provide coverage only for a specified period of years and does not build any cash value, permanent cash value life insurance provides you the opportunity to maintain your life insurance in force regardless of how long you live.

There are many reasons why people purchase life insurance. It might be to protect the financial well-being of their loved ones, to transfer wealth efficiently to the next generation, provide their estate with the liquidity necessary to pay for taxes and final expenses, or to help support the long-term viability of a small business. In many instances, permanent cash value life insurance provides the best solution to meet these needs. The primary benefit of permanent life insurance is an income tax-free death benefit for the policy’s beneficiaries. But permanent life insurance offers additional value and versatility to help plan for a variety of objectives and contingencies. This type of insurance can potentially accumulate a substantial cash value, which can be accessed on a tax-favorable basis, through policy loans or withdrawals.

There are several types of permanent life insurance products available in the marketplace – whole life insurance, universal life insurance, indexed universal life insurance and variable life insurance (VUL). Although each type of product has differentiating characteristics, and may offer different risk/reward trade-offs, all provide the opportunity to build cash value and are designed to give you the potential to maintain your life insurance in force until your death, regardless of how long you live.

Life Insurance Risk/Reward Spectrum



What is indexed universal life insurance?

As the diagram shows, there are a number of different types of permanent life insurance, spanning the risk/reward spectrum. Indexed universal life insurance falls in the middle of this spectrum.

Unlike a traditional whole life policy, or even a fixed universal life policy, which earn interest at a fixed rate declared by the insurance company, indexed universal life (IUL) provides you with the ability to earn interest based, in part, on the positive movement of a financial index, subject to certain limitations such as a cap rate, participation rate and floor rate. This connection to the movement of an index is the key distinguishing characteristic of IUL, and it's where the name "indexed" comes from.

IUL's powerful design provides upside potential with downside protection. You have the possibility of earning interest credits at a rate greater than those typically offered by fixed (declared rate) policies, but your policy values will not decrease due to a down year in the market (downside protection). The lowest interest rate that can be credited to the policy is 0%. When you purchase indexed universal life insurance, you are not directly investing in a stock market index.

With IUL, you have the flexibility to decide how your policy earns interest. You can select a fixed or indexed crediting strategy or customize a blend of strategies.

Understanding Key Terms

Basic Interest Strategy

This is the part of the policy account value that holds net premium payments to fund approximately one year of policy charges before premiums are directed into other interest crediting strategies.

Segment

A segment is a part of your policy's account value created each time dollars are directed into a crediting strategy. Each segment has its own participation rate and cap rate.

Segment Term

A segment term is a one-, five- or six-year period that begins when a segment is created. The segment term varies by strategy.

Interest Crediting Period

This is an amount of time measured from the segment creation date and every segment anniversary throughout the segment term.

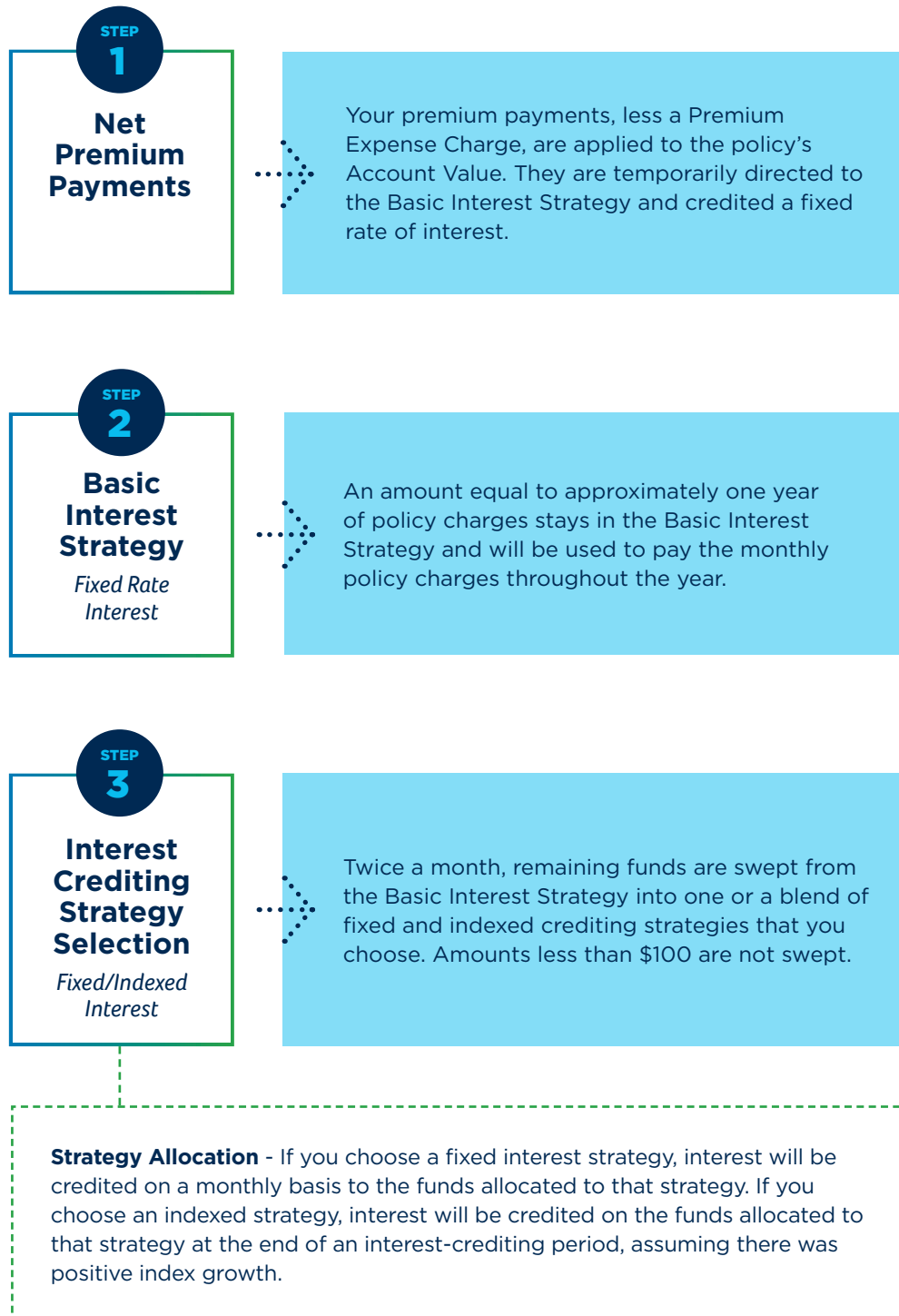
Policy Charges

Policy charges such as a policy expense charge, cost of insurance charges and charges for any riders, vary based on your individual policy and are deducted monthly.

Strategy Expense Charge

On some indexed crediting strategies, the index growth, if any, is reduced by the strategy expense charge prior to applying a participation rate and cap rate.

How does IUL work?



At the end of the segment term, the dollars inside the segment “mature” and are placed back into the Basic Interest Strategy, along with any new premiums.

How do indexed strategies work?

In addition to the performance of the index, there are three components used to calculate how much interest is credited to your IUL policy: **participation rate**, **cap rate** and a **floor rate**.

When the index value increases, the participation rate determines how much of that increase will be used to calculate the interest credit before the cap rate is applied. The cap rate determines the maximum percentage increase that will be credited.

The chart below illustrates how a cap rate, a participation rate and floor rate are applied under different market scenarios for a given year.

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Index Return	18%	8%	-10%	4%
Participation Rate	100%	100%	100%	200%
Cap	10%	10%	10%	10%
Minimum Floor Rate	0%	0%	0%	0%
Interest Credited	10%	8%	0%	8%





Reasons to consider Global Atlantic for your IUL policy needs

Guaranteed Interest Rate “True-Up”

Our minimum interest rate guarantee or “true-up” is applied differently than most providers of indexed universal life policies. The true-up occurs at the end of each segment term and compares the interest crediting experienced during that term to that of the guarantee. In the event a given premium segment does not earn the equivalent of a 2% interest rate compounded annually for the segment term, we will credit the value of the difference to the policy.

This true-up process guarantees that at least the minimum interest rate will be applied at the end of each segment term as well as at policy termination.

Flexibility and Choices

Our indexed universal life policies offer multiple death benefit options and premium payment flexibility. Up to six indexed strategy options are available to select from. In addition, we offer several loan options and an Account Value Enhancement that credits additional interest to the policy Account Value. The Account Value Enhancement is not available on all products. Ask your insurance professional for details.

Pioneering History

Our track record in the indexed universal life marketplace has provided us with valuable experience in setting participation rates, cap rates, and illustrated rates. More importantly, we have a record of proven performance in delivering positive interest credits. Talk to your insurance professional today to learn more about our indexed universal life products and see if they can help further your objectives.

What's the bottom line?

Due to its unique interest crediting approach, an IUL policy offers you upside potential with downside protection — providing for potentially greater interest crediting over the life of the policy when compared to traditional universal life designs.

For more information on the role Global Atlantic's IUL options can play in your overall financial strategy, contact a life insurance professional.



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Global Atlantic Financial Group

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