Global Atlantic FINANCIAL GROUP

Overloan Protection Rider

Protecting policies from unwanted taxes

Overloan Protection Rider acts as a safe guard protecting the policy from lapse due to an excessive loan balance.

Life insurance policies can be designed to emphasize cash accumulation and potentially provide supplemental retirement income to the policy owner. What can make this attractive is that, under current law, as long as the policy is not classified as a modified endowment contract, the policy owner can access cash on a tax favored basis. If the income stream is in the form of policy loans, these amounts do not have to be included as income, as long as the policy stays in force until the death of the insured. However, if the policy is surrendered, the borrowed amount becomes taxable to the extent the cash value exceeds the owner's basis in the contract. In the event of a lapse, the borrowed amount becomes taxable to teh extent it exceeds the owner's basis in the contract.

For the Overloan Protection Rider to activate, the following criteria must be met:

- The policy must have been in force at least 15 years.
- The insured must be at least 75 years old.
- The policy loan balance must be greater than the face amount.
- For policies using the guideline premium test, the rider will be activated when 95.5% of the cash value has been borrowed. At the time the rider is activated, a onetime charge of 4% will be made against the remaining cash value.
- When policies use the cash value accumulation test (CVAT), the Overloan Protection Rider will activate when 86% of the policy cash value has been borrowed and the onetime charge will be 13.5%.

Who would benefit from the Overloan Protection Rider

This rider, which can be added at any time prior to all of the above criteria being met, is designed to protect the policy owner from incurring unwanted reportable income if he/she plans on borrowing extensively from the policy. Therefore, whenever a policy owner is expected to use the policy for supplemental income, the Overloan Protection Rider should be added, where available, to protect against unwanted taxes.

Example of a policy WITHOUT the Overloan Protection Rider

Male, Age 40, $250,000 Face Amount	
Annual Premium	$5,000 per year x 25 years (age 65) **= $125,000 total premium paid**
Cash Value at age 65	$540,727
Policy Loans	$30,000 per year until policy lapses at age 86
Total Policy Loans (Age 86)	$570,000
Total of Loans Plus Interest (Age 86)	$1,318,081
Gain at Policy Lapse	$1,318,081 - $125,000 Premium paid**= $1,003,680 Reportable gain**

Products are issued by Accordia Life and Annuity Company, 215 10th Street, Des Moines, Iowa. Accordia Life is a subsidiary of Global Atlantic Financial Group Limited.

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Form number ICC13-ILOPR-E14, ILOPR-E14, ICC13-ULOPR-E14, ULOPR-E14, ICC15-CILOPR-C16 or CILOPR-C16.

Rider may not be available in all states.

All tax related information contained herein is based on our current understanding of federal tax laws as they relate to life insurance or other subject matter discussed. These laws are subject to change in the future. Neither Accordia nor its representatives offer legal or tax advice. You should consult a personal tax advisor on any tax matters.

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