BasicSecure Q&A

WHAT YOU NEED TO KNOW ABOUT THE NEW BASICSECURE FIXED UNIVERSAL LIFE

Q/A Who are the ideal clients for BasicSecure

- Anyone needing our lowest cost permanent coverage solution.
- Those who want simplicity. BasicSecure is the simplest product in our permanent portfolio.
- Clients who don't want the potential volatility of IUL (Indexed Univeral Life) interest crediting.

Q/A What is the Policy Protection Period?

The Policy Protection Period (PPP) is a 10-year period that begins at policy issue. During the PPP, the policy will stay in force if the cumulative sum of premiums paid, less any debt and withdrawals, is greater than the sum of the Monthly Minimum Premiums (MMPs) payable since policy issue. The comparison is made every month on the Monthly Policy Date when policy charges are deducted. If the cumulative premiums paid are not enough at a Monthly Policy Date, the PPP ends, though the policy will stay in force while the cash surrender value is enough to pay Monthly Deductions.

Under current assumptions and illustrated interest rates, paying the MMP will often keep the policy in force longer than 10 years. Be aware that these extra years are not extensions of the PPP, which is 10 years long.

Paying the MMP is a way to keep the policy in force, especially in early policy years. But you should encourage your clients to pay higher premiums whenever they are able because that will maintain their death benefit, give them higher cash surrender values and increase the value and flexibility of their policies. Premium payments just equal to the MMP will not provide for the build-up of significant accumulated policy value.

Q/A What does the Death Benefit Protection Rider do?

The Death Benefit Protection Rider guarantees that the policy remains in force provided the accumulation of premiums paid, net of the accumulation of withdrawals and net of debt, is at least equal to the accumulated Monthly Guaranteed Premiums (MGP). The interest rate used to accumulate these premiums is currently 5.20%. The interest rate is set at policy issue, but it could change in the future for new issues.

Like the PPP, the Death Benefit Protection Period (DBPP) is tested on each Monthly Policy Date. If the test is not met, the DBPP is ended, though if the cash surrender value is enough to pay the Monthly Deduction the policy will remain in force.

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There is no extra cost for the Death Benefit Protection Rider. It is included by default in the illustration system.

The available DBPP varies by issue age:

Issue Age	Guaranteed Period
0 - 54	20
55 - 64	15
65 - 75	10

Q/A What happens to the PPP and the DBPP when you receive an accelerated death benefit?

Both will continue, if in effect at acceleration, though maintaining the lower post-acceleration face amount. Both the MMP and MGP are adjusted to the lower face amount and must be maintained at the lower levels.

Q/A Can BasicSecure be used to accumulate cash surrender value?

Yes. BasicSecure is a Universal Life (UL) product that credits accumulated value with a declared interest rate. One of the advantages of universal life is the flexibility in funding. Just like IUL, premiums can range from an amount enough to keep the policy in force to the maximum amounts permitted by life insurance funding guidelines.

Credited rates will vary, but never be less than the guaranteed 1%. There is also a guaranteed account value enhancement that credits an additional 0.35% in policy years 6 and later.

BasicSecure offers the lowest premiums of our permanent products, but funding at higher levels means more cash surrender value which will provide more options for your clients by maintaining the death benefit, the living benefits and providing liquidity.

Q/A How do loans work on BasicSecure?

Policy cash surrender value is used as collateral to borrow from the insurance company.

BasicSecure loans are the same as Standard Loans on our IULs. Outstanding loans are charged a variable loan rate.

Loan collateral is held in the policy but apart from accumulated value in a Loan Collateral Account. The value in the Loan Collateral Account is credited interest. For the first ten policy years, loan collateral is credited the Variable Loan Rate minus 0.50%. After the tenth policy year, loan collateral is credited the Variable Loan Rate.

When illustrating income from a fixed UL, higher income solves result when withdrawal to cost basis and then loaning is selected.

Policy loans and withdrawals reduce the policy's cash value and death benefit, and if excessive may result in the policy lapsing and a taxable event. Surrender charges may reduce the policy's cash value in early years.

Q/A What does new money mean?

BasicSecure is a new money product. A new money product credits rates to new money in effect at the time the new money is paid into the product. This is different from a portfolio rate product which credits rates associated with the entire asset portfolio backing both new and old money.

How does new money crediting work? New premium paid into BasicSecure will receive a credited rate in effect for the month of payment. The premiums paid in that month form a "bucket". The bucket is credited the rate for the next twelve months. At the end of the twelve months a new rate may be in effect for that bucket. For the renewing bucket, the renewal rate will be a blend of the old rate and the new money rate then in effect

How often can the new money rates change? New rates can change as often as monthly.

What is the advantage of new money crediting methodology? Credited rates will increase more quickly with upward interest rate movements. Conversely, rates will decrease more quickly if interest rates move downward. In comparison, portfolio rate products move more slowly, which is a disadvantage in rising rate environments, but an advantage in decreasing rate environments.