National Life Group®

SurvivorLife

INDEXED UNIVERSAL LIFE INSURANCE

Product Guide

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Quick Reference Guide

Providing flexible death benefit protection at the time of the second death.

SurvivorLife offers flexible, tax-free death benefit protection for two insureds, such as spouses or business partners. With strong income distribution performance and the potential to guarantee lifetime income with the Lifetime Income Benefit Rider (LIBR), SurvivorLife is the next generation of survivorship indexed universal life (SIUL) designed to help with estate and wealth transfer planning.

Product Focus

- Ideal for two insureds with a need for death benefit protection once both are deceased.
- Ideal for charitable giving and special needs planning.
- Flexible payments offer customizable estate preservation planning for heirs at the time of the last survivor's death.
- Tax-efficient wealth transfer planning for those wanting to leave a legacy.
- Maximally fund SIUL to take advantage of the Tax-Free Retirement Strategy.[1]

Highlights

- **Death Benefit** — Flexible protection for two policy owners, paid at the time of the second death.
- **Survivor Protection Rider** — Optional additional death benefit paid at the first death.
- **Upside Potential** — Cash value accumulation potential with multiple interest crediting strategies.
- **Downside Protection** — Provided by the indexed crediting strategy floor when the index declines.
- **Lifetime Income Benefit Rider** — The potential to receive a guaranteed stream of income for life[2].
- **Death Benefit Protection Rider** — Guaranteed death benefit protection for a limited period – up to 30 years.
- **Interest Bonus** — Will begin in policy year 5. The bonus may vary by crediting strategy and loan type if there's an outstanding loan amount.
- **Overloan Protection Rider** — Offers protection against policy lapse.
- **Systemic Allocation Rider** — Available for large annual premiums to balance interest rate fluctuations.
- **Four Loan Options**
  - Participating Declared Loan
  - Participating Variable Loan
  - Participating Fixed Loan
  - Standard Loan

Riders are optional may be available at an additional cost and may not be available in all states.

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. The ability of a life insurance contract to accumulate sufficient cash value to help meet accumulation goals will be dependent upon the amount of extra premium paid into the policy, and the performance of the policy, and is not guaranteed. 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 age 60 and 85, and that the policy has been inforce at least 10 years. Insufficient policy values or outstanding policy loans may also restrict exercising the rider. Exercising the rider and receiving an income benefit will reduce the policy's cash value and death benefit and may terminate other riders or reduce their benefits.

Product Details

Issue Ages:	0 to 85 (age nearest birthday)
Minimum Face Amount:	Initial Coverage: $250,000 Base or APB Increase: $25,000
Death Benefit Options:	Both Option A (Level) and Option B (Increasing) are available
Policy Protection Period:	10 years
Minimum Premium:	$10.00
Maximum Premium:	Both GPT or CVAT Tests allowed
Rate Classifications:	See table below

Premium Class	Available Band
Elite Non-Tobacco	18 – 75
Preferred Non-Tobacco	18 – 85
Select Non-Tobacco	18 – 85
Standard Non-Tobacco	0 – 85
Preferred Tobacco	18 – 85
Standard Tobacco	18 – 85
Uninsurable	0 – 85

A SurvivorLife policy is available under full medical underwriting.
If one life is uninsurable the other must be rated 200% or better.

Substandard:	Table ratings and temporary flat extras are available with the Standard Non-Tobacco and Standard Tobacco rate classes. Permanent flat extras are available with any rate class.
Banding:	**Band 1:** Minimum Face Amount to $999,999.99 **Band 2:** $1,000,000.00 to $4,999,999.99 **Band 3:** $5,000,000.00 and up
Minimum Interest Rate:	1.0% Fixed Strategy
1035 Exchanges with Loans:	Allowed – up to 50% of gross transferred amount
Surrender Schedule:	10 years
Policy Loans:	Available after the first policy year, Participating Declared, Participating Variable, Participating Fixed and Standard Loans – 1035 money available in year 1
Withdrawals:	Available after the first policy year, $500 min.
Expense Charges:	Monthly Policy fee: $6 Premium Load: 7% *Refer to charges section of product guide.*
Riders:	Accelerated Benefits Riders – Can be applied for after first death, subject to underwriting. Additional Protection Benefit Rider (max. blend 3:1 APB : Base) Balance Sheet Benefit Rider Death Benefit Protection Rider Estate Preservation Rider Lifetime Income Benefit Rider Overloan Protection Rider Policy Split Option Premium Deposit Account Survivor Protection Rider Systemic Allocation Rider

Riders are optional and may have an extra cost. Not all riders are available in all states.

Log on to the Agent portal and check https://www.nationallife.com/agent/products/life-insurance/riders for state availability.

Individual Insurance Strategies

Prospect Profile #1 –
Wealth Management and Estate Planning

Prospects who want to leave a legacy behind and have an interest in:

- Estate preservation
- Tax-advantaged transfers of wealth

SurvivorLife can provide a leveraged, tax-advantaged solution to gifting and may be exempt from estate tax if the policy is owned by an irrevocable trust. The power of the death benefit allows heirs to cover hefty estate expenses, while maximizing the benefit to the heirs.

Prospect Profile #2 –
Business Owners

Business owners with a business partner or key employee(s) interested in:

- Business succession planning
- Estate equalization
- Retirement
- Reduction of taxes

Designed for two insureds, who do not need to be married or related, SurvivorLife funds at the second death to help two business owners complete their business succession. In addition, the Survivor Protection Rider can be used to provide protection for a Key Person at the first death, and with the Lifetime Income Benefit Rider, SurvivorLife can provide the potential for salary continuation for a Key Person.

For family members who are not part of the business, SurvivorLife can offer estate equalization and tax reductions.

Prospect Profile #3 –
Efficient Cash Accumulation and Protection

Spouses or partners who have dual discretionary incomes and are not financially dependent on each other, and are interested in:

- Protection for young children should they both die
- Cash value accumulation and/or the potential for tax-free lifetime retirement income with LIBR
- A more efficient way to fund their policy than with two separate policies

SurvivorLife offers upside potential with downside protection for a couple looking to maximally fund their policy in order to provide the potential for lifetime income distributions as part of a tax-free retirement strategy. They have the option of tax-deferred accumulation of cash surrender value and tax favored distributions, as well as a variety of loan options.

With the Survivor Protection Rider, which provides a death benefit at the death of the first insured, and the option of a residual death benefit to heirs, SurvivorLife can offer protection through a steady stream of income to your clients or their beneficiaries, regardless of who dies first.

Understanding Interest Crediting

Indexed Universal Life (IUL) offers death benefit protection and the potential for cash surrender value accumulation based in part on interest credited from a 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 surrender value, on a tax-deferred basis, which may be accessed income tax-free during your client's lifetime through policy withdrawals and loans.[3]

The cash surrender value accumulation is dependent on the interest crediting rates paid by the insurance company on the premiums in excess of the insurance costs. In addition to the fixed interest crediting strategy, our IUL products offer the option to have interest credited based on the changes in the S&P 500® Index, US Pacesetter Index, and Balanced Trend Index.

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

The indexed strategies credit interest by measuring changes in the S&P 500® Index, US Pacesetter Index, or Balanced Trend Index. IUL products do not directly invest in the indexes 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, greater than, or equal to 100%.

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

Index Crediting 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. If the change is positive, your policy is credited interest after applying any caps and participation rates. If the change is negative, your policy is credited 0%, unless you elected the 1% Floor Strategy, in which case your policy would receive a 1% credit.

Any credited interest is added to your chosen interest crediting strategies based on the accumulated value at the end of the year. This means you have the potential to earn compound interest, further growing your cash value. Monthly policy expenses will be deducted from the accumulated value prior to the calculation of interest credits.

Point-to-Point

The starting index value is compared to the ending index value exactly one year later on the 14th of the 12th month. If the ending value is less than the starting value, the interest credit is the floor, which is either 0% or 1% depending on the strategy. 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 of the index is greater than the initial value, the percent change is calculated — (the ending value) / (the beginning value) – 1 = the % change.

Cap-Focused and Participation-Focused Strategies:
If % change times the Participation Rate > Cap then the interest credited is the cap rate.

If % change times the Participation Rate < Cap then interest is credited based on the change in the index value and the Participation Rate. If the change is negative, the guaranteed floor of 0% or 1% (depending on the indexed strategy) credited will be exercised.

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

Which strategy is best?

Many people assume that the strategy with the highest illustrated rate will perform the best because maximum illustrated rates are determined by historical index results. However, past performance is not an indicator of future performance.

There is no way to know which indexed strategy will perform the best, either over the long term or the short term.

In addition to indexed strategies, the Fixed Term Strategy is a fixed interest strategy that credits a declared interest rate. It is not reliant on any index. 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.

When paying a large single premium or lump sum as in a 1035 exchange, it may be prudent to allocate a portion to the Fixed Term Strategy. Then, funds could be periodically moved from the Fixed Term Strategy to the indexed strategies.

A different way to accomplish this is to use the Systematic Allocation Rider,[4] 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 strategy allocations over a 12-month period rather than dumping them into the strategies all at once.

Interest Bonus

The Interest Bonus begins in policy year 5, and may vary by crediting strategy and loan type if there's an outstanding loan amount.

The Interest Bonus is credited on the policy anniversary. The total Interest Bonus is based on the average accumulated value in each strategy over the prior year. The interest bonus is extra interest calculated on this average value. The extra interest is placed in the Basic Strategy when credited. The Standard Loan Collateral Account does not receive the Interest Bonus.

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®, the Balanced Trend Index, or the US Pacesetter Index 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 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. The company does not profit from our hedging strategy. We only use the hedging to provide indexed-linked interest crediting.

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

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.

Because 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 cash 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 an industry regulation. This involves applying our current cap and participation rates to every hypothetical 25-year index return sequence for the past 65 years to determine an average return.

We model the returns as though our products had been available for the past 65 years and assume that money was deposited each month for each 25-year "look-back" period. The average annual return is calculated and adjusted, and becomes the maximum illustrated rate. "Back-casting" to determine maximum illustrated rates only estimates 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.

How often can you make changes to strategy allocations?

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 interest crediting account where any unallocated premium is held until it is moved into your chosen index crediting strategies on the 14th of every month.

Account Strategies

US Pacesetter Index

Participation Focus Strategy (Point-to-Point)
- Participation Rate will always be equal to or greater than 50%.
- We guarantee no Cap on this strategy.
- Guaranteed 0% Floor.

Balanced Trend Index

Participation Focus Strategy (Point-to-Point)
- Participation Rate will always be equal to or greater than 50%.
- We guarantee no Cap on this strategy.
- Guaranteed 0% Floor.

Standard & Poor's Composite Index of 500 Stocks (S&P 500®)

Cap Focus Strategy (Point-to-Point)
- Higher Cap Rate than our other strategies.
- Participation Rate will always be equal to or greater than 100%.
- Guaranteed Minimum Cap 3.1%.
- Guaranteed 0% Floor.

Participation Focus Strategy (Point-to-Point)
- Higher Participation Rate than our other strategies.
- Participation Rate will be at least 110% or greater.
- Guaranteed Minimum Cap 3.0%.
- Guaranteed 0% Floor.

1% Floor Strategy (Point-to-Point)
- Guarantees a Floor of 1%.
- Participation Rate will always be equal or greater than 100%.
- Guaranteed Minimum Cap is 2.1%.

Fixed Account

Fixed Term Strategy
- Credited daily, a fixed interest rate declared by the company and guaranteed for one year.
- 2.0% Guaranteed

Historical Values*

Dec. 14th of Year	S&P 500® Index	1 Year Change	Balanced Trend Index	1 Year Change	US Pacesetter	1 Year Change
2015	2,021.94	0.98%	213.65	-0.42%	245.80	1.92%
2016	2,253.28	11.44%	221.09	3.48%	251.42	2.29%
2017	2,652.01	17.70%	242.93	9.88%	287.44	14.33%
2018	2,599.95	-1.96%	236.67	-2.58%	282.31	-1.78%
2019	3,168.80	21.88%	261.47	10.48%	319.95	13.33%
2020	3,647.49	15.11%	264.35	1.10%	365.31	14.18%
2021	4,634.09	27.05%	277.22	4.87%	380.39	4.13%
2022	3,995.32	-13.78%	255.57	-7.81%	325.57	-14.41%
2023	4,719.55	18.13%	258.72	1.23%	327.85	0.70%

* Historical performance is not indicative of future results.

Index Interest Crediting Glossary of Terms

Basic Strategy
A fixed interest crediting account where any unallocated premium is held until it is moved into your chosen index crediting strategies on the 14th of every month.

Basic Strategy Sweep Date
The 14th 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. Not all strategies have a cap.

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 minimum rate that will be credited to funds in fixed term strategies. This rate is also used to calculate guaranteed accumulated and cash surrender values.

Index
The indices used for National Life and Life Insurance Company of the Southwest are the S&P 500®, the Balanced Trend Index, and the US Pacesetter Index.

Index Segment
Each time premiums are transferred from the Basic Strategy to an Indexed Strategy, a new Index Segment is created. Each indexed segment is 12 months long.

Indexed Interest
The interest credited to an Index Segment using the Point-to-Point strategy.

Participation Rate
The percentage applied to the Index Growth used in the formula to calculate the Indexed Interest for an Index Segment. All strategies have a participation rate.

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 period 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.

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 or the benefit distribution 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 will not be less than 2% per year or as mandated by law.

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

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

- The face amount
- The accumulated value multiplied by the applicable corridor factor

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

- The face amount plus the accumulated value
- The accumulated value multiplied by the applicable corridor factor

For both options, the death benefit is reduced by any policy debt and any monthly deductions due.

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 larger premium payments for those clients wishing to maximally fund their policies.

Changing the 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.

Changing the Face Amounts

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

Increase in Face Amount:

- Satisfactory proof of insurability.
- The requested increase meets or exceeds the minimum increase amount of $25,000.
- Each increase in face amount will have its own coverage segment that has its own Monthly Cost of Insurance charges, Monthly Expense Charges, and Surrender Charges, as well as new incontestability and suicide exclusion periods.
- Each increase will have its own surrender charges and monthly per thousand of face amount administration charges.

Decrease in Face Amount:

- Decreases that would reduce the face amount of the policy below the minimum face amount will not be permitted.
- During the first 9 policy years, 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 as defined in the Internal Revenue Code.

Each change in coverage will cause the Commissionable Target Premium (CTP) and Minimum

Monthly Premium (MMP) to be adjusted.

Loans, Withdrawals, and 1035 Exchanges

Loans

A life insurance loan provides access to cash surrender value for clients, income tax-free. In addition, benefits of a life insurance loan include:

- Guaranteed approval (if there's sufficient cash surrender value).
- Financial flexibility. Funds can be used for any purpose, for example to buy a new car, remodel a home, or fund educational expenses.
- Competitive loan interest rates.
- With a participating loan, loaned value may keep earning interest credits, because clients are borrowing against it, not withdrawing from their policy.
- Clients can repay the loan, in full or in part, on their own timeline.
- Clients don't have to pay the life insurance loan back if they don't want to. (They will need to pay sufficient premiums to keep the policy inforce and benefits will be reduced by outstanding loans at death.)

Availability

Loans are available once the policy has been in force for one year. The policy serves as the collateral for the loan. Other than having sufficient cash surrender value, there is no condition on being able to borrow money.

The amount available for a loan is the loan value of the policy minus the amount of any debt secured by the policy. The loan value 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.

It can take many years to build up significant cash surrender value in a permanent life insurance policy. In the early years of the policy, there may be little value, if any, to borrow against. The more clients fund their policy, the earlier they can take a loan.

Loan interest is charged on the amount borrowed. This interest can be paid as it is due (on the policy anniversary) or it can be added to the amount borrowed, increasing the policy loan amount.

Loan types

Participating Declared Loan*

- Loaned values are charged a declared loan interest rate, set by National Life Group.
- Maximum loan interest rate: 8.00%.
- Collateral remains in the indexed strategy allocations and continues to earn indexed credits.
- The collateral accumulated value is eligible for a loan interest bonus specific to Participating Declared Loans.

Participating Variable Loan

- Loaned values are charged a variable loan interest rate based on Moody's Corporate Bond Yield Average – Monthly Corporates, subject to a minimum rate of 3%.
- Maximum loan interest rate: 3% above the Basic Strategy interest rate, which has no cap.
- Collateral remains in the indexed strategy allocations and continues to earn indexed credits.
- The accumulated value attributed to the Participating Variable Loan is eligible for the Interest Bonus.

Participating Fixed Loan

- Loaned values are charged a fixed rate: 5%. This rate is set at policy issue and won't change. (We reserve the right to adjust the fixed loan rate for new issues.)
- Collateral is placed in an Indexed Loan Account, a separate index strategy, where it earns indexed credits based on an S&P 500® Point-to-Point Cap Focus Strategy. This index strategy may have different caps and participation rates than the S&P 500® Point-to Point Cap Focus Strategy used for cash value that is not used as loan collateral.
- The accumulated value attributed to Participating Fixed Loans is eligible for the Interest Bonus on the Indexed Loan Account.

* We may discontinue Participating Declared Loans as an available loan option on both new policies and for existing policies at the end of a policy year with prior notice. Please refer to the policy forms for additional information

Standard Loan

- Loaned values are charged a variable loan interest rate based on Moody's Corporate Bond Yield Average – Monthly Corporates, subject to a minimum rate of 3%.
- The loaned amounts are transferred into a loan collateral account and will be credited with the Loan Interest Rate minus 0.50% in year 1 through 10, and the Loan Interest Rate in year 11+.
- The accumulated value used for the Standard Loan is not eligible for any Interest Bonus.

The impact of taking a life insurance loan

When indexed interest credits exceed policy loan interest rates, IUL policy owners earn more on collateral amounts than they are charged on the loan amount. The opposite condition, being "upside down," can be very harmful to the insurance policy.

Loans should be managed carefully. 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.

Over time, taking a life insurance loan has a significant impact on the policy.

Remember:

- A policy loan reduces the death benefit and the accumulated value of the policy.
- Insurance deductions continue. Clients need to make sure there's enough unloaned cash surrender value left in their policy to cover these costs. That might mean they must pay more premiums to keep their coverage. Failure to do so could lead to policy lapse, resulting in the loss of the policy and coverage. If that happens, there may be negative tax consequences for the loan amounts received.

Other important things to know about loans

- Loans can be repaid. Amounts meant for loan repayment should be clearly designated as such. Otherwise, they will be considered premium payments. If the policy lapses with outstanding policy loans, this may result in a taxable event.
- Policy loans from SurvivorLife are received income tax free. If the policy lapses with outstanding policy loans, there could be taxable income to the policyholder. 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 has 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.
- Outstanding policy loans restrict the Lifetime Income Benefit rider from being exercised. Any outstanding loans must be repaid before the Lifetime Income Benefit rider can be exercised.

Withdrawals

In contrast to a policy loan, withdrawals are an actual removal of cash surrender value from the policy. The portion of the cash surrender value 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.

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

- The minimum withdrawal amount is $500.
- There is currently no withdrawal fee assessed on withdrawals. (However, we may charge as much as $25 per year.)
- The amount of withdrawal may not exceed the cash surrender value minus three monthly deductions due on the last monthly policy anniversary.
- A withdrawal is not 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 is reduced by the amount of the withdrawal plus any surrender charges and withdrawal fees.

If death benefit Option A is in effect, the face amount of the policy is reduced by an amount equal to the amount of the withdrawal and withdrawal fees. Withdrawals reduce the policy's cash surrender value and death benefit and may be a taxable event. Surrender charges may reduce the policy's cash surrender value in the early years.

1035 Exchanges

SurvivorLife SIUL 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 policyholder can choose one of the four loan options at application.

Premium Payments

Premiums

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

- **Minimum premium:** $10.
- **Maximum premium:** Limit imposed by the IRS for qualifying the policy as life insurance.

Although policy holders have premium flexibility[5] with universal life, it is important to educate them on how paying smaller or larger premiums can impact their policy's cash surrender value. If the policyholder's goal is to accumulate cash surrender value that can be used down the road, for instance with the Tax-Free Retirement strategy 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 that 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 policyholders 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.

5 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.

Charges

Policy Protection Period

The policy protection period helps protect the policy against lapse for the first 10 policy years.

- During this 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 but it does increase the Minimum Monthly Premium.
- 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 generally apply during the first 10 years of the policy and are determined based on issue age, sex, rate class, policy face amount, and duration. Each increase in face amount (other than those resulting from changes in death benefit option, those resulting from the appropriate application of the death benefit factors, or those resulting from an Additional Protection Benefit rider) has its own 10-year surrender charge schedule. Face amount decreases do not reduce surrender charges.

Percent of Premium Expense Charge

A 7% charge is applied to all premiums. Internal 1035 amounts are not subject to the percent of premium charge.

Monthly Deduction

The Monthly Deduction due on a Monthly Policy Date is the Monthly Cost of Insurance, plus the Monthly Expense Charge, plus the Monthly Policy Fee, plus the Monthly Percent of Accumulated Value Charge, plus the monthly cost of any additional benefit riders in force on this policy.

Monthly Expense Charge: This is a charge on the face amount and additional protection benefit sum insured. The charge varies based on issue age, sex, rate class, face amount and duration.

- On a current basis it is charged for 15 years
- On a guaranteed basis the charge duration is lifetime.

Each increase in face amount, other than those resulting from changes in death benefit option, or those resulting from the appropriate application of death benefit factors, will have a charge associated with it. Face amount decreases do not reduce the Monthly Expense Charge.

Monthly Policy fee: $6.00 per month.

Monthly Percent of Accumulated Value Charge: 0.02% of accumulated value for the first 25 years on a current basis; all years on a guaranteed basis.

Monthly Cost of Insurance

The Monthly Cost of Insurance for a given policy is equal to the applicable Monthly Cost of Insurance Rate multiplied by the Net Amount at Risk.

The current monthly cost of insurance rates varies based on the issue age, rate class, sex, and duration of the policy.

The net amount at risk is the death benefit plus any debt to the company minus the accumulated value.

ABR for Terminal Illness

Accelerates the death benefit during lifetime for terminal illness. Refer to the Accelerated Benefits Riders agent guide for more details. Can be applied for after first death, subject to underwriting

Overview

Accelerated Benefits Riders (ABRs) 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 for Terminal Illness is a no-additional premium rider that allows for the death benefit, on a discounted basis, to be accelerated during lifetime for terminal illness.

What's unique about this ABR is that benefits do not have to be used to defray actual expenses associated with the terminal illness. They could be used for other expenses, including for such things as making structural changes to a home to accommodate the illness and compensating a non-licensed care provider.

Terminal Illness Definition

Terminal Illness advances payment, under certain circumstances and on a discounted basis, 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 (For NL: 12 months in CT, NY, and PA) (For LSW: 12 months in CT, PA, and VT).

ABR Terminal Benefit

The amount of death benefit available for ABR payout is based on a discount factor of the death benefit amount. The amount accelerated reduces the death benefit, the cash surrender value, and the loan value. A summary of the projected discounted death benefit amount can be illustrated through the National Life Group Illustration system.

For Terminal Illness, National Life Group will accelerate, income-tax free, the discounted death benefit, not to exceed a lifetime maximum of $1,500,000 per insured. There is no annual limit and the benefit can be received as a lump sum if desired. ABR Terminal does not have a waiting period.

Limits may vary by state, please refer to your policy form for details and limitations that may apply in your state.

Payment of Accelerated Benefits will reduce the Cash Value and Death Benefit otherwise payable under the policy. Receipt of Accelerated Benefits may be a taxable event and may affect eligibility for public assistance programs. Policyholders 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.

ABR for Chronic Illness

Accelerates the death benefit during lifetime for chronic illness. Refer to the Accelerated Benefits Riders agent guide for more details. Can be applied for after first death, subject to underwriting

Overview

Accelerated Benefits Riders (ABRs) 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 for Chronic Illness 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 of this ABR is that benefits do not have to be used to defray actual expenses associated with the chronic illness. They could be used for other expenses, including for such things as making structural changes to a home to accommodate the illness and compensating a non-licensed care provider. ABR proceeds in the state of MA can only be used to pay for expenses incurred for Qualified Long-Term Care Services.[6]

Note: Rider availability and waiting period can vary by state, so make sure to check your policy form.

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
- Continence Cognitive impairment may also qualify.

ABR Chronic Illness 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 surrender value, and the loan value. A summary of the projected discounted death benefit amount can be illustrated through the National Life Group illustration system.

NL — Generally, once the policy has been in force for 30 days, National Life Insurance Company will accelerate an annual benefit not to exceed the IRS per diem limit, or the total current lifetime maximum of $1,500,000 per insured.

LSW — Generally, once the policy has been in force for 30 days, 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 current lifetime maximum of $1,500,000 per insured.

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6. 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.

ABR for Alzheimer's disease

Accelerates the death benefit during lifetime for a qualifying diagnosis of Alzheimer's disease or Lewy body dementia. Refer to the Accelerated Benefits Riders agent guide for more details. Can be applied for after first death, subject to underwriting

At a glance

- Accelerated death benefit for Alzheimer's disease or Lewy body dementia.
- No additional cost.
- ABR benefits are generally unrestricted — you can choose how to use your benefit.
- Annual benefit limit: None.
- Current Lifetime benefit limit: $1,500,000.
- Issue ages: 0-60.

Overview

Accelerated Benefits Riders (ABRs) 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. ABRs are optional and may not be available in all states. The use of one benefit may reduce or eliminate other policy and rider benefits.

This rider is a no-additional premium rider that allows for the death benefit, on a discounted basis, to be accelerated during lifetime, for Alzheimer's disease or Lewy body dementia.

What's unique about this ABR is that benefits do not have to be used to defray actual expenses associated with Alzheimer's disease or Lewy body dementia. They could be used for other expenses, including for such things as making structural changes to a home to accommodate the illness and compensating a non-licensed care provider.

This rider is available for issue up to age 60.

Qualifying events

A qualifying diagnosis is needed of Alzheimer's disease or Lewy body dementia, determined by a Specialist. In addition, a Specialist needs to provide certification of both:

- A score of less than 20 out of 30 on Mini-Mental State Exam (MMSE), or an equivalent of this score under a widely accepted test of cognitive function.
- Clinical impairment of at least two of the following:
  - Orientation to people, places, or time.
  - Registration (ability to learn and remember new information).
  - Attention and calculation (reasoning and handling of complex tasks).
  - Visuospatial abilities.
  - Language functions.

In determining whether an Insured has experienced a Qualifying Event, National Life Group may consider both the certification and the records of the Insured's medical history, diagnosis, and treatments to ensure that the records support the certification. All other forms of dementia are not covered by this rider but may be covered by the chronic illness rider.

The rider will not be available if the client has a first-degree relative (mother, father, or siblings) with a history of Alzheimer's disease.

Benefit

The actual payment received will be less than the portion of the death benefit accelerated because the benefits are paid prior to death. Values are based on a current interest rate and mortality rates. There is an initial administrative fee at the time the rider is exercised. The amount accelerated reduces the death benefit, the cash value, and the loan value. A summary of a discounted death benefit amount can be illustrated through the National Life Group illustration system.

The current lifetime benefit limit is $1,500,000 per insured. There is no annual benefit limit.

ABR for Critical Illness and Critical Injury

Accelerates the death benefit during lifetime for critical illness and critical injury. Refer to the Accelerated Benefits Riders agent guide for more details. Can be applied for after first death, subject to underwriting

Overview

Accelerated Benefits Riders (ABRs) 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 for Critical Illness and Critical Injury 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 or critical injury.

A unique feature of this ABR is that benefits do not have to be used for actual expenses associated with the triggering illness or injury. They could be used for other expenses, including for such things as making structural changes to a home to accommodate the illness and compensating a non-licensed care provider.

Any claim for critical illness or critical injury benefits for a given Qualifying Event must be filed within 365 days following the occurrence of such Qualifying Event.

Critical Illness Definition

The death benefit can be accelerated when an insured is diagnosed with one of the following triggering illnesses:

- Diagnosis of ALS (Lou Gehrig's disease)
- Aplastic Anemia*
- Aorta Graft Surgery*
- Blindness**
- Cancer***
- Cystic Fibrosis*
- End Stage Renal Failure
- Heart Attack
- Heart Valve Replacement*
- Major Organ Transplant
- Motor Neuron Disease*
- Stroke
- Sudden Cardiac Arrest*

*Not a qualifier in NY

**Not a qualifier in CT, IL, KS, MD, MA, MN, NJ, NY, OH, PA, UT, VA, WA.

***Invasive Cancer CA only

Critical Injury Definitions

The death benefit can be accelerated when an insured is diagnosed with one of the following triggering injuries:

- Coma
- Severe Burns
- Paralysis
- Traumatic Brain Injury

In California, the policy can only include the Critical Illness, Critical Injury, and Alzheimer's Disease riders if the insured has health insurance coverage. Critical Injury and Critical Illness rider availability is limited to issue ages 0-64.

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 reduces the death benefit, the cash surrender value, and the loan value. A summary of the projected discounted death benefit amount can be illustrated through the National Life Group illustration system.

The critically ill or critically injured client can request a full acceleration or partial acceleration of the policy's death benefit in the form of a lump sum not to exceed the current lifetime benefit maximum of $1,000,000 per insured. There is no annual limit.

The level of discounting applied to the death benefit varies depending on the insured's age and the severity of the critical illness or critical injury. The policy must be in force for 30 days.

Note: Waiting period and rider availability can vary by state. Make sure to check your policy form.

Additional Protection Benefit Rider (APB)

Provides extra death benefit protection.

Overview

The Additional Protection Benefit Rider (APB) provides extra death benefit protection at a cost that is generally lower than the cost of the base coverage and so reduces the overall premium per thousand. The cost per thousand of coverage under the APB Rider is essentially the pure cost of insurance. There is no target premium and no other costs or charges associated with the portion of coverage provided under the APB Rider. Adding the APB Rider can increase the total death benefit protection without significantly increasing the cost. Coverage under the APB rider is eligible for full acceleration under ABR. The death benefit provided by the rider follows the same rules regarding death benefit options, DEFRA, increases, decreases, etc.

Availability

This rider is available, at issue and after issue, on the same issue age and rate classes as the base product.

The maximum APB to base blend is 3 to 1. The minimum face amount insured is $25,000.

Charge

There is no commissionable target premium.

This rider has a charge per thousand of sum insured, cost of insurance, minimum monthly premiums, and minimum guaranteed premiums.

Balance Sheet Benefit Rider (BSB)

Provides enhanced early duration policy surrender values.

Overview

The BSB Rider eliminates all surrender charges on the units of insurance to which it applies. The portion of surrender charge to be waived can be any whole percent between 1%-100%. There is a monthly charge based on issue age, sex, and rate class of each insured per unit of coverage for the rider.

For business planning cases: Use the BSB rider when it is important to have high early-policy values. A business owner may want to increase the policy's collateral value when the policy is being used to fund an employee benefit program such as Key Person, Deferred Compensation, or Endorsement Split Dollar.

For personal sales: Your client may need to access the policy's cash surrender value prior to the end of the surrender period for a one-time need; or if they intend to take a large distribution from the policy for a short period of time, then repay what they have borrowed. Because loans from a life insurance policy are fast and easy to obtain and do not require your client to post collateral, many clients may see their policy cash surrender value as a source of funds for short-term loans.

Availability

All issue ages and rate classes as the base product. This rider is not available after issue.

Charges

There is a monthly charge per thousand of base face amount based on issue age, sex, and rate class of each insured, multiplied by the coverage percentage.

Commissions on units of insurance with the BSB Rider are paid using a different schedule that levelizes the compensation.

Death Benefit Protection Rider (DBPR)

Protects the policy from lapsing during the Death Benefit Protection Period. Clients may find this rider most helpful during times of tight cash flow.

Overview

This optional rider protects your clients' policies from lapsing during the Death Benefit Protection (DBP) Period. The Death Benefit Protection Period will vary based on the younger insured's issue age.

Death Benefit Protection Period for SurvivorLife

Younger Insured Issue Age	DBP Period
0 – 55	30
56	29
57	28
58	27
59	26
60	25
61	24
62	23
63	22
64	21
65	20

Younger Insured Issue Age	DBP Period
66	19
67	18
68	17
69	16
70	15
71	14
72	13
73	12
74	11
75 – 85	10

During the Death Benefit Protection period, the policy will be protected from lapsing, even if the account value is less than or equal to zero, provided that the accumulation with interest of the premiums paid less withdrawals accumulated with interest and less policy debt equals or exceeds the accumulation with interest of Monthly Guarantee Premiums (MGP). However, this level of funding will not necessarily provide for the build-up of significant accumulated value in the policy. Compliance with the Death Benefit Protection Rider (DBPR) requirements is checked on each Monthly Policy Date during the Death Benefit Protection Period. If on any Monthly Policy Date the minimum premium requirement is not met, notification will be sent to the policy holder that the rider will be cancelled if a specified premium is not paid within 61 days from the date we mail the notice. Once the rider has lapsed, it cannot be reinstated.

Availability

DBPR is available on eligible New Issue policies only. Eligible policies include:

- Option A and B Death Benefit policies
- Younger Issue Age: 0-85
- There is no minimum issue age.
- Cannot be added after issue.
- Rider is available for all rate classes
- The Death Benefit Protection Rider is not available under the Guideline Premium Test definition of life insurance if the annualized Monthly Guarantee Premium is greater than the annual Guideline Level Premium.

Estate Preservation Rider (EPR)

Provides four years of second-to-die term coverage.

Overview

This rider provides four years of second-to-die term coverage as a rider on the second-to-die policy. It is designed to be used in those cases where the policy is issued outside of an irrevocable life insurance trust (ILIT), but is due to be transferred into such a trust within one year from issue. The purpose of the rider is to provide a death benefit equal to the base policy, net of estate taxes, should the insureds both die within the initial four-year period.

Availability

This rider cannot be added after issue.

The insureds must be a legally married couple. The marriage must be recognized for estate tax purposes at the federal level.

Available issue ages and rate classes are the same as the base product.

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 policyholder's request.

Issue Ages: 0-75, where issue age is based on the younger insured. If one insured is a standard or better risk, the other insured may have any substandard rating or be uninsurable. If both insureds have table ratings, the rider is only available if both insureds have rating less than or equal to 250%.

Exercise Age Limits
Cannot be exercised before age 60 or after age 85; exercise age limits are based on the younger insured.

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
10 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 cash value through policy loans, reducing the policy's cash surrender value and death benefit. The policy owner retains full rights and control over the accumulated value until a minimum threshold level is reached.

Once the minimum threshold of the cash surrender value is met, the amount of each subsequent benefit payment is credited into the policy as a bonus to the basic strategy, and the benefit payments 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. The death benefit will never be reduced to less than $15,000 and the cash surrender value not less than $1,000.

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:

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

How are benefits paid and can they change?

This rider includes a ratchet feature that 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.

Overloan Protection Rider (OPR)

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 surrender value. This feature can prevent a tax liability as a result of a policy lapse due to being over-loaned.

The policyholder 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 surrender value.
- Policy is in force for at least 15 years.
- Younger insured has attained the age of 75.
- There is a charge when the rider is exercised.

Policy Split Option Rider (PSO)

Option to split policy into two individual permanent policies.

Overview

This rider provides the insureds the option to split their contract into two individual permanent policies (may be whole life, indexed universal life, variable universal life, or universal life) sold by the company at the time of the split. No evidence of insurability is required.

The conditions for the policy split are allowed without evidence within 180 days of any one of the following:

- A final decree of divorce is issued terminating the marriage.
- There is a change in the federal estate tax law that results in at least one of these conditions:
  - An end to the unlimited marital deduction.
  - A reduction in federal estate tax rates so that the tax due at the second death is less than 50% of what it would have been before the change.

Availability

Only available at issue to legally married couples.

Maximum issue age of either insured is 80. There is no minimum age.

Neither insured may have a rating in excess of 250% or be uninsurable. There are no restrictions on flat extra ratings.

Charges

There is no cost for the rider, but there is a $200 administration charge at the time the rider is exercised.

Premium Deposit Account Rider (PDA)

Option to make a lump sum payment to pay for future planned premiums.

Overview

This rider allows the owner to make a lump sum payment that will be used to pay future Planned Premiums over a chosen duration. The Premium Deposit Account earns a guaranteed interest rate that is determined at the time of deposit. Policy premiums are automatically paid annually from this account. By prepaying, the owner ultimately pays a discounted premium. This rider helps to avoid a Modified Endowment Contract, maintaining tax qualifications of life insurance.

Availability

Added automatically to all policies (pension and non-pension policies).

Can be elected at issue or any time after issue.

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.

Available for all issue ages and all rate classes.

Can be added to all policies at issue but cannot be elected by depositors who are active members of the military due to a regulation that does not allow a surrender fee for active military.

Survivor Protection Rider (SPR)

Provides term coverage on a joint first-to-die basis.

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. It offers policy owners more death benefit flexibility than a traditional SIUL policy would by providing a death benefit at the first death.

Payout Options

The death benefit can be paid out one of two ways:

- Income stream (defined as a period certain).
- Lump sum

The default death benefit will be paid as a lump sum to the beneficiary. If the beneficiary decides to take the death benefit as an income stream, they then have the option to receive benefit payments directly into the policy as premium payments.

Minimum Payout Years: 1.
Maximum Payout Years: 30.

Availability

This rider may be added at or after issue and increase segments may be added after issue.

Minimum Coverage Amount: $50,000 based on lump sum equivalent.

Maximum Coverage Amount: Two times the sum of Base and APB coverage amounts based on lump sum equivalent.

The insureds must be the same two insureds on the base policy. The beneficiary may be named separately from the base policy beneficiary. Not available if either insured is under 20 years or over 70 years of age. Not available for substandard table ratings over 250% or if either insured is uninsurable.

Charges

This rider will have a charge per thousand of coverage, based on the lump sum equivalent, commissionable target premiums, minimum monthly premiums, and monthly guaranteed premiums.

Systematic Allocation Rider (SAR)

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 indexed 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 (SAR) can be used when a client has new premium, 1035 exchange, or index renewal bucket money and wishes to spread the money out over a 12-month period.

The Systematic Allocation Rider offers a convenient way for clients to spread their payment or qualifying allocation into the indexed strategies over the year.

Although the Systematic Allocation Rider may mitigate some risk, it does not guarantee an advantage over regular allocation methods. 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 amount 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 indexed 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,[7] the $6,000 premium minus insurance and administrative costs will be tied to one point, January 14th, and that one point change, January 14th of the current year to January 14th 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 1/12th 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 period[7] of January to January. The second allocation would have a crediting period of February to February, and so forth with the 12th crediting period based on December to December.

Once the client has elected the Systematic Allocation Rider, the premium is placed into the Systemic Allocation fixed interest account, where 1/12 is allocated in the chosen strategies per month. The remaining 11/12 of the premium remains in a fixed account, where it earns a fixed interest rate until allocated into an indexed strategy. Policy cost will be deducted each month before the premium is swept into the allocation strategy.

Availability

This rider is 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 SAR 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 premium is $3,600.

Charge

There is no additional charge for this rider.

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

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