Universal Life Insurance ("UL")

without secondary death benefit guarantees

UL policies are fairly straightforward products that provide a death benefit as long as policy cash value is sufficient to cover the monthly charges deducted for the coverage. Policy earnings and expenses are shown in detail in annual reporting.

Certainty	In normal circumstances with proper monitoring and adequate premium payments, the owner may have reasonable certainty over policy performance expectations. Left unattended, it is likely cash value will become insufficient to cover monthly policy charges which can terminate the policy immediately or in the future. Policy is likely to have a death benefit guarantee of a limited duration. The carrier may alter the policy charges in extreme circumstances subject to maximum levels stated in the policy. In addition, earnings over guaranteed minimums are credited at the discretion of the carrier.
Flexibility	UL policies have tremendous flexibility which is both a blessing and a curse. The owner may pay any premium amount including zero if needed. This is a powerful feature for adapting to changing personal financial resources over time. However, failure to monitor the impact of taking such actions can lead to cash value insufficiency down the road. Policy coverage may also be reduced in the future if desired by the owner.
Equity	Premiums net of premium loads increase policy cash value and are credited with a guaranteed minimum amount of interest. At the discretion of the carrier, additional interest is usually credited in excess of the guaranteed minimum amount. Policy cash values may be accessed by the owner via withdrawals or via a policy loan. Earnings are generally determined by a carrier portfolio of high quality fixed income investments.
Premium	Premiums are usually determined using a product illustration. This provides an estimated premium based upon a set of specific assumptions which are unlikely to occur exactly as planned over time. As a result, policy premiums are likely to vary over time due to policy owner actions, fluctuations in interest credited to the policy cash value, and other factors.
Safety	All guarantees are backed by carrier financial strength which will change over time. Policy cash values are part of the carrier's General Account asset portfolio and subject to claims of carrier creditors in the unlikely event of carrier failure.

Design and Maintenance Suggestions

1. Use a conservative earnings assumption to build in a cushion for inevitable changes in interest credited to the policy over time.
2. Use the premium flexibility sparingly and always expect to increase future premiums any time you choose to pay no or a lower premium than planned.
3. Periodically request revised policy illustrations from the carrier to monitor for cash value and premium adequacy.
4. Ensure you are comfortable with the potential for the policy to require additional premiums at some point over a policy holding period expected to span multiple decades.

Universal Life Insurance ("GUL")

with secondary death benefit guarantees

GUL policies are highly complex products that provide a guaranteed death benefit as long as the requirements of the death benefit guarantee calculations are satisfied. Policy cash values are usually insufficient to maintain the policy. As such the guarantee provisions are critical to the policy remaining in effect and to the ultimate cost of the policy.

Certainty	When sufficient premiums are paid to maintain the death benefit guarantee, the owner will have high certainty over policy performance expectations. Left unattended, it is likely the guarantee provision may become compromised which can terminate the policy immediately or in the future. The carrier may alter the policy charges in extreme circumstances subject to maximum levels stated in the policy, but the carrier can't alter provisions of the secondary death benefit guarantee.
Flexibility	GUL policies have limited flexibility due to the sensitivity and complexity of the death benefit guarantee calculations. The owner may technically pay any premium amount including zero if needed. However, failure to monitor the impact of taking such actions can lead to immediate policy termination or loss of the death benefit guarantee down the road. Policy coverage may also be reduced in the future if desired by the owner.
Equity	Premiums net of premium loads increase policy cash value and are credited with a guaranteed minimum amount of interest. However, GUL policies usually do not have material, if any, cash value. Earnings are generally determined by a carrier portfolio of high quality fixed income investments.
Premium	Premiums are calculated to have the death benefit guarantee in effect for a specified time period. Payment of this premium exactly as planned guarantees the death benefit. Deviations will require recalculation of the necessary premium often at a much higher amount (depending upon the degree of deviation and specific product provisions). Deviation may also result in immediate policy termination in some products while reducing the coverage period in other products.
Safety	All guarantees are backed by carrier financial strength which will change over time. Policy cash values, if any, are part of the carrier's General Account asset portfolio and subject to claims of carrier creditors in the unlikely event of carrier failure.

Design and Maintenance Suggestions

1. Strictly adhere to the exact plan for premium amounts and timing as paying early, late, or in a different amount may dramatically impact the guarantee duration.
2. Ensure you are comfortable with the rigid premium requirements of the contract over a policy holding period expected to span multiple decades.
3. Periodically request revised policy illustrations from the carrier to monitor the death benefit guarantee health.
4. Closely monitor annual statements for changes in the expected guaranteed coverage duration or premium amount.

Variable Universal Life Insurance ("VUL")

<u>without</u> secondary death benefit guarantees

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VUL policies are fairly straightforward products that provide a death benefit as long as policy cash value is sufficient to cover the monthly charges deducted for the coverage. Policy earnings and expenses are shown in detail in annual reporting. The policy prospectus describes policy mechanics in-depth.

Certainty	In normal circumstances with proper monitoring and adequate premium payments, the owner may have reasonable certainty over policy performance expectations. Left unattended, it is likely cash value will become insufficient to cover monthly policy charges which will terminate the policy. The carrier may alter the policy charges in extreme circumstances subject to maximum levels stated in the policy.
Flexibility	VUL policies have tremendous flexibility which is both a blessing and a curse. The owner may pay any premium amount including zero if needed. This is a powerful feature for adapting to changing personal financial resources over time. However, failure to monitor the impact of taking such actions can lead to cash value insufficiency down the road. Policy coverage may also be reduced in the future if desired by the owner.
Equity	Premiums net of premium loads increase policy cash value and are credited with earnings or losses based upon the performance of owner choices of various fixed income and equity investments called sub-accounts. The owner may alter allocations over time. Volatility of investment performance will impact the policy. Policy cash values may be accessed by the owner via withdrawals or via a policy loan.
Premium	Premiums are usually determined using a product illustration. This provides an estimated premium based upon a set of specific assumptions which are unlikely to occur exactly as planned over time. As a result, policy premiums are likely to vary over time due to policy owner actions, fluctuations in investment results, and other factors.
Safety	Policy cash values are part of the carrier's Separate Account asset portfolio which isn't subject to claims of general carrier creditors in the unlikely event of carrier failure. This provides an extra level of safety.

Design and Maintenance Suggestions

1. Use a conservative earnings assumption to build in a cushion for inevitable investment volatility over time. Avoid over-reacting to short term volatility.
2. Use the premium flexibility sparingly and always expect to increase future premiums any time you choose to pay no or a lower premium than planned.
3. Periodically request revised policy illustrations from the carrier to monitor for cash value and premium adequacy.
4. Ensure you are comfortable with the potential for the policy to require additional premiums at some point over a policy holding period expected to span multiple decades.

Variable Universal Life Insurance ("Hybrid VUL")

with secondary death benefit guarantees

Hybrid VUL policies are complex products that provide a death benefit as long as policy cash value is sufficient to cover the monthly charges deducted for the coverage or if the death benefit guarantee is in effect. Policy earnings and expenses are shown in detail in annual reporting. The policy prospectus describes policy mechanics in-depth. Details around calculation of the guarantee values usually aren't reported to the policy owner.

Certainty	When sufficient premiums are paid to maintain the death benefit guarantee, the owner will have high certainty over policy performance expectations. Left unattended, it is likely the guarantee provision may become compromised or that cash value will become insufficient to cover monthly policy charges which will terminate the policy. The carrier may alter the policy charges in extreme circumstances subject to maximum levels stated in the policy, but the carrier can't alter provisions of the secondary death benefit guarantee.
Flexibility	Hybrid VUL policies have limited flexibility if the owner intends to maintain the death benefit guarantee due to the complexity of those calculations. The owner may pay any premium amount including zero if needed. This is a powerful feature for adapting to changing personal financial resources over time. However, failure to monitor the impact of taking such actions can lead to cash value insufficiency or loss of the death benefit guarantee down the road. Policy coverage may also be reduced in the future if desired by the owner.
Equity	Premiums net of premium loads increase policy cash value and are credited with earnings or losses based upon the performance of owner choices of various fixed income and equity investments called sub-accounts. The owner may alter allocations over time. Volatility of investment performance will impact the policy. Policy cash values may be accessed by the owner via withdrawals or via a policy loan, but it could endanger the death benefit guarantee. Equity access can terminate or shorten the death benefit guarantee. Policies commonly have some investment restrictions when the death benefit guarantee is in effect, but equity may also enhance the guarantees in some products.
Premium	Premiums are usually calculated to have the death benefit guarantee in effect for a specified time period. Payment of this premium exactly as planned guarantees the death benefit. Deviations will require recalculation of the necessary premium often at a much higher amount (depending upon the degree of deviation and specific product provisions).
Safety	All guarantees are backed by carrier financial strength which will change over time. Policy cash values are part of the carrier's Separate Account asset portfolio which isn't subject to claims of general carrier creditors in the unlikely event of carrier failure. This provides an extra level of safety.

Design and Maintenance Suggestions

1. Use a conservative earnings assumption to build in a cushion for inevitable investment volatility over time. Avoid over-reacting to short term volatility.
2. Be very diligent about paying the premium on time, and use the premium flexibility sparingly. Always expect to increase future premiums any time you choose to pay no or a lower premium than planned.
3. Periodically request revised policy illustrations from the carrier to monitor for cash value and premium adequacy as well as to determine if death benefit guarantees have been impacted.
4. Ensure you are comfortable with the rigid premium requirements of the contract over a policy holding period expected to span multiple decades.

Indexed Universal Life Insurance ("IUL")

without secondary death benefit guarantees

IUL policies are highly complex products that provide a death benefit as long as policy cash value is sufficient to cover the monthly charges deducted for the coverage. Policy earnings and expenses are shown in detail in annual reporting.

Certainty	Under conservative assumptions with proper monitoring and adequate premium payments, the owner may have reasonable certainty over policy performance expectations. Left unattended or with aggressive assumptions, it is likely cash value will become insufficient to cover monthly policy charges which can terminate the policy immediately or in the future. Policy is likely to have a death benefit guarantee of a limited duration. The carrier may alter the policy charges in extreme circumstances subject to maximum levels stated in the policy.
Flexibility	IUL policies have lots of contractual flexibility. However, many products have inherent penalties for use of some of the flexible features including premium changes or accessing policy equity. The owner may pay any premium amount including zero if needed. This is a powerful feature for adapting to changing personal financial resources over time. However, failure to monitor the impact of taking such actions can lead to cash value insufficiency down the road. Policy coverage may also be reduced in the future if desired by the owner.
Equity	Premiums net of premium loads increase policy cash value and are credited with earnings based upon the change in a reference index of investments such as the S&P 500. IUL products do not actually purchase the investments. Downside protection is provided via minimum floor on earnings. Positive earnings are limited by carrier discretion over various elements including caps on upside. Policy cash values may be accessed by the owner via withdrawals or via a policy loan. Access provisions vary greatly and can trigger earnings forfeitures or carry significant interest rate risk. The carrier portfolio behind the product is primarily high quality fixed income investments.
Premium	Premiums are usually determined using a product illustration. This provides an estimated premium based upon a set of specific assumptions which are unlikely to occur exactly as planned over time. As a result, policy premiums are likely to vary over time due to policy owner actions, volatility in earnings credited to the policy cash value, and other factors.
Safety	All guarantees are backed by carrier financial strength which will change over time. Policy cash values are part of the carrier's General Account asset portfolio and subject to claims of carrier creditors in the unlikely event of carrier failure.

Design and Maintenance Suggestions

1. Use a conservative earnings assumption to build in a cushion for inevitable earnings volatility.
2. Use the premium flexibility sparingly and always expect to increase future premiums any time you choose to pay no or a lower premium than planned.
3. Review contract language for harmful provisions prior to executing any changes.
4. Periodically request revised policy illustrations from the carrier to monitor for cash value and premium adequacy.
5. Avoid use of risky participating loan provisions.

Indexed Universal Life Insurance ("IUL")

with secondary death benefit guarantees

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IUL policies are highly complex products that provide a death benefit as long as policy cash value is sufficient to cover the monthly charges deducted for the coverage or if the death benefit guarantee is in effect. Policy earnings and expenses are shown in detail in annual reporting. Details around calculation of the guarantee values usually aren't reported to the policy owner.

Certainty	When sufficient premiums are paid to maintain the death benefit guarantee, the owner will have high certainty over policy performance expectations. Left unattended, it is likely the guarantee provision may become compromised or that cash value will become insufficient to cover monthly policy charges which will terminate the policy. The carrier may alter the policy charges in extreme circumstances subject to maximum levels stated in the policy, but the carrier can't alter provisions of the secondary death benefit guarantee.
Flexibility	IUL policies have limited flexibility if the owner intends to maintain the death benefit guarantee due to the complexity of those calculations. Many products have inherent penalties for use of some of the flexible features including premium changes or accessing policy equity. The owner may pay any premium amount including zero if needed. However, failure to monitor the impact of taking such actions can lead to cash value insufficiency or loss of the death benefit guarantee down the road. Policy coverage may also be reduced in the future if desired by the owner.
Equity	Premiums net of premium loads increase policy cash value and are credited with earnings based upon the change in a reference index of investments such as the S&P 500. IUL products do not actually purchase the investments. Downside protection is provided via a minimum floor on earnings. Positive earnings are limited by carrier discretion over various elements including caps on upside. Policy cash values may be accessed by the owner via withdrawals or policy loan. Access provisions vary greatly and can trigger earnings forfeitures or carry significant interest rate risk. Equity access can terminate or shorten the death benefit guarantee. The carrier portfolio behind the product is primarily high quality fixed income investments.
Premium	Premiums are usually calculated to have the death benefit guarantee in effect for a specified time period. Payment of this premium exactly as planned guarantees the death benefit. Deviations will require recalculation of the necessary premium often at a much higher amount (depending upon the degree of deviation and specific product provisions).
Safety	All guarantees are backed by carrier financial strength which will change over time. Policy cash values are part of the carrier's General Account asset portfolio and subject to claims of carrier creditors in the unlikely event of carrier failure.

Design and Maintenance Suggestions

1. Use a conservative earnings assumption to build in a cushion for inevitable earnings volatility.
2. Be very diligent about paying the premium on time, and use the premium flexibility sparingly. Always expect to increase future premiums any time you choose to pay no or a lower premium than planned.
3. Periodically request revised policy illustrations from the carrier to monitor for cash value and premium adequacy as well as to determine if death benefit guarantees have been impacted.
4. Ensure you are comfortable with the rigid premium requirements of the contract over a policy holding period expected to span multiple decades.

Participating Whole Life Insurance ("WL")

without term insurance combined

WL policies are fairly straightforward products that provide a guaranteed death benefit and some level of guaranteed cash value as long as the policy premium is paid every year. Participating policies are eligible for dividends. The dividend formula mechanics (which include interest, expenses, and mortality experience) are not disclosed.

Certainty	If all premiums are paid when due, the owner will have high certainty of protection. Certainty becomes diminished if owner relies on non-guaranteed dividends or uses policy loans to pay premiums. Although not guaranteed, it is reasonable to expect some level of dividends to be paid over time albeit not necessarily at the levels shown in sales illustrations.
Flexibility	WL policies have limited flexibility. Premiums are due in full each year. Potential flexibility is dependent upon use of future non-guaranteed dividends. Dividends or a policy loan may be sufficient to pay all or a portion of premiums in the future. However, failure to monitor the impact of taking such actions can lead to out of pocket premiums or even policy termination down the road.
Equity	Policies have a guaranteed cash value. At the discretion of the carrier, dividends may be credited to the policy. The interest component of the dividend formula should not be mistaken for a straight earnings rate on policy cash value as each year adjustments are made for expenses and mortality experience in the formula. Policy cash values may be accessed by the owner via dividends or via a policy loan. Many carriers alter dividend formulas if loans are taken. Earnings are generally determined by a carrier portfolio of high quality fixed income investments.
Premium	Premiums are a function of the coverage amount and are guaranteed. However, reliance upon future dividends to pay all or a portion of premiums can lead to fluctuations in the annual out of pocket premium paid.
Safety	All guarantees are backed by carrier financial strength which will change over time. Policy cash values are part of the carrier's General Account asset portfolio and subject to claims of carrier creditors in the unlikely event of carrier failure.

Design and Maintenance Suggestions

1. Use a conservative earnings assumption to build in a cushion for inevitable changes in dividends credited to the policy over time.
2. Limit the use policy loans to pay the premium due to the future drag on policy values and the termination risk associated with a heavily loaned policy.
3. Periodically request revised policy illustrations from the carrier to monitor for cash value and premium adequacy.
4. Ensure you are comfortable with the rigid premium requirements of the contract over a policy holding period expected to span multiple decades.

Participating Whole Life Insurance ("WL")

with term insurance combined

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WL policies with a mixture of term insurance are complex products that provide a guaranteed whole life death benefit and a non-guaranteed term death benefit. The product also provides some level of guaranteed cash value as long as the policy premium is paid every year. Participating policies are eligible for dividends. The dividend formula mechanics (which include interest, expenses, and mortality experience) are not disclosed.

Certainty	There is high certainty around the whole life portion of the death benefit while the term mixture has significant uncertainty due to the reliance upon dividends to support the policy mechanics. Dividends may be insufficient to support the term mixture in the future. In such an event, required premiums may increase or coverage may decrease. Although not guaranteed, it is reasonable to expect some level of dividends to be paid over time albeit not necessarily at the levels shown in sales illustrations.
Flexibility	The introduction of term mixtures reduces the already limited flexibility in a WL policy. Premiums are due in full each year. Due to the reliance upon future dividends in the term mixture mechanics, dividends must be allocated exclusively to supporting that portion of the death benefit. Dividends or a policy loan may be sufficient to pay all or a portion of premiums in the future. However, failure to monitor the impact of taking such actions can lead to out of pocket premiums or even policy termination down the road.
Equity	Policies have a guaranteed cash value. At the discretion of the carrier, dividends may be credited to the policy. The interest component of the dividend formula should not be mistaken for a straight earnings rate on policy cash value as each year adjustments are made for expenses and mortality experience in the formula. If policy cash values are accessed by the owner via dividends or via a policy loan, it will negatively impact the term mixture. Many carriers alter dividend formulas if loans are taken. Earnings are generally determined by a carrier portfolio of high quality fixed income investments.
Premium	Premiums are a function of the coverage amount and are guaranteed for the base policy only. Premiums on the term mixture may change over time resulting in higher out of pocket expenses.
Safety	All guarantees are backed by carrier financial strength which will change over time. Policy cash values are part of the carrier's General Account asset portfolio and subject to claims of carrier creditors in the unlikely event of carrier failure.

Design and Maintenance Suggestions

1. Use a conservative earnings assumption to build in a cushion for inevitable changes in dividends credited to the policy over time and to account for the additional term mixture risk.
2. Avoid accessing policy values due to the risk to the term component of the death benefit.
3. Periodically request revised policy illustrations from the carrier to monitor for cash value and premium adequacy.
4. Ensure you are comfortable with the rigid premium requirements of the contract over a policy holding period expected to span multiple decades.