



FlexLife  
Indexed Universal Life Insurance  
Product Guide

Table of Contents

Quick Spec .....2

Features and Benefits..... 4

Prospect Profile .....5

Interest Crediting Strategies .....7

Death Benefit Options .....10

Loans, Withdrawals and 1035 Exchanges .....12

Premium Payments .....14

Charges.....15

Riders .....17

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## FlexLife IUL

### Quick Spec

Providing lifetime protection, flexibility and income distribution performance.

FlexLife IUL is the next generation of indexed universal life from the companies of National Life Insurance Company and Life Insurance Company of the Southwest. This flexible policy provides valuable lifetime protection through the death benefit, living benefits and the opportunity for cash value accumulation with strong income distribution performance.

### Product Focus:

- Flexible IUL providing lifetime protection, living benefits, cash value accumulation and strong income distribution with powerful distribution options such as LIBR.
- Ideal for emerging affluent individuals in their late 30's to early 50's with discretionary income to overfund their policy and who plan to use their policy for income needs later in life.
- Overfund IUL to take advantage of the Tax-Free Retirement Strategy and LIBR

### Highlights:

- **Income Distribution Performance** – Upside Potential, Downside Protection with competitive income distribution
- **Income for Life** – With the Lifetime Income Benefit Rider<sup>1</sup>, your clients have the potential to receive a stream of income for life – guaranteed!<sup>2</sup>
- **Death Benefit Protection Rider** – Guaranteed death benefit protection for a limited period – up to 30 yrs
- **Overloan Protection Rider<sup>3</sup>** – Offers protection against policy lapse
- **Accelerated Benefits Riders<sup>4</sup>** – At no-additional cost
- **Tried and True Interest Crediting Strategies** – One Fixed and four Indexed based on the S&P 500
  - Basic Strategy – Holding Account
  - Fixed Strategy – Fixed Interest Crediting Rate
  - Indexed Strategy 1 – Point -to-Point, Cap Focus
  - Indexed Strategy 2 – Point-to-Point, Participation Rate Focus
  - Indexed Strategy 3 – Point-to-Point, No Cap
  - Indexed Strategy 4 – Point-to-Average

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

<sup>1</sup> 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 60 and 85 and that the policy has been in force for at least 15 years. Insufficient policy values, outstanding policy loans and other considerations may also restrict exercising the rider. Receipt of income benefits will reduce the policy's death benefit and cash value and may terminate other riders or reduce their benefits. There is a charge for the rider during the income payment period.

<sup>2</sup> Guarantees are dependent on the claims paying ability of the issuing company.

<sup>3</sup> Substantial limitations apply to exercising the Overloan Protection Rider, including the policy be in force for at least 15 years and the insured having attained the age of 75. Exercising the rider results in a paid-up policy. There is no cost for this optional rider, however there is a fee charged when the rider is exercised.

<sup>4</sup> Receipt of accelerated benefits will reduce the policy's cash value and death, may be a taxable event and may affect a family's eligibility for public assistance programs.

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## Details

|                                     |                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                        |
|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Issue Ages:</b>                  | 0 to 85 (age nearest birthday)                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                        |
| <b>Minimum Face Amount:</b>         |                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                        |
| Initial Coverage:                   | LSW: \$100,000; NL: \$25,000                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                        |
| Base or APB Increase:               | \$25,000                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                        |
| <b>Pension Minimum Face Amount:</b> |                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                        |
| Elite & Preferred:                  | Initial: \$25,000; Subsequent: \$2,000                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                        |
| Standard:                           | Initial: \$5,000, \$25,000 in WA; Subsequent: \$2,000                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                        |
| <b>Death Benefit Options:</b>       | Both Option A and B available                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                        |
| <b>Minimum Premium:</b>             | \$25.00                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                        |
| <b>Maximum Premium:</b>             | Both GPT or CVAT Tests allowed                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                        |
| <b>Rate Classifications:</b>        | Elite Non-Smoker/Non-Tobacco (issue ages 20-75)<br>Preferred Non-Smoker/Non-Tobacco (issue ages 20-85)<br>Standard Non-Smoker/Non-Tobacco (issue ages 0-85)<br>Preferred Smoker/Tobacco (issue ages 20-85)<br>Standard Smoker/Tobacco (issue ages 20-85)<br>Note: Juveniles (0-19) will be issued in the Standard Non-Smoker rate class<br>Known smokers will get a 200% rating except in the state of PA |                                                                                                                                                                                                                                        |
| <b>Substandard:</b>                 | Table ratings and medical flat extras available with Standard rate classes.<br>Temporary flat extras available with any rate class.                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                        |
| <b>Banding:</b>                     |                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                        |
| Band 1                              | Minimum Face Amount - \$249,999                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                        |
| Band 2                              | \$250,000 - \$999,999                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                        |
| Band 3                              | \$1,000,000 - \$2,999,999                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                        |
| Band 4                              | \$3,000,000 and up                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                        |
| <b>Min. Interest Rate:</b>          | 2.5% Fixed Strategy                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                        |
| <b>1035 Exchanges with Loans:</b>   | Allowed – up to 50% of gross transferred amount                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                        |
| <b>Surrender Schedule:</b>          | 10 years                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                        |
| <b>Policy Loans:</b>                | Available after the first policy year, both variable and fixed net cost – 1035 money available in year 1                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                        |
| <b>Withdrawals:</b>                 | Available after the first policy year, \$500 min.                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                        |
| <b>Expense Charges:</b>             |                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                        |
| Monthly Policy fee                  | \$6                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                        |
| Premium Load                        | 6%                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                        |
| <b>Riders:</b>                      | Accelerated Benefits Riders<br>Accidental Death Benefit Rider<br>Additional Protection Benefit Rider<br>Balance Sheet Benefit Rider<br>Children's Term Rider<br>Death Benefit Protection Rider<br>Guaranteed Insurability Rider                                                                                                                                                                           | Lifetime Income Benefit Rider<br>Other Insured Rider<br>Overloan Protection Rider<br>Systematic Allocation Rider<br>Qualified Plan Exchange Privilege Rider<br>Waiver of Monthly Deductions Rider<br>Waiver of Specified Premium Rider |

Riders are optional, may require additional premium and may not be available in all states. The use of some riders may reduce or eliminate other policy or rider benefits.

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## FlexLife IUL

### Product Features and Benefits

| Feature                                                                                                                                                                                                                                                       | Benefit                                                                                                                                                                                                                                                        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Indexed UL</b><br>As an Indexed product, FlexLife offers a combination of life insurance protection, cash value accumulation, living benefits and five interest crediting strategies – one fixed, four tied to the S&P 500 Index.                          | Clients are provided with valuable death benefit protection and the opportunity to access cash value throughout their lives. Plus, they have access to one or more index strategies where they can diversify among strategies and adjust allocation over time. |
| <b>Lifetime Income Benefit Rider (LIBR)<sup>2</sup></b><br>If LIBR is added to the policy, your clients have the potential to receive a stream of income that they cannot outlive – guaranteed, if certain qualifications are met and the rider is exercised. | With Americans living longer, outliving retirement savings has become a great concern. Once exercised, LIBR <sup>2</sup> guarantees your clients a stream of income for the life of the insured – money that cannot be outlived!                               |
| <b>Systematic Allocation Rider</b><br>The Systematic Allocation Rider allows clients with large lump sums, particularly 1035 exchanges, to create a one time allocation schedule for their premium over the course of 12 months.                              | A convenient way for clients to spread out their lump sum over the year in order to capitalize on gains and minimize losses during market fluctuations without monthly allocation maintenance.                                                                 |
| <b>Overloan Protection Rider<sup>4</sup></b><br>This rider helps prevent your client's policy from lapsing in situations where loan balances threaten the policy's ability to stay in force.                                                                  | Policy loans <sup>3</sup> from FlexLife may be received income-tax free. If the policy is in jeopardy of lapsing and other criteria are met, the Overloan Protection Rider will restructure the policy so that it is guaranteed not to lapse.                  |
| <b>Guarantees<sup>3</sup></b><br>A guaranteed minimum interest rate of 2.5% upon death or full surrender of the policy <sup>5</sup> .                                                                                                                         | Clients can be assured that regardless of the changes in their chosen index, policy values at death or full surrender will reflect the larger of the current accumulated value or the guaranteed accumulated value calculated at 2.5% <sup>5</sup> .           |

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

1 Policy loans and withdrawals reduce the policy's cash value and death benefit and may result in a taxable event. Surrender charges may reduce policy values in the earlier 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 60 and 85 and that the policy has been in force for at least 15 years. Insufficient policy values, outstanding policy loans and other considerations may also restrict exercising the rider. Receipt of income benefits will reduce the policy's death benefit and cash value and may terminate other riders or reduce their benefits. There is an annual charge for the rider during the income payment period. Guarantees are dependent on the claims paying ability of the issuing company.

3 Substantial limitations apply to exercising the Overloan Protection Rider, including the policy be in force for at least 15 years and the younger insured's attained age of 75.

4 Guarantees are dependent on the claims paying ability of the issuing company.

5 Minus any applicable surrender charges.

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## FlexLife IUL

### Individual Insurance Strategies

#### Prospect Profile #1:

Prospects who are looking for death benefit protection and the accumulation of cash value to assist with lifetime expenses such as education costs, and or supplemental retirement income.

The tax-deferred accumulation of cash value and tax favored distributions make FlexLife an effective vehicle to build cash value in the simplest to most complex situations. From a distribution perspective, FlexLife performs very well in the market and it offers strong distribution options, including the Lifetime Income Benefit Rider. Couple this with the Tax-Free Retirement Strategy and you have a powerful story to tell your clients!

For individuals making a large annual premium payment, the Systematic Allocation Rider provides the opportunity to spread the premium over multiple crediting periods. This rider also would make gifting to an IUL more attractive since most gifting includes single sum premiums or large annual premiums.

When death benefit is the focus, the Additional Protection Benefit Rider provides some flexibility in premium cost while still maintaining a permanent product that offers potential cash value accumulation.

Clients may also want to use their cash value to reduce their premium payments during their retirement years.

In order for clients to take complete advantage of FlexLife's flexibility and the exciting planning opportunities it offers, they should be encouraged to pay more than the minimum premium (full pay/overfund). By doing so, they will have the potential for higher cash values allowing them to make the most out of their policy, whether it be for:

- College expenses for children<sup>1</sup>
- Tax-free retirement<sup>2</sup>
- Lifetime Income, guaranteed, once the rider has been exercised<sup>3</sup>
- Premium flexibility during retirement<sup>1</sup>

*continued on next page*

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<sup>1</sup> Policy loans and withdrawals reduce the policy's cash value and death benefit and may be a taxable event. Surrender charges may reduce the policy's cash value in early years. 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.

<sup>2</sup> 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. There are options for removing values from the insurance contract that will not result in an immediate taxable event, but there is also a risk that substantial tax ramifications could result upon contract lapse or surrender.

<sup>3</sup> 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 in force at least 15 years. Insufficient policy values, outstanding policy loans and other considerations 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. Guarantees are dependent upon the claims-paying ability of the issuing company.

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## Business Market

### Prospect Profile #2:

Business owners who have a business partner or key employee. The Business owner may be interested in ways to:

- Protect the business against the loss of the business partner or key employee
- Provide benefits to the business partner, key employee(s)
- Build retirement security for themselves
- Attract, retain and reward top talent
- Create a business transition plan

FlexLife may be the ideal solution for business owners who want to fund a buy-sell agreement, executive bonus plan, and non-qualified deferred compensation arrangements.

The death benefit provides funds to support the business during a loss of a key player or through a transition.

By providing premium flexibility, upside cash value accumulation through the indexed strategies, and optional benefits in the event of a long-term illness, FlexLife is ideal for business planning situations.

## Estate Planning Strategy

### Prospect Profile #3

Individuals in their retirement years who have had successful careers, built significant assets and are interested in developing a strategy that will allow them to pass on their assets in the most tax-efficient way.

Large estates can be exposed to significant settlement costs whether through gift and estate taxes, probate expenses or costs to administer the estate.

FlexLife provides liquidity to help cover these costs and protect assets that may otherwise have to be sold in less than ideal conditions. Plus, clients have access to Accelerated Benefits Riders<sup>4</sup> in the event they are diagnosed with a terminal, chronic or critical illness. These living benefits will provide funds to help meet expenses associated with the illness which in turn protects their assets from possible expense erosion related to a long-term or terminal illness.

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<sup>4</sup> Payment of Accelerated Benefits will reduce the policy's cash value and death benefit, may be a taxable event and may affect eligibility for public assistance programs.

# Indexed Universal Life

## Interest crediting strategies

Five Interest Crediting Strategies - One Fixed and four Indexed based on the S&P500

- Fixed Strategy – Fixed Interest Crediting Rate
- Index Strategy 1 – Point-to-Point, Cap Focus
- Index Strategy 2 – Point-to-Point, Participation Rate Focus
- Index Strategy 3 – Point-to-Point, No Cap
- Index Strategy 4 – Point-to-Average

## Interest crediting methodology

### Basic Strategy

All premiums paid by the client are paid into the Basic Strategy and a rate of interest declared by the company is credited to the account.

The Basic Strategy must maintain a minimum value. This minimum value is determined at the start of each policy year and is an estimate of the amount required to fund the monthly deductions for the policy year. This amount will change each policy year on the policy anniversary.

Once per month, on the 21st, any Basic Strategy value in excess of the Basic Strategy minimum value will be transferred to the other strategies based on the allocation specified by the policyholder.

### Interest Crediting Strategies

We offer five different interest crediting strategies to provide maximum flexibility for your client. These strategies are:

1. The Fixed Term Strategy
2. Point-to-Point, Cap Focus Index Strategy
3. Point-to-Point, Participation Rate Focus Index Strategy
4. Point-to-Point, No Cap Index Strategy
5. Point-to-Average Index Strategy

*Not all strategies may be available on all products.*

### Fixed-Term Strategy

Each transfer to the Fixed-Term strategy creates a distinct fixed-term segment. Each Fixed-Term Segment will have a crediting period of one year. A rate of interest declared by the company is credited to the account daily. At the end of each Fixed-Term Segment period, the funds will be transferred back to the Basic Strategy.

*continued on next page*

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## Index Strategies

Each transfer to an Index Strategy creates a distinct Index Segment. Each Index Segment will have a crediting period of one year. Index earnings are credited to each Index Segment at the end of the crediting period. Each Index Segment will have a Participation Rate and a Cap, which is determined in advance for each crediting period.

The Index for the strategies will be the S&P 500. On each anniversary of an Index Segment, the Index Growth for that segment will be calculated as a function of the Index changes over the crediting period. Interest earnings for each Index Segment are calculated at the end of the crediting period of such segment as follows:

1. Index Growth multiplied by the segment's Participation Rate, adjusted so that the rate is no greater than the segment's Cap, and no less than 0%; multiplied by
2. The value in the applicable Index Segment.

There are three Point-to-Point Index Strategies and a Point-to-Average Index Strategy.

### Point-to-Point

The Point-to-Point method measures the change in the index value from the start of the segment (Starting Index Value) to the value of the Index 12 months later (Ending Index Value). The change in the index value is divided by the Starting Index Value to determine the Index Growth.

The Index Growth is then multiplied by the Participation Rate (the resulting value will never be less than zero). The Participation Rate is the rate that the policy holder shares in the Index Growth. Once the Participation Rate is applied to the Index Growth, the result is compared to the Cap. In no instance will the earnings for the segment exceed the Cap.

#### Example

Let's assume an Index Segment has a Participation Rate of 100% and a Cap of 12%. If the Index Growth is 10%, the Index Segment would be credited 10% (10% increase times 100% Participation Rate falls below the 12% Cap).

## Point-to-Average

The Point-to-Average method measures the change in Index value from the Starting Index Value to the Daily Average of the Index over the next 12 month period. The difference between the Daily Average of the Index and the Starting Index Value is divided by the Starting Index Value to determine the Index Growth.

The Index Growth is then multiplied by the Participation Rate (the resulting value will never be less than zero). There is no Cap for this strategy.

#### Example

Let's assume an Index Segment has a Participation Rate of 110%. If the Index Growth, comparing the Starting Index Value to the Average Daily Value of the Index, is 10%, that Index Segment would be credited 11% (10% increase times 110% Participation Rate and no Cap).

## Available Index Strategies

### Point-to-Point, Cap Focus Index Strategy

The Cap Focus Index Strategy guarantees that the Participation Rate will always be greater than or equal to 100%. This strategy will always provide a higher Cap than the Participation Rate focused strategy. The guaranteed minimum Cap is 3.1%.

### Point-to-Point, Participation Rate Focus Index Strategy

The Participation Rate Focus Index Strategy guarantees that the Participation Rate will be at least 110%. Since this strategy is designed to provide a higher Participation Rate, it will have a lower Cap. The guaranteed minimum Cap is 3.0%.

### Point-to-Point, No Cap Index Strategy

The No Cap Index Strategy applies no Cap and is, therefore, balanced by a lower Participation Rate. The guaranteed minimum Participation Rate is 25%.

### Point-to-Average Index Strategy

The Point-to-Average Index Strategy is guaranteed to have no Cap. The guaranteed minimum Participation Rate is 30%.

*continued on next page*

## Indexed Interest Crediting Glossary of Terms

### Basic Strategy

The account where all premiums are initially paid. Charges are taken from the Basic Strategy. If value in the Basic Strategy is not enough to cover the charges, charges will be taken from the Fixed-Term Strategy and the Index Strategies.

### Basic Strategy Sweep Date

The 21st 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.

### Daily Average of the Index

The arithmetic average of all the published daily ending values of the Index for a 12 month period.

### 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 predetermined minimum rate of interest earned.

### Index

The Index used for National Life and Life Insurance Company of the Southwest is the S&P 500 Index.

### Index Segment

Each time premiums are transferred from the Basic Strategy to an Index Strategy a new Index Segment is created.

### Indexed Interest

The interest credited to an Index Segment using either the Point-to-Point or Point-to-Average strategy.

### Participation Rate

The percentage applied to the Index Growth used in the formula to calculate the Indexed Interest for an Index Segment.

### Point-to-Average

Compares the Starting Index Value of an Index Segment to the Daily Average of the Index Segment to determine the Index Growth.

### 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 periods, 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.

## FlexLife IUL

### 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 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 to the date of payment. The rate of interest will be declared periodically by the company, but not less than 2.5% per year or as mandated by law.

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

**Option A:** Under Option A, the death benefit is equal to the greater of

1. the face amount; or
2. the accumulated value multiplied by the applicable corridor factor

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

1. the face amount plus the accumulated value; or
2. the accumulated value multiplied by the corridor factor

### Comparison

#### 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 more premium for those clients wishing to over fund their policies.

### Change in 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.

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## Change in Face Amounts

After the first policy anniversary the policy holder 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 will have its own surrender charges and monthly per thousand of face amount administration charges.

### **Decrease in Face Amount:**

- Decreases which would reduce the face amount of the policy below the minimum face amount will not be permitted.
- During the first nine 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.

Each change in coverage will cause the Commissionable Target Premium (CTP) and Minimum Monthly Premium (MMP) to be adjusted.

## FlexLife IUL

### Loans, Withdrawals and 1035 Exchanges

#### Loans

Loans are available at any time after the first policy year. The policy will serve as the sole collateral for the loan.

The amount available for a loan on any day will be 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.

The interest rate charged on the loan will be a variable rate based on Moody's Corporate Bond Yield Average – Monthly Corporates, subject to a minimum rate of 3%. This is called the Variable Loan Rate (VLR).

#### FlexLife offers two loan options

1. Variable Net Cost Loan
2. Fixed Net Cost Loan

The loan option is selected by the policy holder at the time the first policy loan is taken. The loan option may be changed upon request and such changes will take effect on the next anniversary.

#### Interest credited on loaned funds

1. Variable Net Cost Loans – All account values will remain in the various interest crediting strategies and loaned values continue to earn interest/index credits as if no loan had been taken from the policy.
2. Fixed Net Cost Loans – Loaned values are removed from the interest crediting strategies and transferred to a segregated loan collateral account where the money is credited at the Variable Loan Rate (VLR).

#### Overloan Protection Rider

Policy loans from FlexLife are received income-tax free. If the policy lapses, with outstanding policy loans, there could be taxable income to the policy holder. 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 having 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.

#### Withdrawals

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

- The minimum withdrawal amount is \$500.
- A fee up to \$25 may be charged at the time of withdrawal.
- The amount of withdrawal may not exceed the cash surrender value minus three monthly deductions due on the last monthly policy date.
- A withdrawal will not be 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 will be reduced by the amount of the withdrawal plus the withdrawal fee, if any.

*continued on next page*

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## **Withdrawals continued**

- If death benefit Option A is in effect, the face amount of the policy will be reduced by an amount equal to the amount of the withdrawal plus the withdrawal fee, if any.

Policy loans and withdrawals reduce the policy's cash value and death benefit and may be a taxable event. Surrender charges may reduce the policy's cash value in early years. Outstanding policy loans will restrict the Lifetime Income Benefit rider from being exercised

## **1035 Exchanges**

FlexLife IUL 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 policy holder has the option of a Variable Net Cost Loan or a Fixed Net Cost Loan but will default to Variable Net Cost Loans.

## FlexLife IUL

### Premium Payments

#### Premiums

This is a flexible premium product so premiums can be paid in any amount and any frequency desired by the policy holder subject to the following limitations:

- Minimum premium: \$25.00
- Maximum premium: Limit imposed by the IRS for qualifying the policy as life insurance.
- Payment mode: annual, semi-annual, quarterly, check-o-matic

Although policy holders have premium flexibility with indexed universal life, it is important to educate them on how paying smaller or larger premiums can impact their policy's cash value. 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. If the policy holder's goal is to accumulate cash 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 which are used to define the minimum amount of death benefit above the contract's accumulated value which must be maintained.

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## FlexLife IUL

### Charges

#### Policy Protection Period

The policy protection period helps protect the policy against lapse and corresponds to the first 9 policy years. For the nine year policy protection 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. 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.

#### Monthly Cost of Insurance

Each month the cost of insurance (COI) is deducted from the accumulated value. Guaranteed maximum COI rates shown in the policy are based on the 2001 CSO mortality tables.

#### Surrender Charges

Surrender charges apply during the first 10 years of the policy. A dollar amount will be set based on the issue age, sex, and rate class of both insureds; and the policy face amount and duration. A face amount increase will have its own surrender charges associated with it.

#### Expense Charges

**Based on:** age, gender, rate class and face amount

**Policy fee:** \$6.00 per month

**Premium load:** 6% of premium

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## Accelerated Benefits Rider (ABR) for Chronic Illness

Accelerates death benefit during lifetime for chronic illness.

### Overview

ABR 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 about ABR is that benefits do not have to be used to defray actual expenses associated with the chronic illness. They could be used for such things as making structural changes to a home to accommodate the illness, compensating a non-licensed care provider, etc. ABR proceeds in the state of MA can only be used to pay for expenses incurred for Qualified Long-Term Care Services.\*

### 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 and continence.

### ABR Chronic Benefit:

The amount of death benefit available for ABR payout is based on a discount factor off the death benefit amount. The amount accelerated will reduce the death benefit, the cash value and the loan value. A summary of the projected discounted death benefit amount can be illustrated through ICSolutions.

Once the policy has been in force for two years, National Life will accelerate, up to \$109,500 annually **for chronic illness**, not to exceed the total discounted death benefit with a lifetime maximum of \$1,000,000.

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\* 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.

Limits 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. Accelerated Benefits Riders are only available after the first death for Lifecycle Solution SIUL policies.

ABR Chronic is optional, may not be available in all states and is issued and underwritten by National Life Insurance Company, Montpelier, VT

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## Accelerated Benefits Rider (ABR) for Chronic Illness – NY State Special

Accelerates death benefit during lifetime for chronic illness.

### Overview

ABR 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 about ABR is that benefits do not have to be used to defray actual expenses associated with the chronic illness. They could be used for such things as making structural changes to a home to accommodate the illness, compensating a non-licensed care provider, etc.

This rider also offers a guaranteed\* paid-up option on any death benefit not accelerated.

### 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 and continence.

In addition to meeting the ADL requirement mentioned above, a life expectancy calculation needs to be completed at the time of acceleration.

### ABR Chronic Benefit:

The amount of death benefit available for ABR payout is based on a discount factor off the death benefit amount. The amount accelerated will reduce the death benefit, the cash value and the loan value. A summary of the projected discounted death benefit amount can be illustrated through ICSolutions.

There is no waiting period for the NL ABR Chronic in the state of New York. Once the chronic illness definition has been met, National Life will accelerate, up to \$109,500 (indexed annually) annually for chronic illness, not to exceed the total discounted death benefit with a lifetime maximum of \$2,000,000.

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\* Guarantees are dependent on the claims-paying ability of the issuing company.

The ABR4 Accelerated Benefit Rider for Covered Chronic Illness (form 8591NY(0108)) is optional and only available in New York. Death Benefits and cash values will be reduced if an Accelerated Benefit is paid. There is no restriction placed on the use of the benefit received.

Receipt of Accelerated Benefits may be taxable. Prior to applying for such benefits, policy owners should seek assistance from a qualified tax advisor.

Receipt of Accelerated Benefits may affect eligibility for public assistance programs such as medical assistance (Medicaid), Aid to Families with Dependent Children, and Supplemental Security Income. Prior to applying for Accelerated Benefits, policy owners should consult with the appropriate social services agency concerning how receipt will affect the eligibility of the recipient and/or the recipient's spouse or dependents.

**This product is a life insurance policy with a rider that accelerates the death benefit on account of chronic illness and is not a health insurance policy providing long-term care insurance subject to the minimum requirements of New York Law, does not qualify for the New York State Long-Term Care Partnership program and is not a Medicare supplement policy.**

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## NL Accelerated Benefits Rider (ABR) for Terminal Illness

Accelerates death benefit during lifetime for terminal illness.

### Overview

ABR is a no-additional premium rider that allows for the death benefit, on a discounted basis, to be accelerated during lifetime, for terminal illness. A unique feature about ABR is that benefits do not have to be used to defray actual expenses associated with the terminal illness. They could be used for such things as making structural changes to a home to accommodate the illness, compensating a non-licensed care provider, etc.

### Terminal Illness Definition:

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

### ABR Terminal Benefit:

The amount of death benefit available for ABR payout is based on a discount factor off the death benefit amount. The amount accelerated will reduce the death benefit, the cash value and the loan value. A summary of the projected discounted death benefit amount can be illustrated through ICSolutions.

For Terminal Illness, National Life will accelerate, income-tax free, the discounted death benefit, not to exceed \$1,000,000. 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.

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

ABR Terminal is optional, may not be available in all states and is issued and underwritten by National Life Insurance Company, Montpelier, VT.

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. Accelerated Benefits Riders are only available after the first death for Lifecycle Solution SIUL policies.

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## Accelerated Benefits Rider (ABR) for Critical Illness

Accelerates death benefit during lifetime for critical illness.

### Overview

ABR is a no-additional premium rider that allows for the death benefit, on a discounted basis, to be accelerated during lifetime, for critical illness. A unique feature about ABR is that benefits do not have to be used to defray actual expenses associated with the chronic illness. They could be used for such things as making structural changes to a home to accommodate the illness, compensating a non-licensed care provider, etc.

### Critical Illness Definition:

ABR for critical illness accelerates the death benefit when a client is diagnosed with a triggering illness. Triggering illnesses include

- Heart Attack
- Stroke
- Cancer
- End Stage Renal Failure

- Major Organ Transplant
- ALS (Lou Gehrig's Disease)
- Blindness

### ABR Critical Benefit:

The amount of death benefit available for ABR payout is based on a discount factor off the death benefit amount. The amount accelerated will reduce the death benefit, the cash value and the loan value. A summary of the projected discounted death benefit amount can be illustrated through ICSolutions.

The critically ill client can request a full acceleration or partial acceleration of the policy's death benefit in the form of a lump sum. The level of discounting applied to the death benefit varies depending on the insured's age and the severity of the critical illness.

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Covered Critical Illness in the state of Massachusetts includes: End stage renal disease; Coronary artery disease resulting in acute infarction vascular or requiring surgery; Major organ transplant; Permanent neurological deficit resulting from cerebral vascular accident; Diagnosis of an invasive malignancy characterized by the uncontrolled growth and spread of malignant cells and the invasion of tissue. Cancer does not include: Stage A Prostate Cancer: Any skin cancer except invasive malignant melanoma into the dermis or deeper; Premalignant lesions, benign tumors, or polyps; and Carcinoma in-situ.

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. Accelerated Benefits Riders are only available after the first death for Lifecycle Solution SIUL policies.

ABR for Critical Illness is optional, may not be available in all states and is issued and underwritten by National Life Insurance Company, Montpelier, VT. National Life Group® is a trade name of National Life Insurance Company, Montpelier, VT and its affiliates.

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## Accelerated Benefits Rider (ABR) for Chronic Illness (ABR2)

Accelerates death benefit during lifetime for chronic illness

### Overview

ABR 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 about ABR is that benefits do not have to be used to defray actual expenses associated with the chronic illness. They could be used for such things as making structural changes to a home to accommodate the illness, compensating a non-licensed care provider, etc. however ABR proceeds in the state of MA can only be used to pay for expenses incurred for Qualified Long-Term Care Services<sup>1</sup>.

### 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 and continence.

### ABR Chronic Benefit:

The amount of death benefit available for ABR payout is based on a discount factor off the death benefit amount. The amount accelerated will reduce the death benefit, the cash value and the loan value. A summary of the projected discounted death benefit amount can be illustrated through ICSolutions.

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<sup>1</sup> 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.

ABR2 is optional, may not be available in all states and is issued and underwritten by Life Insurance Company of the Southwest, Addison TX.

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.

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## Accelerated Benefits Rider (ABR) for Terminal Illness (ABR<sub>1</sub>)

Accelerates death benefit during lifetime for terminal illness

### Overview

ABR is a no additional premium rider that allows for the death benefit, on a discounted basis, to be accelerated during lifetime, for terminal illness. A unique feature about ABR is that benefits do not have to be used to defray actual expenses associated with the terminal illness. They could be used for such things as making structural changes to a home to accommodate the illness, compensating a non-licensed care provider, etc.

### Terminal Illness Definition:

Terminal Illness benefit advances payment, under certain circumstances and on a Discounted basis, payment 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 (12 months in CT and PA).

### ABR Terminal Benefit:

The amount of death benefit available for ABR payout is based on a discount factor off the death benefit amount. The amount accelerated will reduce the death benefit, the cash value and the loan value. A summary of the projected discounted death benefit amount can be illustrated through ICSolutions.

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ABR<sub>1</sub> is optional, may not be available in all states and is issued and underwritten by Life Insurance Company of the Southwest, Addison TX.

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.

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## Accelerated Benefits Rider (ABR) for Critical Illness (ABR<sub>3</sub>)

Accelerates death benefit during lifetime for critical illness

### Overview

ABR 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. A unique feature about ABR is that benefits do not have to be used to defray actual expenses associated with the critical illness. They could be used for such things as making structural changes to a home to accommodate the illness, compensating a non-licensed care provider, etc.

### Critical Illness Definition:

ABR<sub>3</sub> accelerates the death benefit when a client is suffering from a triggering illness.<sup>1</sup> Triggering illnesses include:

- Heart Attack
- End Stage Renal Failure
- Cancer
- Major Organ Transplant
- Stroke
- ALS (Lou Gehrig's Disease)<sup>2</sup>
- Blindness.

### ABR Critical Benefit:

The amount of death benefit available for ABR payout is based on a discount factor off the death benefit amount. The amount accelerated will reduce the death benefit, the cash value and the loan value. A summary of the projected discounted death benefit amount can be illustrated through ICSolutions.

The critically ill client can request a full acceleration or partial acceleration of the policy's death benefit in the form of a lump sum. The level of discounting applied to the death benefit varies depending on the insured's age and the severity of the critical illness.

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<sup>1</sup> Covered Critical Illness in the state of Massachusetts includes: End stage renal disease; Coronary artery disease resulting in acute infarction vascular or requiring surgery; Major organ transplant; Permanent neurological deficit resulting from cerebral vascular accident; Diagnosis of an invasive malignancy characterized by the uncontrolled growth and spread of malignant cells and the invasion of tissue. Cancer does not include: Stage A Prostate Cancer: Any skin cancer except invasive malignant melanoma into the dermis or deeper; Premalignant lesions, benign tumors, or polyps; and Carcinoma in-situ.

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<sub>3</sub> is optional, may not be available in all states and is issued and underwritten by Life Insurance Company of the Southwest, Addison, TX.

<sup>2</sup> Upon diagnosis

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## Accidental Death Benefit Rider (ADB)

FlexLife Indexed Universal Life (IUL)

Provides extra death benefit if death results from accidental injury

### Overview

Accidental Death Benefit Rider (ADB) provides an additional death benefit, for the rider amount, in the event death results purely from accidental bodily injury. If death results while the insured is a fare-paying passenger in a public conveyance operated by a common carrier for passenger service, the benefit amount of the rider is doubled.

The rider provides coverage and does not terminate until attained age 70. Premiums are payable through attained age 70.

The ADB rider is appropriate for individuals who want additional benefits for their beneficiaries should they die by reason of an accident.

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\* Receipt of accelerated benefits will reduce the death benefit, may be a taxable event and may affect eligibility for public assistance programs.

Riders are optional and may not be available in all states. The Other Insured Rider requires additional premium.

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## Additional Protection Benefit Rider (APB)

FlexLife Indexed Universal Life (IUL)

Provides extra death benefit protection

### Overview

The Additional Protection Benefit Rider provides extra death benefit protection at a cost that is generally lower than the cost of the base coverage and thus, will reduce 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. The death benefit provided by the rider follows the same rules regarding death benefit options, DEFRA, increases, decreases (& etc.). The maximum rider amount at issue is three times the amount of the base policy.

### Availability

This rider will be 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 for FlexLife policies. The minimum sum insured is \$25,000.

### Charge

There will be no commissionable target premium.

Cost of insurance rates will be the same as the base product.

This rider will have a charge per thousand of sum insured, minimum monthly premiums, and minimum guaranteed premiums.

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## 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 will be 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 policy cash 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. Since 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 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 will be a charge per thousand of base face amount multiplied by the coverage percentage.

Commissions on units of insurance with the BSB Rider will be paid using a different schedule which levelizes the compensation.

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The Balance Sheet Benefit Rider is issued and underwritten by National Life Insurance Company, Montpelier, VT and Life Insurance Company of the Southwest, Addison, TX.

This rider is optional, requires additional premium and may not be available in all states.

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.

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## Children's Term Rider

Provides term coverage on insured's children.

### Overview

The Children's Term Rider provides term life insurance on all of the insured's children until they reach age 23. Each child is covered for the same selected benefit amount. Children born or adopted after issue (after they reach the age of 15 days), and dependent stepchildren living in the insured's home will be covered as well.

The children's coverage is convertible without underwriting at any time while the rider is in-force for an individual whole life or universal life policy with the same face amount.

The children's coverage is convertible for double the rider face amount when the child reaches age 23 or marries, or at the death of the primary insured.

### Availability

- Issue ages 15 days - 16 years
- Rider stays in force until the policy anniversary following the last covered child's 23rd birthday, as long as the base policy remains in force.
- Minimum rider amount - \$5,000
- Maximum rider amount - \$25,000
- Premiums are a level amount per \$1,000, regardless of the number of children covered.

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This rider is optional, requires additional premium and may not be available in all states.

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## Death Benefit Protection Rider

FlexLife Indexed Universal Life (IUL)

**Protects the policy from lapsing during times of tight cash flow.**

### Overview

This optional rider protects your client's policies from lapsing during the Death Benefit Protection (DBP) Period.

### Death Benefit Protection Period

| Issue Age  | DBP Period |
|------------|------------|
| Zero to 29 | 30         |
| 30 to 39   | 25         |
| 40 to 54   | 20         |
| 55 to 64   | 15         |

The Death Benefit Protection Period will vary based on the younger insured's issue age and is based on the insured's issue age— up to 30 years . During this 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 made 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 is lapsed, it cannot be reinstated.

### Availability

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

- Option A Death Benefit
- Maximum issue age is 64.
- If the policy is issued under the Guideline Premium Test definition of life insurance, if annualized MGP is less than or equal to the annual Guideline Level Premium

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## Guaranteed Insurability Rider

FlexLife Indexed Universal Life (IUL)

Increase coverage without evidence of insurability

### Overview

The Guaranteed Insurability Rider allows the insured to increase coverage without evidence of insurability during specified option periods.

### Availability

|                               | LSW                                                                                                        | NL                                                                                                                                                        |
|-------------------------------|------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Issue Ages:</b>            | 0 – 37                                                                                                     | 0 – 39                                                                                                                                                    |
| <b>Minimum Option Amount:</b> | \$5,000                                                                                                    | \$25,000                                                                                                                                                  |
| <b>Maximum Option Amount:</b> | Lesser of policy's total face amount and \$50,000                                                          | 2 times the base face amount but not to exceed the following:<br>Age 0-24: \$50,000<br>Age 25-27: \$60,000<br>Age 28-30: \$75,000<br>Age 31-39: \$100,000 |
| <b>Substandard:</b>           | This rider is not available on substandard policies and will not be issued with ratings.                   | This rider is not available on substandard policies and will not be issued with ratings.                                                                  |
| <b>Available After Issue:</b> | Yes                                                                                                        | Yes                                                                                                                                                       |
| <b>Termination:</b>           | Coverage under this rider will terminate on: The policy anniversary following the insured's 40th birthday. | Coverage under this rider will terminate on: The date the insured reaches attained age 40.                                                                |

### Charges

The current rate scale will be used for this rider.

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## Lifetime Income Benefit Rider (LIBR)

FlexLife Indexed Universal Life (IUL)

Provides your clients with a stream of income for life – guaranteed

### Overview

Once exercised, the Lifetime Income Benefit Rider (LIBR) guarantees a benefit payment for the life of the insured in exchange for a charge from the accumulated value. The income percentages used to calculate the benefit amount are guaranteed at issue.

### Conditions to Exercise LIBR:

- The insured must be at least age 60, but no greater than age 85, and the policy must have been in force for at least 15 years or at least 15 years have passed since the last face amount increase, whichever is later; and
  - Any outstanding policy loans must be repaid in full; and
  - The policy's death benefit ratio must be less than or equal to the maximum death benefit ratio, where:
    - The death benefit ratio is equal to the death benefit at the time of exercise divided by the Cash Surrender value at the time of exercise; and
    - The maximum death benefit ratio is the highest death benefit ratio allowed to exercise this rider; and
- Modal benefit payments are greater than or equal to \$100.

The benefit payments are first deducted from the accumulated value through policy loans from the cash surrender value. The net death benefit is equal to the death benefit reduced by the partial withdrawals and the policy loan balance. Guaranteed income payments will be deducted from the cash surrender value via policy loans until the first monthly policy date when a minimum threshold criterion is met.

### Minimum Threshold Criteria

- Outstanding debt on the policy divided by the excess of the accumulated value over the surrender charge is greater than or equal to 0.95.
- The cash surrender value is less than or equal to 105% of the next modal Guaranteed Income Payment.

### Once Minimum Threshold Criteria is Met

- Benefit payments are no longer funded by the accumulated value; instead National Life Group pays the benefit payments directly to the policy holder. The tax treatment of the benefit payments may change; and
- The net death benefit will continue to be reduced by payments down to a min. of \$15,000; and
- The net cash surrender value will continue to be reduced by payments down to a min. of \$1,000; and

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## Once Minimum Threshold Criteria is Met continued

- The rider will continue to provide benefit payments until the death of the second insured; and
- Values from the Fixed and Indexed Strategies will be transferred to the Basic Strategy; and
- All monthly deductions will cease; and
- A one time charge will be applied against the accumulated value.

On contracts that are not Modified Endowment Contracts, benefit payments will become taxable once the minimum threshold criterion is met. All benefit payments will be taxable on Modified Endowment Contracts. Policy holders may want to consult with their tax advisors to better understand the tax implications.

Once the rider is exercised no premiums can be paid; otherwise the rider will terminate.

The policyholder cannot request partial withdrawals or additional policy loans during the income period, where the income period is the time during which benefit payments are made to the policy owner.

A defined income base is used to determine the benefit payments that are made during the income period. On the Lifetime Income Benefit exercise date, the income base is set equal to the Cash Surrender value and is then used to calculate the benefit payments. Benefit payments may be monthly, quarterly, semi-annually or annually. National Life Group reserves the right to charge a processing fee for modal benefit payments.

This rider includes a ratchet feature. The ratchet feature resets the income base at the end of every fifth Lifetime Income Benefit 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.

## Availability

- Issue ages: 18 - 70
- This rider cannot be added to a policy where insured is rated higher than 250%.
- This rider is not available with CVAT.
- This rider does not have a charge until exercised and will be automatically added to all eligible new issue policies.
- Exercise ages are 60 - 85 based on the insured's attained age.

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The Lifetime Income Benefit Rider provides a benefit for the life of insured if certain conditions are met. Insufficient policy values, outstanding policy loans and other considerations 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. There is a monthly charge from the accumulated value during the income payment period.

The Lifetime Income Benefit Rider is issued and underwritten by National Life Insurance Company, Montpelier, VT and Life Insurance Company of the Southwest, Addison, TX.

This rider is optional and may not be available in all states.

Guarantees are dependent upon the claims-paying ability of the issuing company.

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## Other Insured Rider

FlexLife Indexed Universal Life (IUL)

Low-cost renewable term on someone other than primary insured

### Overview

The Other Insured Rider provides low-cost renewable term insurance on an individual other than the primary insured.

### Conditions:

|                                                                  |                                                                                               |
|------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| <b>Issue Ages:</b>                                               | 0 – 85                                                                                        |
| <b>Risk Classes:</b>                                             | Offers the same risk classes on both NL and LSW versions.                                     |
| <b>Permitted Relationship:</b>                                   | Self, Spouse, Child and Business Partner                                                      |
| <b>The following may be designated as primary other insured:</b> | Spouse and Business Partner only.                                                             |
| <b>Minimum Total Face Amount:</b>                                | \$25,000 (\$5,000 for pension cases)                                                          |
| <b>Maximum Total Face Amount:</b>                                | Policy's Total Face Amount                                                                    |
| <b>Substandard:</b>                                              | Rider may be issued with table and/or flat extra ratings and may be issued on a rated policy. |
| <b>Available Riders:</b>                                         | Accelerated Benefits Riders*                                                                  |

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\* Receipt of accelerated benefits will reduce the death benefit, may be a taxable event and may affect eligibility for public assistance programs.

Riders are optional and may not be available in all states. The Other Insured Rider requires additional premium.

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## Overloan Protection Rider

FlexLife Indexed Universal Life (IUL)

Protects the policy from lapsing when loan values threaten policy

### Overview

The Overloan Protection Rider protects a policy from lapsing as a result of the loaned amount exceeding the accumulated cash value. This feature can prevent a tax liability as a result of a policy lapse due to being over-loaned.

The policy holder 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. There is no additional cost until the rider is exercised.

### 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.

### Conditions for exercising the rider:

- Policy is in corridor
- Loans at least equal to 95% of policy's accumulated cash value
- Policy is in force for at least 15 years
- This rider is not available with CVAT
- This rider does not have a charge until exercised
- Insured has attained the age of 75

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# Qualified Plan Exchange Privilege Rider (QPEP)

## FlexLife Indexed Universal Life (IUL)

For Qualified Pension and Profit Sharing Plan trust owner life insurance

### Overview

The QPEP rider allows the policy to be surrendered while owned under the qualified plan and elect to have a new policy written outside of the qualified retirement.

### Availability

This rider is automatically to all pension cases at issue.

No evidence of insurability will be required.

### Conditions of new policy:

- New policy will be issued based on the age the insured has attained on the date of the exchange.
- The face amount of the new policy cannot be more than the face amount of the policy, less the cash surrender value of the policy being surrendered on the date of exchange.
- The class of risk under the new Policy will be the same as under the pension policy.
- The new policy date will be the date of the exchange.
- The new Policy will be issued on a policy form and at a premium rate for the insured's attained age in use by the Company on the New Policy Date.

### Charges

There is no charge for this rider.

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## Systematic Allocation Rider

FlexLife Indexed Universal Life (IUL)

Allocates a single sum premium into the index strategies over a 12 month period.

### Overview

The Systematic Allocation Rider can be used when a client has a single sum annual premium in which they wish to pay into their policy on a one time basis for the year. This option allows the client to build an allocation schedule in which they wish their annual premium to be distributed accordingly.

The SA Rider offers a convenient way for clients to spread out their large annual premium into the index strategies over the year in order to capitalize on potential interest rate crediting dates and reduce interest rate risk associated with one annual crediting anniversary.\*

Although the Systematic Allocation Rider added to a FlexLife policy may mitigate some risk, it does not guarantee higher returns than if the client were to pay a single sum premium without the rider. Simply put, it gives the client a way to balance index fluctuations by capturing more points within the 12 month period.

### How Systematic Allocation works:

With the Systematic Allocation Rider, the single sum premium is not just tied to the point in the index on the date the premium is paid. Instead, the premium is divided into 12 equal portions, allocated to the different index strategies according the client's chosen allocation schedule throughout the 12 month period.

### Example:

The client pays a \$6,000 lump sum single premium into the point-to-point strategy on January 1st. Without the Systematic Allocation Rider, the entire \$6,000 premium will be tied to one point, January 21st, and that one point change, January 21st of the current year to January 21st 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 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 of January to January. The second allocation would have a crediting period of February to February so on and so forth with the 12th crediting period based on December to December.

Once the client has elected the Systematic Allocation Rider and created their allocation schedule, the premium is placed into the Basic Account where policy costs can be deducted. From there, the money is swept from the basic account into the SA account where 1/12 is allocated to the chosen strategies per month. The remaining 11/12 of the premium remains in the SA account where it earns a fixed interest rate until allocated into an indexed strategy.

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## Waiver of Monthly Deductions Rider

FlexLife Indexed Universal Life (IUL)

Waives policy expenses and mortality charges at total disability

### Overview

Waiver of Monthly Deductions Rider provides that a policy's expense and mortality charges will be waived should the insured be totally disabled. Waiver begins after the 121st consecutive day of total disability and continues as long as premiums are due if the disability begins before age 60. If the disability begins after age 60, premiums will be waived to age 65 or two years, if longer.

The waiver applies if, due to injury or disease, the insured is unable to work at an occupation for economic gain, has the sole occupation of a student and is unable to work as a student, or has sustained a complete and permanent loss of one of the following:

- Sight
- Hearing
- Use of both hands
- Use of both feet
- Use of one hand and one foot

For the first two years of disability, occupation means the occupation of the insured at the time disability begins. After two years it means any occupation for which the insured is reasonably fitted.

**For personal planning:** the rider ensures that premiums will be paid even when the insured is unable to work due to injury or disease.

**For business owners:** the rider is an ideal way to fund a key person indemnification program. Policy premiums are covered just when the business most needs the money - when a key employee is not earning any for the company.

### Availability

- Issue Ages: 0 – 55
- Available only at issue
- This rider is not available in conjunction with Waiver of Specified Premium
- This rider has an elimination period of 3 months for NL and 6 months for LSW

### Charges

There is a charge for this rider.

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## Availability

This rider will be added automatically to all 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 SA Rider 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 SA premium is \$3,000.

## Charge

There is no charge for this rider.

## Waiver of Specified Premium Rider

FlexLife Indexed Universal Life (IUL)

Waivers pre-determined amount of premium at disability

### Overview

The Waiver of Specified Premium allows your clients to determine how much of their premium will be waived in the event they become totally disabled. This benefit has a 6 month elimination period. If the disability occurs prior to attained age 60, benefits will be paid during the continuance of the disability. If the disability occurs on or after attained age 60 but before attained age 63, benefits will be paid during the continuance of the disability but not beyond attained age 65. If the disability occurs on or after age 63, benefits will be paid during the continuance of the disability for a maximum of two years. The rider terminates at attained age 65 (unless disability occurs prior to attained age 60, in which case the rider terminates at the end of the disability).

### Availability

- Issue Ages: 0 – 55
- Available only at issue
- This rider is not available in conjunction with Waiver of Monthly Deductions Rider.
- This rider has an elimination period of 3 months for NL and 6 months for LSW
- This rider is not available with single premium policies.

**Minimum Annual Benefit:** Annualized minimum premium less the annualized minimum premium for the waiver of specified premium rider.

**Maximum Annual Benefit:** Lesser of the annualized planned periodic premium and the guideline level premium for the policy excluding the guideline level premium for the waiver of specified premium rider.

### Charges

There is a charge for this rider.

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