

Life Insurance Design Considerations

LIFE INSURANCE PRODUCT OVERVIEW

| | ADVANTAGES | DISADVANTAGES |
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| WHOLE LIFE INSURANCE | Guaranteed premiums – cannot change | Expensive – highest premium for the death benefit |
| | Fully reserved with cash values available to policy owners | Inflexible design – difficult to change premium or death benefit |
| | Over 100+ years history Whole life has consistently paid benefits | Actual dividends are unlikely to be as high as currently illustrated dividend crediting rates |
| | | Dividends paid at insurance company's discretion and based upon fixed income returns only. |
| UNIVERSAL LIFE WITHOUT SECONDARY DEATH BENEFIT GUARANTEES | Lower projected premium | Client at risk for having to pay higher premium |
| | A great amount of premium flexibility | Company can change cost of insurance, credited rate and expense charges |
| | Adjustable death benefit | Very little is guaranteed - Almost everything is subject to company's discretion |
| UNIVERSAL LIFE WITH SECONDARY DEATH BENEFIT GUARANTEES | Lowest guaranteed premium | Very high expense loads lead to low cash values |
| | Guaranteed Premiums – cannot change | Analysts, academics and regulators are concerned that the inability to adjust charges may create financial pressure on the company. |
| | Premiums remain flexible - However changes in premiums may adversely affect guarantees | The "worst case" is also the "best case". No potential for better-than guaranteed results. Little or no ability to adapt policy to future changes. |
| | | If not properly managed, guarantees can be lost, leading to expensive "catch-ups" or policy lapse. |
| VARIABLE UNIVERSAL LIFE WITHOUT GUARANTEES | All expenses are described in prospectus The client controls investment | Client has a higher premium if targeted returns are not achieved as illustrated |
| | Historically higher rates of return can be used to reduce premium payments, increase benefits or provide flexibility | Volatility of returns affects policy performance. |
| | Additional safety of separate accounts give maximum protection from insurance company insolvency | Some clients are not sophisticated enough to understand or manage product |
| | | Product may not be suitable for very conservative policyholders |
| VARIABLE UNIVERSAL LIFE WITH DEATH BENEFIT GUARANTEES | All advantages of Variable Universal Life | These products have charges for the guarantees. Younger clients with robustly funded VUL policies may prefer lower charges of VUL. |
| | All advantages of Universal Life with Secondary Death Benefit Guarantees. | Guaranteed premiums are higher than with Non-Variable Universal Life. The upside potential may not offset this for older age clients. |
| | Combines flexibility, low overall cost and potential for strong performance | Fewer insurance companies offer this product. |