

*Life insurance due care requires an understanding of the factors that impact policy performance and drive product selection.*

*M Financial Group continues to lead the industry in life insurance due care and client advocacy, providing valuable insight and analysis that delivers significant value to clients.*

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## Comparison of No-Lapse to Current Assumption UL

Two main factors have recently caused the cost of secondary guarantees on no-lapse (NLG) universal life (UL) contracts to increase:

- Persistent low interest rates, which have decreased portfolio yields for carriers.
- The passage by the National Association of Insurance Commissioners (NAIC) of revised Actuarial Guidance (AG) 38, which requires higher reserves for many products with secondary guarantees.

As the cost of secondary guarantees has increased significantly, the relative competitiveness of current assumption UL (CAUL)<sup>1</sup> products has improved. This M Due Care Bulletin evaluates the projected duration of death benefit coverage for CAUL products relative to the guaranteed lifetime coverage available at the lowest premium from an M Carrier NLG product.

The CAUL products are illustrated paying the guaranteed premium for the respective scenario and matching the 10-year present value commission (discount rate = 5%) for the lowest cost NLG product. Below is the list of NLG products, and the guaranteed premium for lifetime coverage, for each scenario (\$2 million face amount for male best nonsmoker class).

**Table 1. No-Lapse Guarantee Premium Scenarios**

Age	Funding	Carrier	Product	Guaranteed Premium	10-year PV Compensation
45	All Pay	Nationwide	Marathon NLG UL	12,189	16,009
55	All Pay	Nationwide	Marathon NLG UL	21,061	27,659
65	All Pay	Nationwide	Marathon NLG UL	38,278	50,266
75	All Pay	Lincoln National	Lifetime Guarantee UL (2013)	72,873	98,048
45	10-Pay	Nationwide	Marathon NLG UL	31,015	25,647
55	10-Pay	Nationwide	Marathon NLG UL	47,323	40,426
65	10-Pay	Nationwide	Marathon NLG UL	75,668	64,267
75	10-Pay	Nationwide	Marathon NLG UL	125,675	107,608
45	Single Pay	Nationwide	Marathon NLG UL	305,400	27,269
55	Single Pay	Nationwide	Marathon NLG UL	461,716	42,765
65	Single Pay	Nationwide	Marathon NLG UL	673,122	66,056
75	Single Pay	Nationwide	Marathon NLG UL	1,098,020	109,983

<sup>1</sup> For the purposes of this bulletin, CAUL products also include variable UL and indexed UL products where the premium is invested in a fixed account.

## Comparison of No-Lapse to Current Assumption UL (continued)

The top three CAUL products were illustrated at current charges and various crediting rates to determine the duration the policy will remain in force. The scenarios do not include illustrated charges above current levels due to expectations that mortality will continue to improve and the industry history of typically changing crediting rates and not policy charges.

1. Current crediting rate
2. Current rate minus 0.50%
3. Current rate minus 1.00%
4. Current rate minus 1.50%
5. Guaranteed minimum crediting rate

The following table includes codes to various M proprietary CAUL, variable UL, or indexed UL products used in the study. Table 2 also includes the current and guaranteed crediting rates for each product. Note that the spread between current and guaranteed rates varies by product and is typically 200 basis points (bps) or more. The largest spread is 290 bps for Pacific Life MVP Indexed UL 2 and the lowest spread is 170 bps for Pacific Life MVP UL-DB.

**Table 2. Current Assumption Products and Crediting Rates**

Code	Product	Current Crediting Rate	Guaranteed Crediting Rate	Current minus Guaranteed Spread
JH MULX	John Hancock Majestic ULX	4.55%	2.00%	2.55%
NW MPVULP	Nationwide Marathon Performance VUL – Protection with Long Term Fixed Account	5.00%	3.00%	2.00%
PL MVPIUL2	Pacific Life MVP Indexed UL 2	4.90%	2.00%	2.90%
PL MVPUL-DB	Pacific Life MVP UL-DB	4.70%	3.00%	1.70%
PL MVPXLTP	Pacific Life MVP X LTP with Fixed LT	4.65%	2.00%	2.65%
TC MIUL	TC Life M Intelligent UL	4.75%	2.50%*	2.25%*
TC MIVULA	TC Life M Intelligent VUL Accumulator with Enhanced Fixed Account	4.75%	2.50%*	2.25%*
TC MIVULP	TC Life M Intelligent VUL Protector with Enhanced Fixed Account	4.75%	2.50%*	2.25%*

\* Guaranteed rate with no supplemental face amount is 2.50%. When issuing with supplemental face amount, the guaranteed rate will be adjusted between 2.50% and 2.00% reflecting the weighting of base and supplemental face amounts.

In general, CAUL products performed better relative to NLG at the older ages and in the shorter funding durations. For example, all three CAUL products shown in the age 75 Single Pay scenario remain in force until at least age 118, even when illustrating a crediting rate 100 bps below current. A 100 bps reduction in crediting rates may not be considered likely due to recent increases in new money interest rates (please see Table 6, page 5). In addition, in the age 75 All Pay scenario, two CAUL products remain in force until age 115 when illustrating the guaranteed minimum crediting rate.

Conversely, the least competitive scenario for CAUL products is the age 45 All Pay scenario. Only one product remains in force beyond age 100 (age 103) at the current crediting rate and at the minimum guaranteed rate it remains in force until age 87, which is below life expectancy. However, this scenario is not one where NLG products are typically sold; younger policyholders may want cash values to provide flexibility for changing needs. Most NLG sales occur at ages 65 and above, where CAUL products tend to illustrate more competitively relative to NLG products.

The charts in Figure 4 (pages 3–4) show the age to which the illustration remains in force for the respective CAUL products and the probability of outliving coverage based on M mortality experience. Table 3 (page 3) is an example of the probability of surviving to various ages based on the issue age of an insured and M mortality experience.

## Comparison of No-Lapse to Current Assumption UL (continued)

**Table 3. Survival Probabilities for Various Issue Ages (Male Nonsmokers, Best Class)**

Probability of Survival to:						
Issue Age	Age 95	Age 100	Age 105	Age 110	Age 115	Age 120
45	32.2%	14.9%	4.9%	1.3%	0.03%	0.00%
55	33.4%	15.4%	5.1%	1.3%	0.03%	0.00%
65	36.4%	16.8%	5.5%	1.5%	0.03%	0.00%
75	41.0%	18.9%	6.2%	1.6%	0.03%	0.00%

When looking at illustrations for various lapse ages, the probability of lapse is equal to the probability of survival to the duration of lapse. For example, based on the chart above, an illustration for a male age 65 designed to remain in force until age 105 has a 5.5% chance of lapsing before a death benefit is paid based on M mortality probabilities. Charts for each funding and issue age scenario can be found in Appendix A along with the corresponding survival probabilities for the resulting in force age (age to which the illustration remains in force).

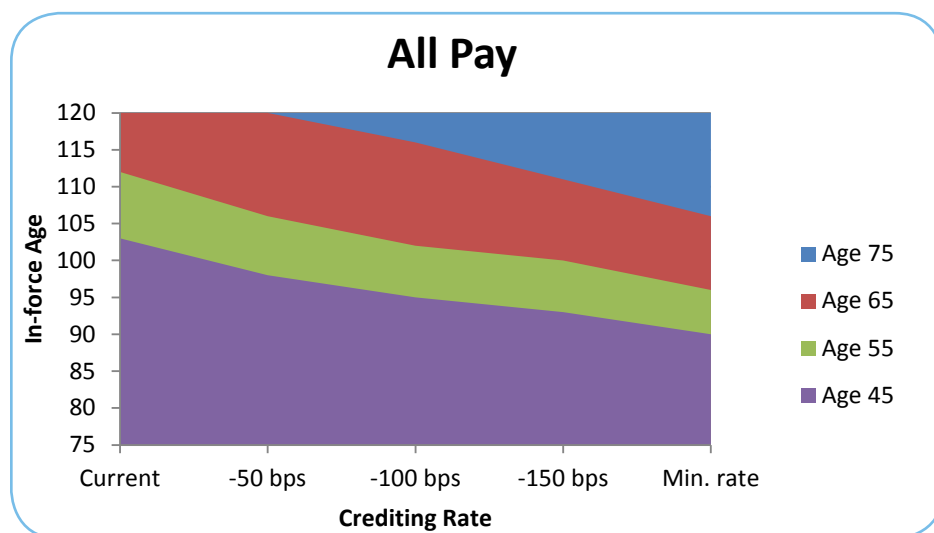
### Summary

The charts in Figure 4 show the age to which the illustration remains in force for the best performing CAUL product when run matching the premium and compensation of the best performing NLG product. The legend shows the issue ages for each scenario.

The charts show that CAUL products compare most favorably to NLG in the age 75 scenarios. The CAUL product remains in force to age 120, even when illustrating a crediting rate at 150 bps below the current rate in the All Pay and Single Pay funding scenarios. In addition, in all age 75 scenarios, the illustration remains in force until age 106 at the guaranteed minimum crediting rate.

CAUL compares less favorably to NLG in the age 45 scenarios. While the CAUL product remains in force to age 120 in the Single Pay scenario at 50 bps below the current crediting rate, at the guaranteed minimum crediting rate the CAUL does not last beyond age 90.

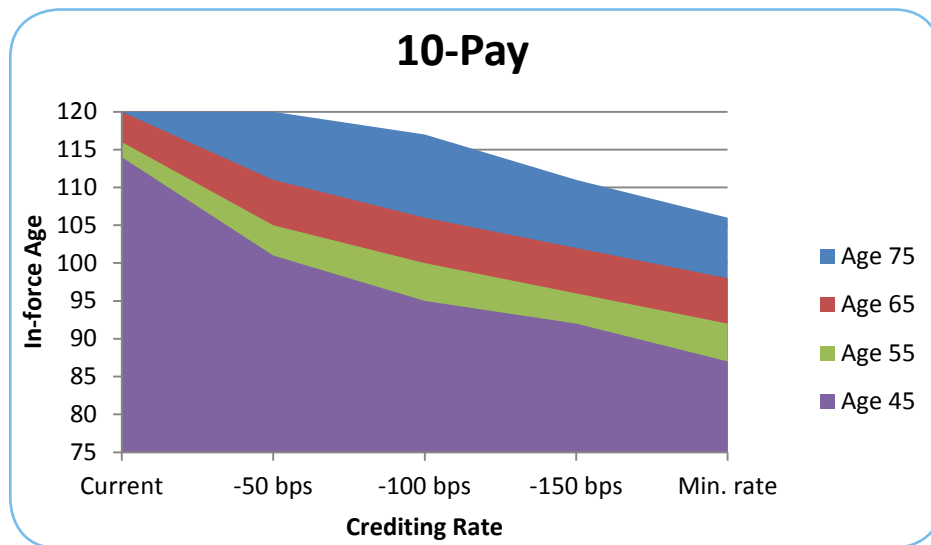
**Figure 4. Illustrated In-force Ages of Best CAUL Product**



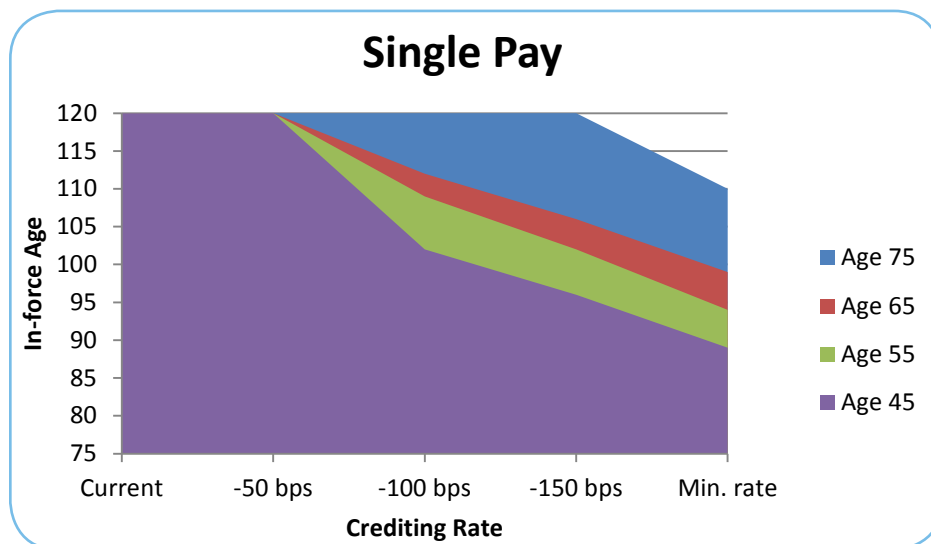
Age Illustrated to Remain In Force						
	Current	-50 bps	-100 bps	-150 bps	Min. rate	LE Age <sup>2</sup>
Age 45	103	98	95	93	90	89
Age 55	112	106	102	100	96	90
Age 65	120	120	116	111	106	91
Age 75	120	120	120	120	120	93

<sup>2</sup> Life expectancy based on M mortality experience.

## Comparison of No-Lapse to Current Assumption UL (continued)



Age Illustrated to Remain In Force						
	Current	-50 bps	-100 bps	-150 bps	Min. rate	LE Age <sup>2</sup>
Age 45	114	101	95	92	87	89
Age 55	116	105	100	96	92	90
Age 65	120	111	106	102	98	91
Age 75	120	120	117	111	106	93



Age Illustrated to Remain In Force						
	Current	-50 bps	-100 bps	-150 bps	Min. rate	LE Age <sup>2</sup>
Age 45	120	120	102	96	89	89
Age 55	120	120	109	102	94	90
Age 65	120	120	112	106	99	91
Age 75	120	120	120	120	110	93

These charts do not show the much higher surrender values that CAUL products illustrate (relative to NLG products). Table 5 (page 5) shows a comparison of the cash surrender values of NLG and CAUL products in the age 65 Single Pay scenario.

<sup>2</sup> Life expectancy based on M mortality experience.

## Comparison of No-Lapse to Current Assumption UL (continued)

**Table 5. Comparison of Surrender Values, Age 65, Best Class, Single Pay Premium, Crediting Rate = 100 bps below current**

Year	Age	Premium	DB	NLG SV	CAUL SV
1	65	673,122	2,000,000	196,981	627,490
2	66	0	2,000,000	151,627	638,351
3	67	0	2,000,000	101,076	652,744
4	68	0	2,000,000	44,662	671,126
5	69	0	2,000,000	0	689,013
10	74	0	2,000,000	0	772,379
15	79	0	2,000,000	0	859,616
20	84	0	2,000,000	0	960,351
25	89	0	2,000,000	0	1,025,687
30	94	0	2,000,000	0	1,074,345
35	99	0	2,000,000	0	1,062,978
40	104	0	2,000,000	0	930,988
45	109	0	2,000,000	0	497,417
47	111	0	2,000,000	0	Lapse

NLG product is Nationwide Marathon NLG UL; CAUL product is TC Life M Intelligent VUL-Accumulator

The decline in interest rates has resulted in reductions to UL interest crediting rates and required higher premiums to keep the policy in force. In response, the marketplace has gravitated to NLG products, which provide a guaranteed premium.

However, life insurers' declining appetite for risk has caused the pricing of the guarantees embedded in these products to increase for new sales. Consequently, in many cases the increase in NLG guarantee premiums has been larger than the increase in premiums in non-guaranteed contracts caused by reduced interest crediting rates.

In addition, recent increases in fixed income interest rates have greatly reduced the spread between portfolio rates (seasoned bond portfolios) and new money rates (rates for newly issued bonds). Table 6 shows the change in the spread between new money rates and portfolio rates using the Moody's Long-Term Aaa Corporate Bond Yield Average (investment portfolios backing life insurance products typically contain a large allocation to investment grade bonds). The five-year rolling average of the Moody's rate has historically had a good correlation with universal life crediting rates. In August 2012, the new money rate was 150 bps below the five-year rolling average. As of August 2013, the new money rate had increased by over 100 bps and the spread to the five-year rolling average was reduced to ten bps. This reduction in the spread between new money and portfolio rates lessens the probability that universal life crediting rates will be prone to reductions to the guaranteed level in the future.

**Table 6. Moody's Aaa Long-Term Bond Yield Averages**

	Current	5-year Rolling Average	Spread
August 2012	3.48%	4.98%	-1.50%
August 2013	4.54%	4.64%	-0.10%

While buyers focused on securing life insurance coverage with pricing stability may conclude NLG is the best product alternative, it is possible that a properly designed CAUL policy will offer a reasonably good measure of lapse protection against interest crediting rate reductions, while offering the flexibility of contract cash surrender values.

Refer to Appendix A for scenario charts showing how long CAUL products remain in force at various crediting rates when funding with the best-in-class NLG premium. For a summary of NLG strengths and challenges, refer to Appendix B.

## For More Information

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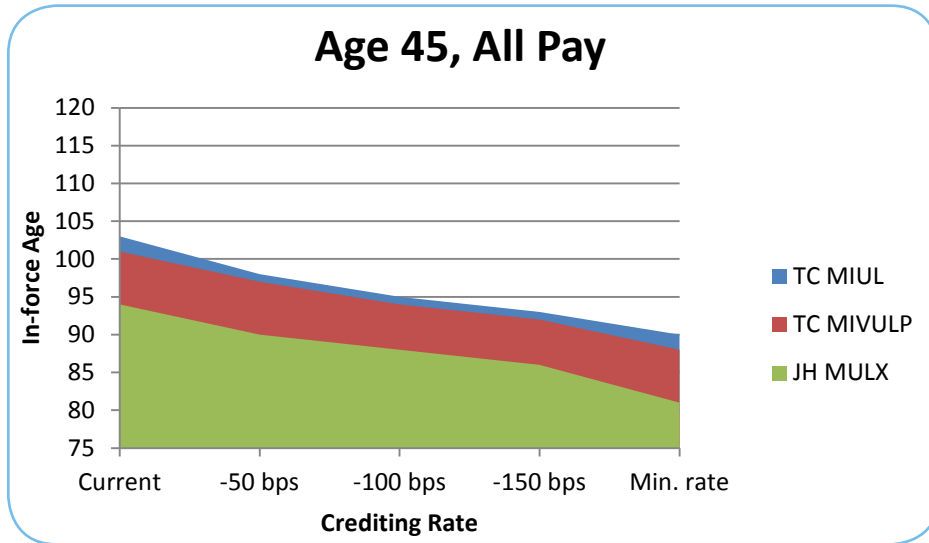
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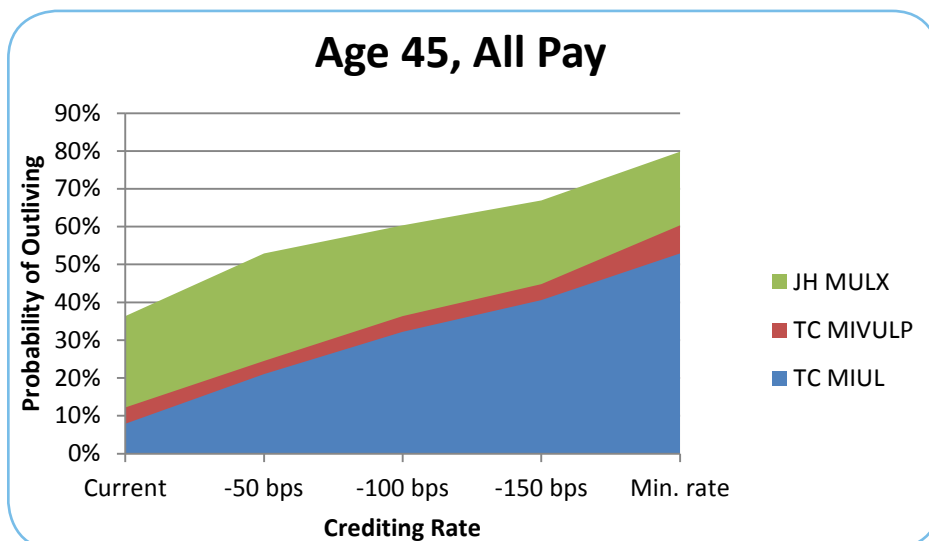
## Appendix A: Scenario Charts by Product

Two charts are shown for each scenario. The first chart shows the top three CAUL products funded with the best-in-class NLG premium and the resulting attained age that coverage remains in force. The second chart shows the top three CAUL products funded with the best-in-class NLG premium and the resulting probability of outliving coverage based on M mortality experience.

### All Pay Scenarios



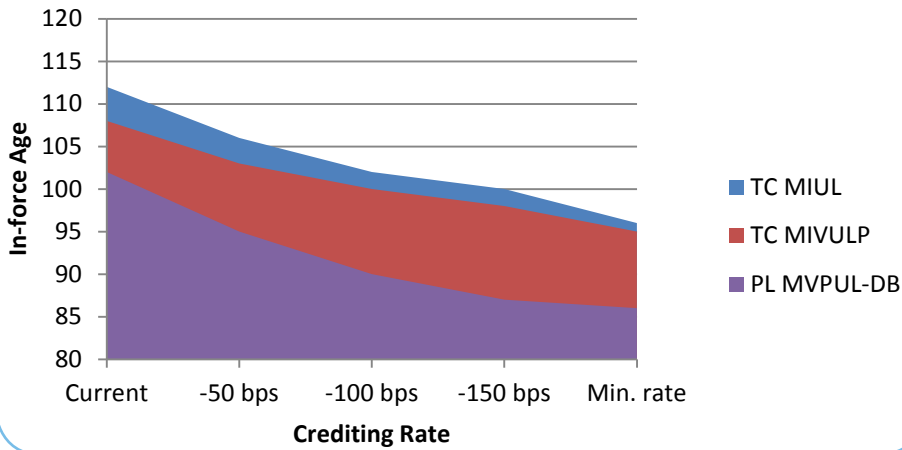
Age Illustrated to Remain In Force					
	Current	-50 bps	-100 bps	-150 bps	Min. rate
TC MIUL	103	98	95	93	90
TC MIVULP	101	97	94	92	88
JH MULX	94	90	88	86	81



Probability of Outliving Coverage					
	Current	-50 bps	-100 bps	-150 bps	Min. rate
TC MIUL	8%	21%	32%	41%	53%
TC MIVULP	12%	25%	36%	45%	60%
JH MULX	36%	53%	60%	67%	80%

Appendix A: Scenario Charts by Product (continued)

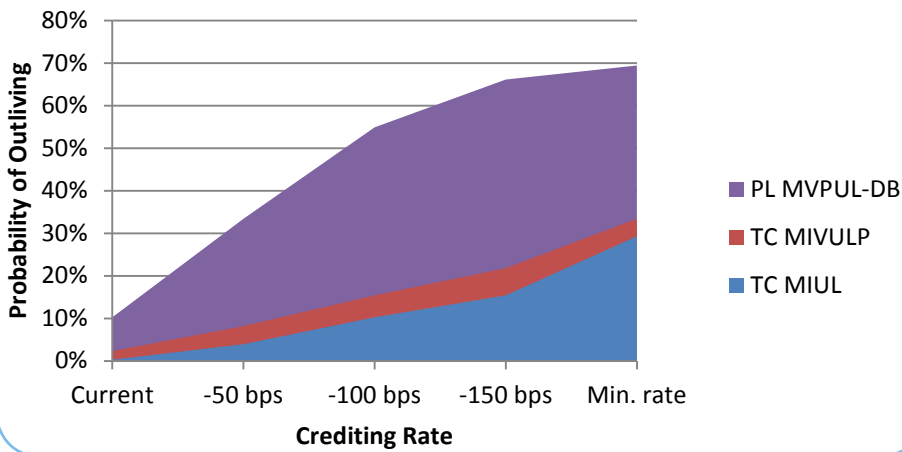
### Age 55, All Pay



#### Age Illustrated to Remain In Force

	Current	-50 bps	-100 bps	-150 bps	Min. rate
TC MIUL	112	106	102	100	96
TC MIVULP	108	103	100	98	95
PL MVPUL-DB	102	95	90	87	86

### Age 55, All Pay

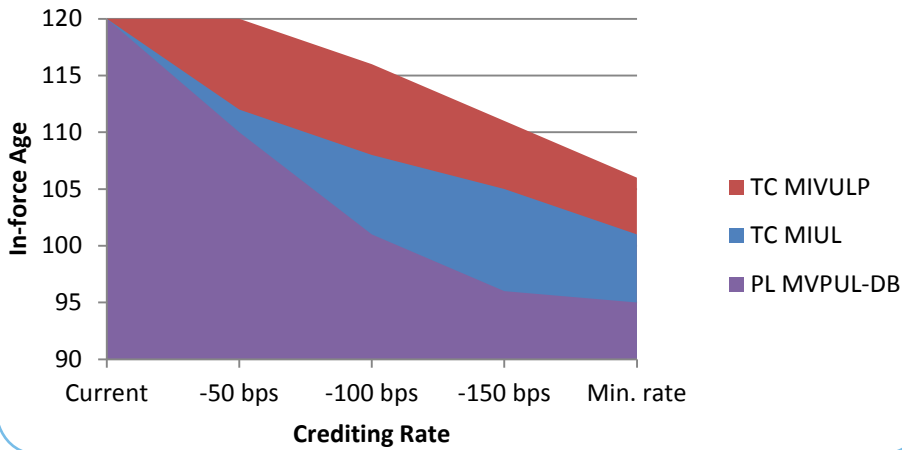


#### Probability of Outliving Coverage

	Current	-50 bps	-100 bps	-150 bps	Min. rate
TC MIUL	0%	4%	10%	15%	29%
TC MIVULP	2%	8%	15%	22%	33%
PL MVPUL-DB	10%	33%	55%	66%	69%

Appendix A: Scenario Charts by Product (continued)

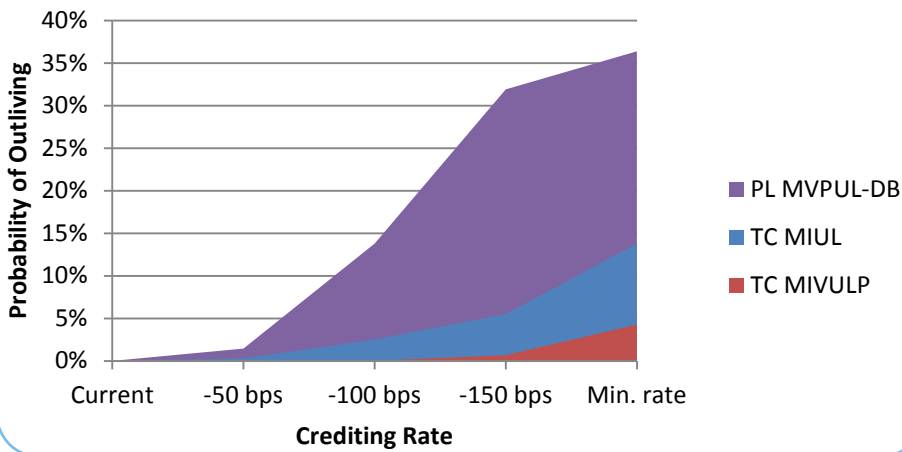
### Age 65, All Pay



#### Age Illustrated to Remain In Force

	Current	-50 bps	-100 bps	-150 bps	Min. rate
TC MIVULP	120	120	116	111	106
TC MIUL	120	112	108	105	101
PL MVPUL-DB	120	110	101	96	95

### Age 65, All Pay



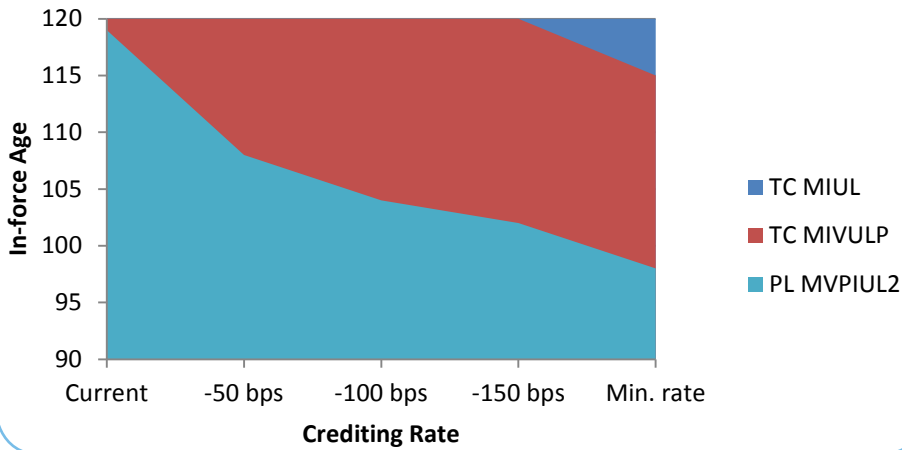
#### Probability of Outliving Coverage

	Current	-50 bps	-100 bps	-150 bps	Min. rate
TC MIVULP	0%	0%	0%	1%	4%
TC MIUL	0%	0%	3%	6%	14%
PL MVPUL-DB	0%	1%	14%	32%	36%



Appendix A: Scenario Charts by Product (continued)

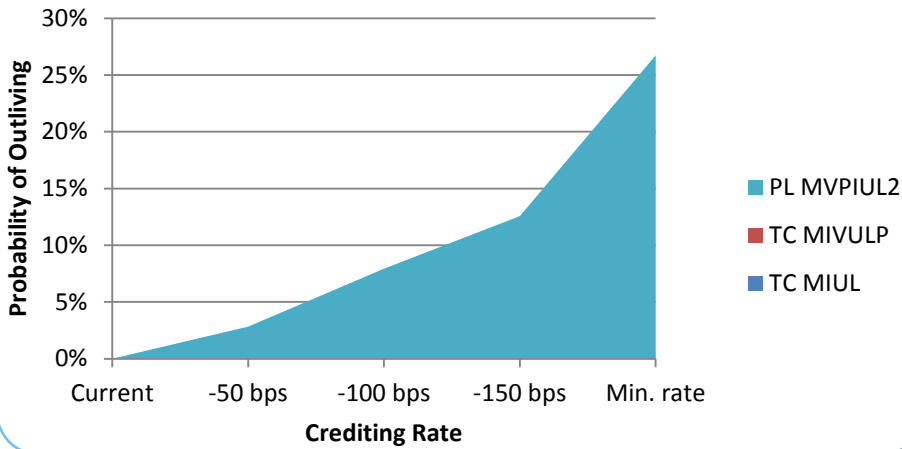
### Age 75, All Pay



#### Age Illustrated to Remain In Force

	Current	-50 bps	-100 bps	-150 bps	Min. rate
TC MIUL	120	120	120	120	120
TC MIVULP	120	120	120	120	115
PL MVPIUL2	119	108	104	102	98

### Age 75, All Pay

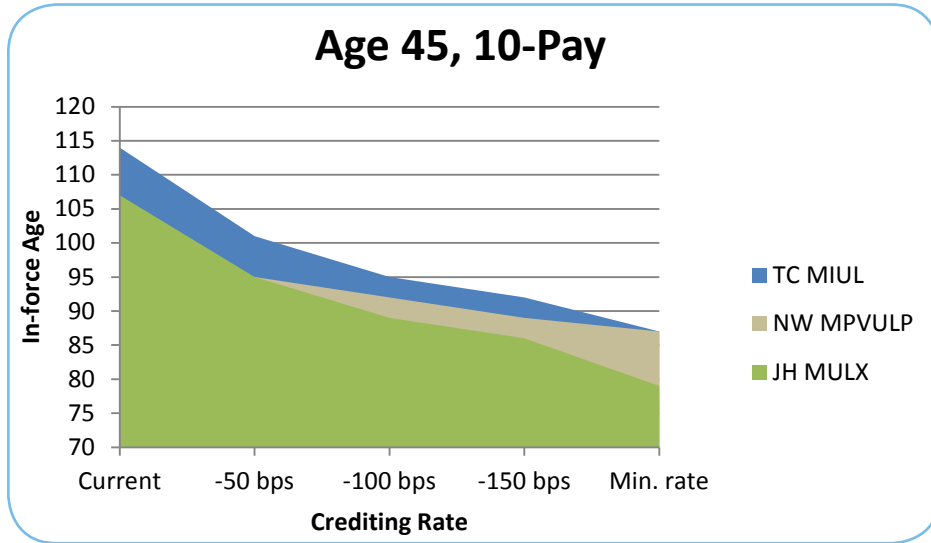


#### Probability of Outliving Coverage

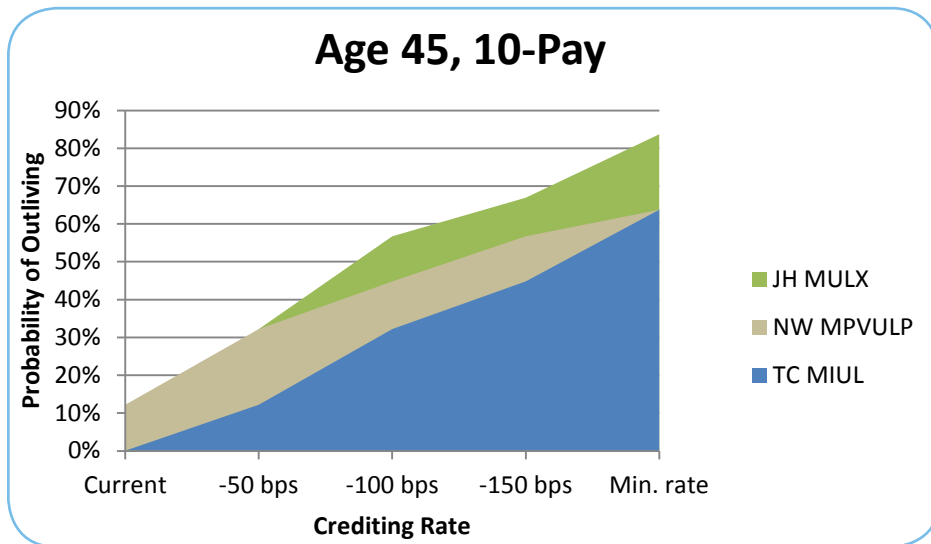
	Current	-50 bps	-100 bps	-150 bps	Min. rate
TC MIUL	0%	0%	0%	0%	0%
TC MIVULP	0%	0%	0%	0%	0%
PL MVPIUL2	0%	3%	8%	13%	27%

Appendix A: Scenario Charts by Product (continued)

10-Pay Scenarios



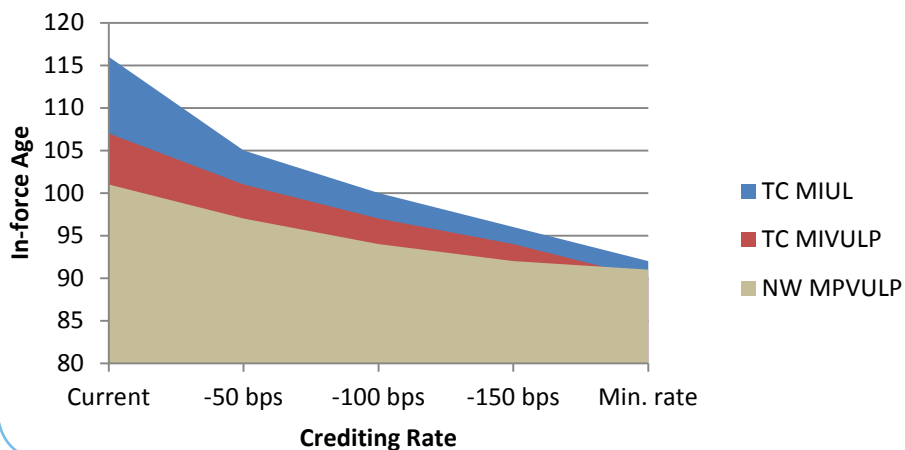
Age Illustrated to Remain In Force					
	Current	-50 bps	-100 bps	-150 bps	Min. rate
TC MIUL	114	101	95	92	87
NW MPVULP	101	95	92	89	87
JH MULX	107	95	89	86	79



Probability of Outliving Coverage					
	Current	-50 bps	-100 bps	-150 bps	Min. rate
TC MIUL	0%	12%	32%	45%	64%
NW MPVULP	12%	32%	45%	57%	64%
JH MULX	3%	32%	57%	67%	84%

Appendix A: Scenario Charts by Product (continued)

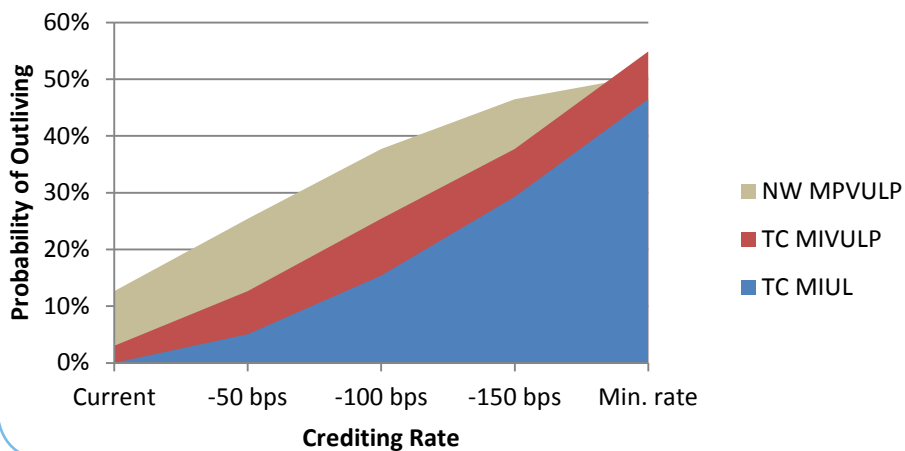
### Age 55, 10-Pay



#### Age Illustrated to Remain In Force

	Current	-50 bps	-100 bps	-150 bps	Min. rate
TC MIUL	116	105	100	96	92
TC MIVULP	107	101	97	94	90
NW MPVULP	101	97	94	92	91

### Age 55, 10-Pay

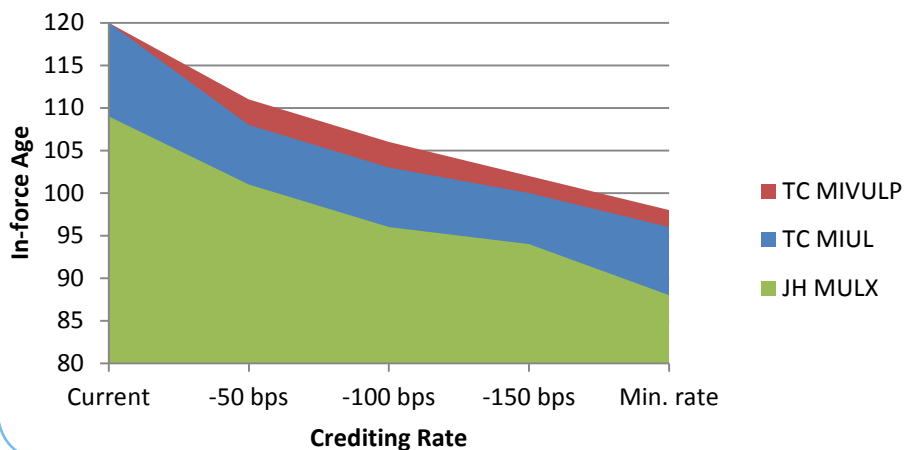


#### Probability of Outliving Coverage

	Current	-50 bps	-100 bps	-150 bps	Min. rate
TC MIUL	0%	5%	15%	29%	46%
TC MIVULP	3%	13%	25%	38%	55%
NW MPVULP	13%	25%	38%	46%	51%

Appendix A: Scenario Charts by Product (continued)

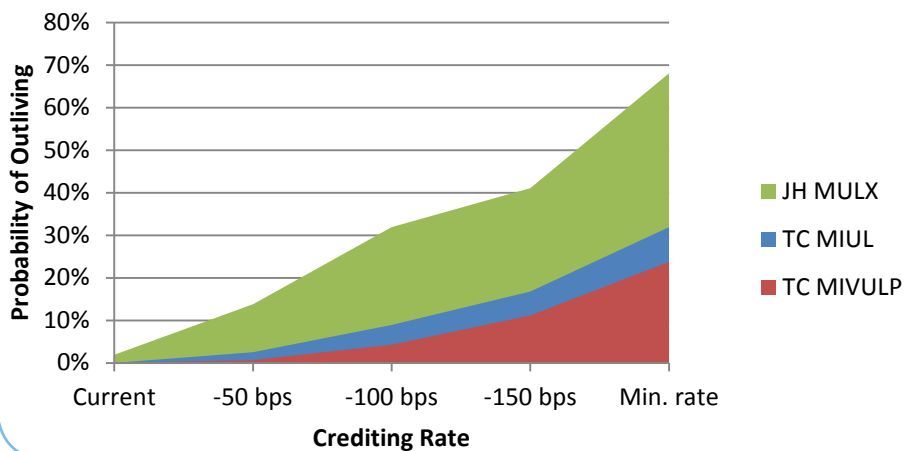
### Age 65, 10-Pay



#### Age Illustrated to Remain In Force

	Current	-50 bps	-100 bps	-150 bps	Min. rate
TC MIVULP	120	111	106	102	98
TC MIUL	120	108	103	100	96
JH MULX	109	101	96	94	88

### Age 65, 10-Pay

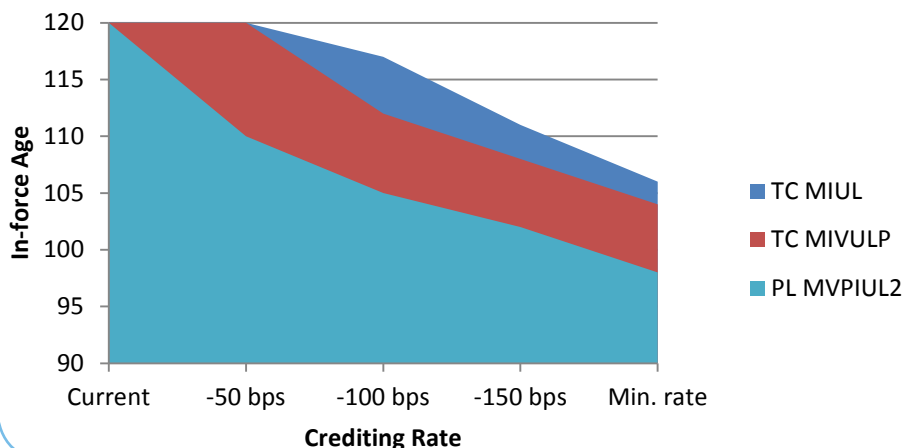


#### Probability of Outliving Coverage

	Current	-50 bps	-100 bps	-150 bps	Min. rate
TC MIVULP	0%	1%	4%	11%	24%
TC MIUL	0%	3%	9%	17%	32%
JH MULX	2%	14%	32%	41%	68%

Appendix A: Scenario Charts by Product (continued)

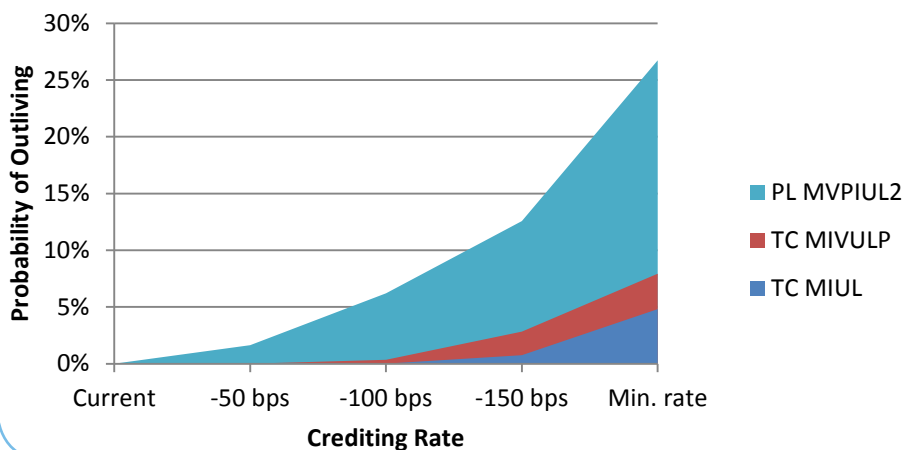
### Age 75, 10-Pay



#### Age Illustrated to Remain In Force

	Current	-50 bps	-100 bps	-150 bps	Min. rate
TC MIUL	120	120	117	111	106
TC MIVULP	120	120	112	108	104
PL MVPIUL2	120	110	105	102	98

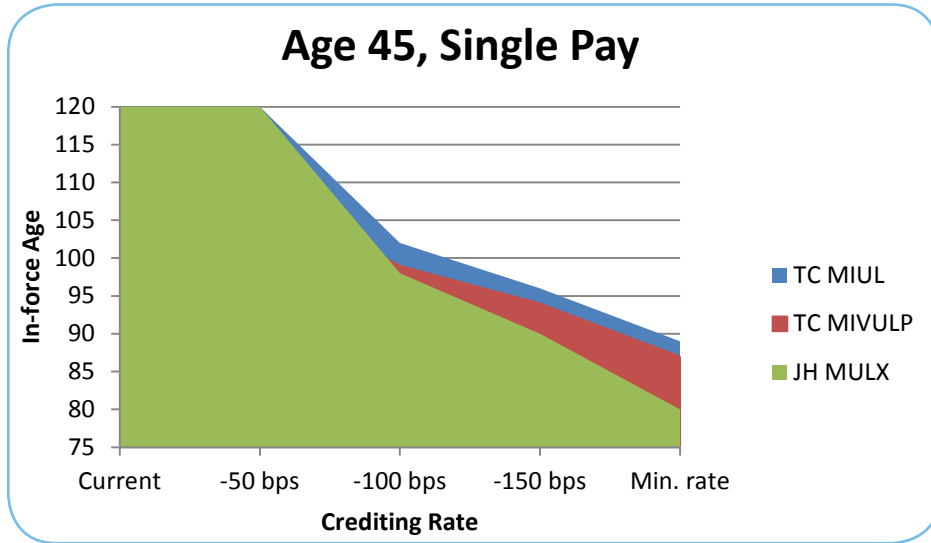
### Age 75, 10-Pay



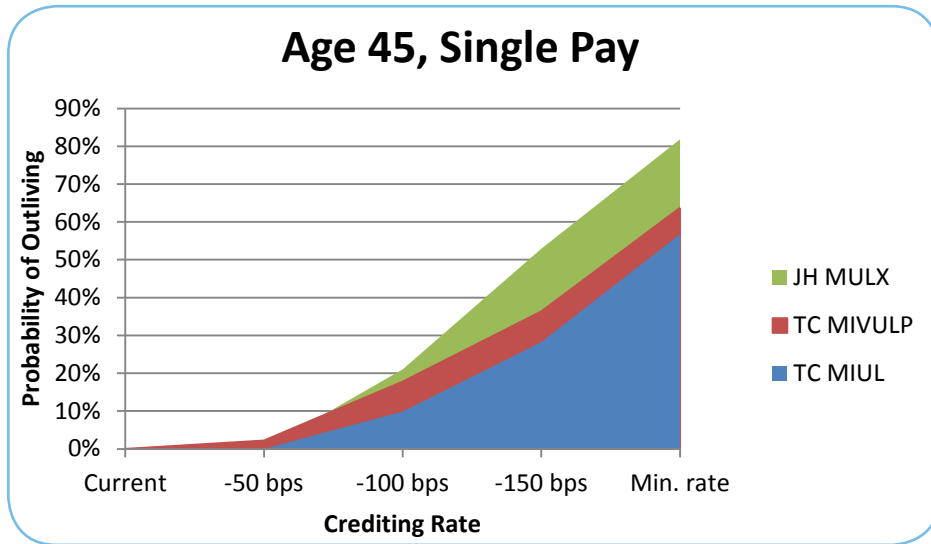
#### Probability of Outliving Coverage

	Current	-50 bps	-100 bps	-150 bps	Min. rate
TC MIUL	0%	0%	0%	1%	5%
TC MIVULP	0%	0%	0%	3%	8%
PL MVPIUL2	0%	2%	6%	13%	27%

Single Pay Scenarios

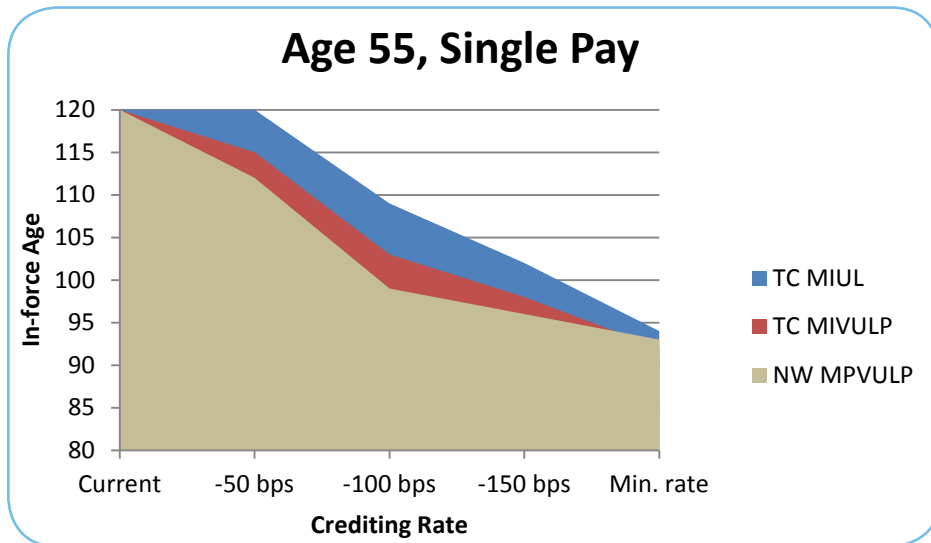


Age Illustrated to Remain In Force					
	Current	-50 bps	-100 bps	-150 bps	Min. rate
TC MIUL	120	120	102	96	89
TC MIVULP	120	108	99	94	87
JH MULX	120	120	98	90	80

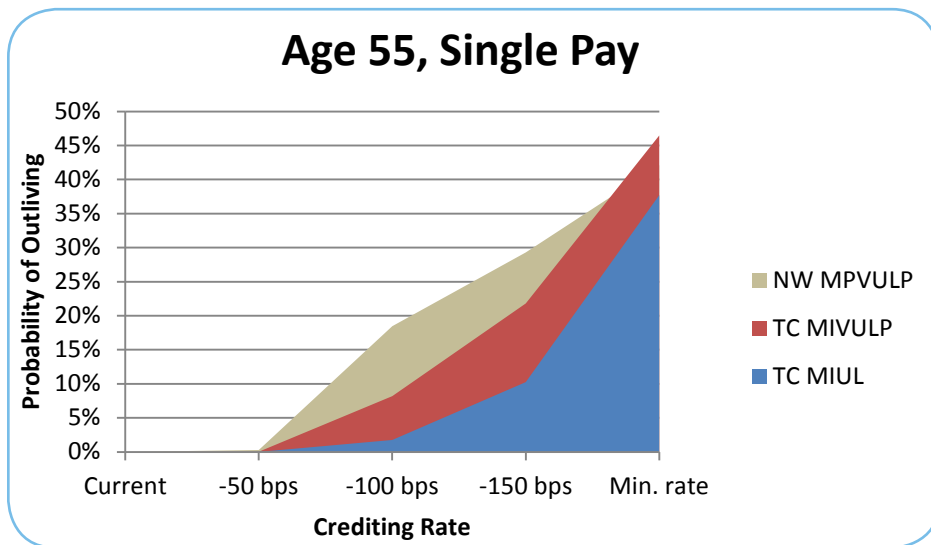


Probability of Outliving Coverage					
	Current	-50 bps	-100 bps	-150 bps	Min. rate
TC MIUL	0%	0%	10%	28%	57%
TC MIVULP	0%	2%	18%	36%	64%
JH MULX	0%	0%	21%	53%	82%

Appendix A: Scenario Charts by Product (continued)

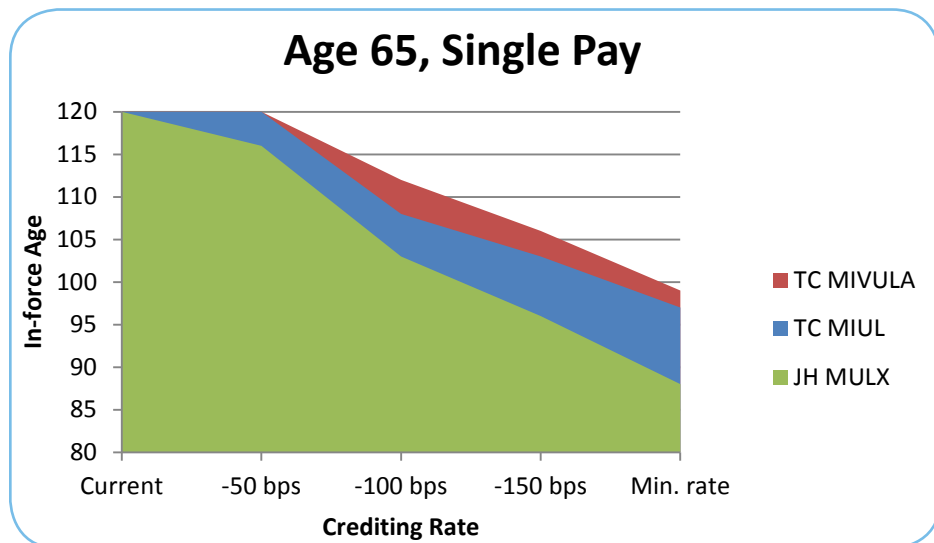


Age Illustrated to Remain In Force					
	Current	-50 bps	-100 bps	-150 bps	Min. rate
TC MIUL	120	120	109	102	94
TC MIVULP	120	115	103	98	92
NW MPVULP	120	112	99	96	93

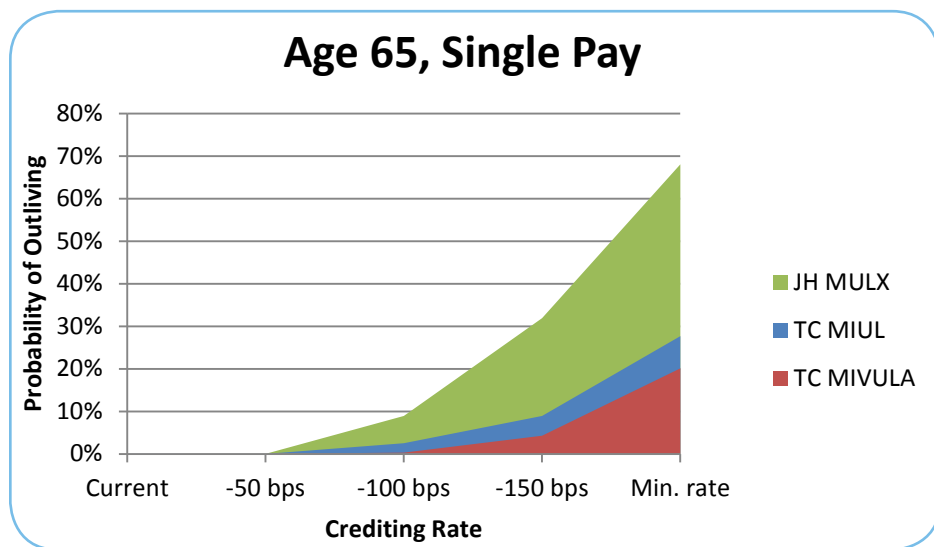


Probability of Outliving Coverage					
	Current	-50 bps	-100 bps	-150 bps	Min. rate
TC MIUL	0%	0%	2%	10%	38%
TC MIVULP	0%	0%	8%	22%	46%
NW MPVULP	0%	0%	18%	29%	42%

Appendix A: Scenario Charts by Product (continued)



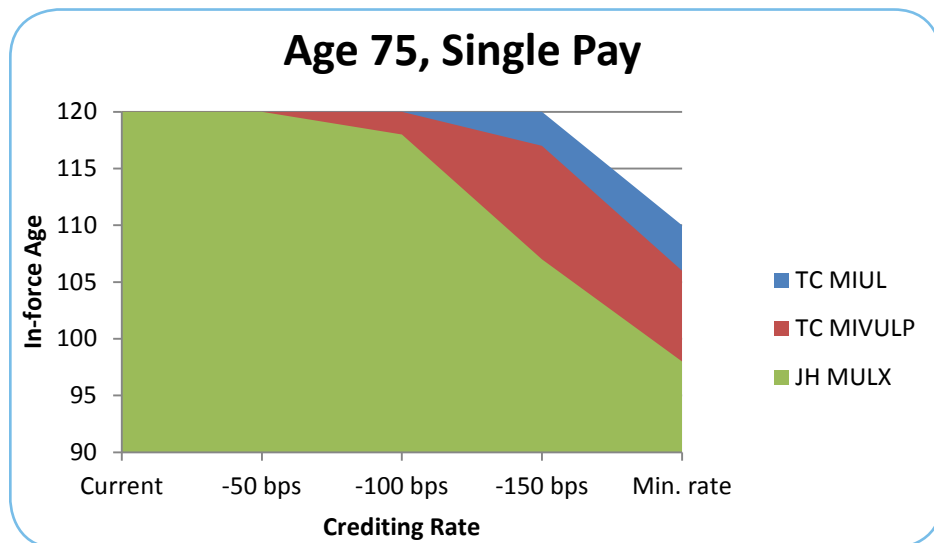
Age Illustrated to Remain In Force					
	Current	-50 bps	-100 bps	-150 bps	Min. rate
TC MIVULA	120	120	112	106	99
TC MIUL	120	120	108	103	97
JH MULX	120	116	103	96	88



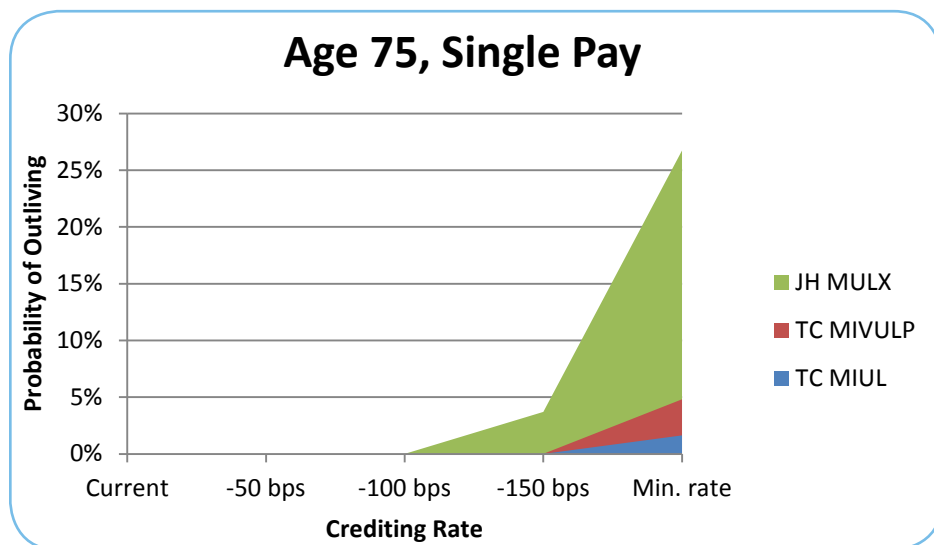
Probability of Outliving Coverage					
	Current	-50 bps	-100 bps	-150 bps	Min. rate
TC MIVULA	0%	0%	0%	4%	20%
TC MIUL	0%	0%	3%	9%	28%
JH MULX	0%	0%	9%	32%	68%



Appendix A: Scenario Charts by Product (continued)



Age Illustrated to Remain In Force					
	Current	-50 bps	-100 bps	-150 bps	Min. rate
TC MIUL	120	120	120	120	110
TC MIVULP	120	120	120	117	106
JH MULX	120	120	118	107	98



Probability of Outliving Coverage					
	Current	-50 bps	-100 bps	-150 bps	Min. rate
TC MIUL	0%	0%	0%	0%	2%
TC MIVULP	0%	0%	0%	0%	5%
JH MULX	0%	0%	0%	4%	27%

## Appendix B: Summary of NLG Strengths and Challenges

M Financial published a white paper in October 2007—“An Assessment of No Lapse Guarantee Products and Alternatives”—that detailed NLG product strengths and challenges. Excerpts from the white paper are provided below.

### Strengths

- **Client Knows What They are Getting:** Guaranteed premium cost and guaranteed death benefit.
- **Guarantees:** Death benefit and premium can be structured to be guaranteed for life. Contrast to current assumption products, which are exposed to downside risk through decreased crediting rates and/or increased policy loads. Interest rates in general have been troublesome for current assumption products, where rates have been declining for more than 20 years, thereby driving down credited rates. Additional premiums have been required to keep policies on track. With NLG, you don't have to worry about changing assumptions and reduced policy performance.
- **Competitive Price:** NLG premiums may be competitive with other current assumption product premium solves.
- **Easy to Understand:** It's simple—pay the required premiums on time and the death benefit coverage is guaranteed.
- **Flexibility:** Shadow Account provides flexibility in guaranteed premiums (amount and timing of premiums), guarantee duration (lifetime or a duration less than lifetime), guarantee amount (amount can be reduced but still must meet definition of life insurance test, increasing coverage typically requires additional underwriting), Catch-Up premiums (to get the guarantee back on track), and guarantee reset (flexibility to change the guarantee premium, duration, or amount of guarantee, after policy issue).

### Challenges

- **Little or No Cash Value:** NLG products typically have heavy surrender charges for 10 to 20 years and typically run out of cash value around life expectancy. The low level of cash values relative to current assumption products offers little flexibility if the policyholder's needs change in the future (e.g., limited or no opportunity to use cash values for retirement income, collateral, short term cash, and 1035 premium for transfer to a potentially better performing product). Once an NLG contract is in place, its use is limited to serving the purpose for which it was originally purchased.
- **Liquidity Consequences:** In addition to NLG having little to no cash value, the consequences of accessing cash in an NLG product may be considered to be more negative than accessing cash in a current assumption product. Typically, accessing cash value in an NLG product via withdrawals and loans will decrease the guarantee—which defeats the original purpose of purchasing an NLG product. As an example, typically both loans and withdrawals will reduce the amount of the shadow account dollar for dollar. In addition, NLG products may have larger loan spreads (the difference between the amount charged and credited on the loan balance) than current assumption UL products.
- **Limited Upside Performance Potential:** NLG products have a limited ability to participate in favorable future experience such as higher interest earnings or mortality improvements. Since NLG provides protection from downside risk, carriers will not typically share experience gains with policyholders. Conversely, current assumption products offer the potential for improved policy performance, as experience gains are more likely to be passed through to policyholders.
- **Requirement of Timely Premium Payments:** If the required NLG premium is not paid on time, then guarantee coverage may either be terminated or reduced (duration or amount). In cases where Catch-Up premiums are an option, the amount needed to “catch-up” will, at a minimum, include lost interest earnings.
- **Shadow Account Complexity:** The Shadow Account is mechanically complex and may be misunderstood to be a cash value. The Shadow Account is only used to determine if full death benefit coverage remains in force—there is no cash available from the Shadow Account for distribution or loans. Additionally, the complexity of Shadow Account mechanics can make it difficult for policyholders to make fully informed decisions. For example, a policyholder who considers funding an NLG policy to guarantee coverage to age 105 may make the assumption that if he or she lives past 105, the additional amount of funding needed to extend the guarantee would be similar to the annual premium paid before age 105. The reality is the lost interest earnings in the Shadow Account would require funding many times higher than the original premium.
- **Potential Negative Impact on Guarantee for Paying Early:** While paying premiums early can have a positive impact on policy performance, the guarantee for NLG could be negatively impacted for some products when premiums are paid earlier than scheduled, particularly during the first five to ten policy years. For example, with early premium payment

## Appendix B: Summary of NLG Strengths and Challenges (continued)

notices (e.g., three months before the premium is due), it is possible that premium is paid before the policy anniversary (the due date), which could shorten the length of the guarantee period. In addition, some NLG products will require an exorbitant Catch-Up premium that includes more than lost interest and policy charges. It is critical that premiums are paid exactly as scheduled and in-force policy reviews are conducted in order to ensure that guaranteed coverage is maintained as per original intentions.

- **Strings Attached to the Guarantee:** Understanding how to keep the contract in a guarantee status is critical. It is essential to read the fine print and remember that not all NLG products are alike.

Examples of critical items to understand include:

- » Shadow Account or Specified Premium
  - » Is there a grace period for 1035 exchanges or premium payments
  - » Is there a Catch-Up provision or Reset features
- **Need for Ongoing Servicing:** Ongoing servicing is required by the life insurance agent to ensure the required premiums are paid on time or, in the event a premium was missed or late, to get the guarantee back on track. Agent compensation is typically front-ended (paid during the first ten years). This creates a situation where the compensation plan is not designed to reward long-term monitoring of policy performance, and more importantly premium administration.
  - **Carrier Solvency Risk:** There is concern that NLG products are not being reserved for appropriately and are lapse supported (dependent upon normal current assumption lapse experience, while NLG lapse experience should be much lower due to little or no cash surrender value). This could lead to future carrier financial losses. To date, carrier financial strength ratings have not been materially affected by NLG business. It is recommended that only NLG products offered by highly rated carriers be considered for purchase and that solvency risk be minimized by purchasing from multiple carriers.