



Living Benefits, Cash Value Growth and No-Lapse Guarantee

Security Mutual Life Customized UL4U™ Brings the Best of Both Worlds



Daniel P. Foley, CLU
Vice President
Marketing Technology

"Customized UL4U delivers long-term, no-lapse guarantees and potential for significant cash value accumulation—the best of both worlds!"

We recently introduced the **Security Mutual Life Customized UL4U™** universal life insurance policy, an exciting new product based on an innovative architecture and offering competitive premiums, important living benefits along with substantial cash value growth opportunities and efficient access to policy values. **Customized UL4U** features long-term no-lapse guarantees and a complement of riders to provide survivor benefits and to deliver important living benefits, too. **Customized UL4U** may be one of the most important new universal life products in a generation!

Flexible, Innovative, Competitive

Universal life products introduced over the last several years have fallen largely into one of two major categories: secondary guarantee or equity indexed. These UL products commanded the market's attention because of their specific consumer appeal. Guaranteed premiums appealed to consumers previously left disappointed by declining interest rates or dividend scales. The potential for significant cash value growth fueled by equity returns tempted many to choose indexed UL (IUL).

Consumers have since realized these products carry significant drawbacks—the secondary guarantee products offer little, if any, cash surrender value and the indexed UL products carry relatively high expenses and rely on unpredictable equity returns. **Customized UL4U**, a traditional universal life product, offers strong long-term guarantees, a stable cash value growth element and rider benefits in the event of chronic illness!

Secondary guarantee UL products dominated the UL market for several years. Many consumers were smarting from declining interest rates and facing disappearing vanishing premiums scenarios. In other words, once-vanished premiums were now reappearing!



Of course, the now verboten “vanish” terminology means that policies were being sustained by favorable non-guaranteed elements. Those elements, by definition, are subject to change, and that's just what happened. Many consumers simply wanted to lock down their premium expense and the secondary guarantee UL really fit the bill.

Along with locking down the premium, came a lockdown or significant repression of the cash value growth. The premium expense was known, but foregoing cash value appreciation was a less obvious added cost. Building cash value may not have been an important objective at the time the policy was purchased, but the lack of cash value really limits the policyowner's options and flexibility later on. Many no-lapse guarantee (NLG) products severely limit the cash value benefits of life insurance restricting its usefulness as an asset and curtailing its living benefits.

(continued)

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Enhanced Values and Guarantees

Customized UL4U offers a no-lapse guarantee premium and no-lapse guarantee period, possibly up to age 121. The policyowner chooses the NLG premium and NLG period prior to the policy’s issue and it’s set for life. NLG premiums for different UL4U policies may be set differently to accommodate different policyowners’ needs. An NLG with flexibility you can choose!

Unlike most products offering NLG premiums, **Customized UL4U** develops cash values for the policyowner’s benefit. Cash value growth opportunities and the presence of an NLG benefit make **Customized UL4U** a versatile life insurance product adaptable to clients’ needs. The NLG provision offers some flexibility, too. It has a ten-year catch-up provision, should cash flow necessitate a missed premium. This important facet helps to accommodate life’s unpredictability.

Customized UL4U features an enhanced value measure to reward those policyowners consistently paying premiums at benchmark levels.

Paying premiums equal to, or exceeding the enhanced value annual premium (EVAP) benchmark assures the policyowner derives the optimal benefit of available non-guaranteed elements.

The enhanced value annual premium is very close to the Target premium for the nonsmoker classes. Non-guaranteed interest credits and cost of insurance charges impact the policy’s performance and its cash value benefits. Cash value life insurance is a powerful asset, unlike any other, and the cash value is a fundamental component.

The policy’s cash value enhances its living benefits.

Cash value may be accessed via partial surrenders, if necessary, to help a policyowner meet some expenses or supplement retirement income.

Alternatively, policy loans make cash available to the policyowner with the simple completion of a loan request form, without any need to demonstrate creditworthiness. Policy loans are available whenever there’s a loan value. **Customized UL4U** contains a fixed loan interest rate schedule with the loan interest rate declining over time (see *Highlights on page 3*).

This gives the policyowner efficient access to policy values when necessary—increasing the benefits of **Customized UL4U** as an asset, making it a more attractive for supplemental retirement income, more suitable for executive compensation plans, and more adaptable to changing needs. More flexibility you can choose!

Overcoming Unpredictability with Stability

Customized UL4U competes with IUL policies by offering stability in cash value growth. The guaranteed minimum interest rate of 3 percent seems lofty compared to many IUL policies’ comparable guaranteed rates.

Many IUL contracts offer a low guaranteed interest rate that compares lifetime-of-the-contract performance to what the growth would have been at the guaranteed rate. This means that the growth element could stagnate in a down market and differs substantially from the ongoing minimum guaranteed interest rate available under the **Customized UL4U**. And, **Customized UL4U** excess interest credits are non-forfeitable once applied.

One of the challenges with competing with IUL products centers on combating the interest rate being illustrated. High returns drive cash value growth and IUL illustrations use high interest rates—especially high compared to those seen currently in universal life products. Some IUL illustrations use rates based on thirty-year historical returns leading the reader to infer it’s a reasonable rate, given the long-term scope.

It’s important to recognize that exact thirty-year period includes an historical, unprecedented bull market.

One must wonder if it’s reasonable to believe these returns will be duplicated. During that same period, substantial market corrections and revisions caused devastating losses in retirement accounts for many Americans. Many people now seek stable, steady returns—like those seen in the **Customized UL4U** policy—and want to move away from unpredictable equity returns.

Overloan Protection Rider

As an added protection **Customized UL4U** offers the Overloan Protection Rider (OPR) to prevent adverse income tax consequences should a lapse occur due to excessive loans on long-held policies.

Sometimes policies informally funding supplemental retirement plans use cash values to provide income streams. These policies may be at risk of lapsing prior to life expectancy if significant policy loans are outstanding. This may be especially problematic for those living well beyond normal life expectancy. The OPR enables the policyowner, when certain criteria are met, to make an election and accept a paid-up policy. There’s a one-time charge for the OPR at the time of the election. No ongoing monthly deduction will be charged for this rider.

An Added Dimension of Security

People with a close family member afflicted with a chronic illness can be keenly aware of the challenges associated with providing adequate care for that person. Often this care adds expenses beyond what can be readily handled through retirement income and liquid savings. Care-related financial obligations may become burdensome or even overwhelming and often can exhaust a family’s resources, leaving nothing for a surviving spouse or family members.

Customized UL4U offers the Chronic Illness Benefit Rider (CIBR), to help meet the needs associated with chronic illness. It’s an accelerated benefit rider for chronic illness.

At the time of claim, it must be demonstrated satisfactorily to Security Mutual that the insured meets the definition of chronically ill. This includes being diagnosed and certified to have a condition requiring continuous care for the remainder of life and being unable to perform two of the six activities of daily living (bathing, continence, dressing, eating, toileting and transferring).

This rider accelerates a portion of the policy's death benefit, making funds available to help pay for care. Exercising the CIBR results in a reduction to the policy's death benefit and cash values. The maximum benefit available for annual acceleration is up to 25 % of the policy's specified amount. There is no ongoing monthly deduction for the CIBR. An administrative charge is deducted from the accelerated benefit. The net chronic illness accelerated benefit reflects an actuarial discount based on the insured's attained age and other factors. A claim may be made every twelve months (not more than once in a calendar year) and a residual death benefit of no less than \$25,000 must remain following the acceleration.

CIBR can help provide benefits to pay for expenses associated with caring for the chronically ill. Because a charge is assessed only when a claim is made, policy performance remains unimpaired by the rider. The CIBR improves the living benefits available under the policy and adds an important layer of security to planning efforts. Please refer to the chart for further details about this rider.

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Highlights of the Security Mutual Customized UL4U™ Universal Life Insurance Policy

Ages	Risk Class	Minimum Specified Amount
16-85	Preferred Plus Nonsmoker	\$100,000
16-85	Preferred Nonsmoker	100,000
16-85	Standard Nonsmoker	50,000
16-85	Preferred Smoker	100,000
16-85	Standard Smoker	50,000
0-15	Composite	50,000

Rated Classes will be considered. Substandard Table rating rules apply. (Please refer to Field Bulletin 0011949XX 10/2010.)

Flexible Premiums

Death Benefit Options

- A – Level (Specified Amount)
- B – Increasing (Specified Amount Plus Accumulated Value)

Mortality

Guarantees based on the 2001 CSO Mortality Table

Accumulation Interest Rates

- **Guaranteed Cash Value** – Minimum Rate of 3.0 percent.
- **Non-Guaranteed Interest Rate** – Declared from time to time by the Company's Board of Directors and published in monthly Telecom. Excess interest applied to each policy depends on the status of the Enhanced Value Measure.

Enhanced Value Measure –

Determines how excess interest and cost of insurance charges apply. The Enhanced Value Annual Premium is the Target Premium

Premium Expense Factor

Guaranteed – 8.0 percent of premium all years
Current Non-guaranteed – 6.0 percent of premium all years

Monthly Policy Fees

Guaranteed not to exceed \$15/month

Policy Load (Guaranteed)

The charge varies by issue age, gender and issue classification.

Policy Loans

- Available anytime there is a loan value.
- Policy Loan Interest Rate
 - Years 1-10: 5.0 percent
 - Years 11-20: 4.25 percent
 - Years 21-30: 4.0 percent
 - Years 31 and later: 3.0 percent
- The interest rate credited to loaned funds is 3.0 percent.

Riders & Benefits

- Chronic Illness Benefit Rider
- Overloan Protection Rider
- Guaranteed Purchase Offer Rider
- Living Benefits Rider
- Waiver of Monthly Deduction
- Accidental Death Benefit



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