INDEXED CREDITING STRATEGIES

Comparing the Results of Differing Growth Models

Traditional index universal life (IUL) insurance may, on its face, seem simple and straightforward. However, the marketplace for indexed accounts can be complex. Risk tolerance, time horizon, and objectives must all be discussed with your clients to align crediting strategies and determine the best IUL options for them.

While any comparison between index crediting strategies has limitations, the below analysis highlights the most commonly selected index credit methodologies applied to the worst and best 20-year periods of the Standard & Poor's 500 Index (S&P 500). We hope this information will be helpful when examining the strategies that may provide your clients the most consistent performance given their profile.

Investment 1: S&P 500 — As a baseline, assume $1,000 is invested in the S&P 500, and its performance—both positive and negative—is directly tied to the performance of that market segment.

Investment 2: Simple Cap & Floor — This hypothetical investment vehicle provides risk-averse investors the opportunity to participate in market gains without the risk of losing principal. In exchange for a 0% floor that guarantees their account value will never go down when the markets fall, investors are provided with a 10% cap that limits their upside potential.

Investment 3: Cap & Floor with Multiplier — Similar to Investment 2, but this vehicle introduces a bit more risk in exchange for greater upside. Though the upside is still capped at 9.25%, investors allocate 7.5% of their account value each year in exchange for a 2.7x multiplier which raises their potential return up to nearly 25%. However, the 7.5% charge is deducted regardless of market return, so the investor risks losing 7.5% of his/her account value in down years.

Investment 4: Uncapped Index with Floor — This strategy allocates the investors' money into an uncapped index tied directly to S&P 500 returns over a two-year period, with an allocation and participation rate of 105%. The upside potential is uncapped, with an annual threshold of 1.95%. This allows the investor to participate in all the indexes gains, while still enjoying a floor of 0%. Because this strategy uses a two-year period, the projection assumes that payments of $500 are made years one and two.

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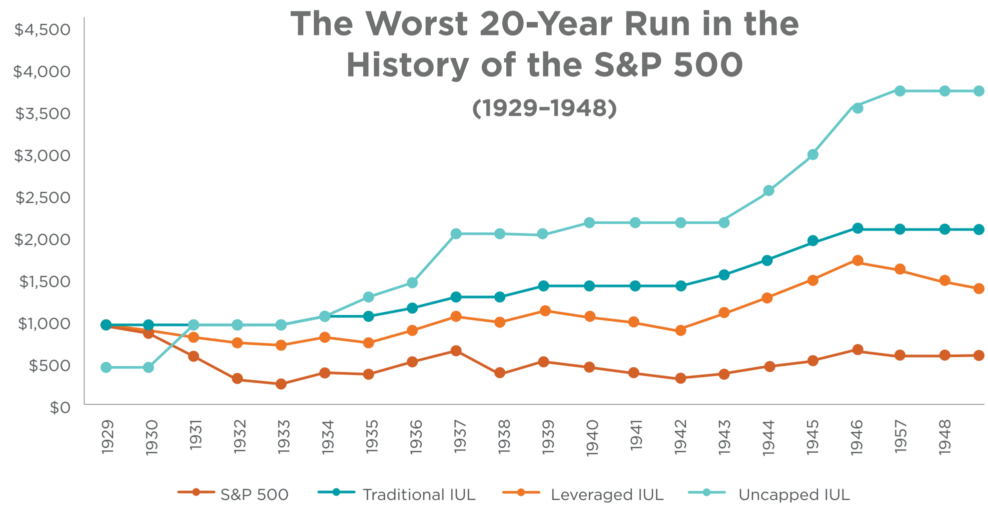
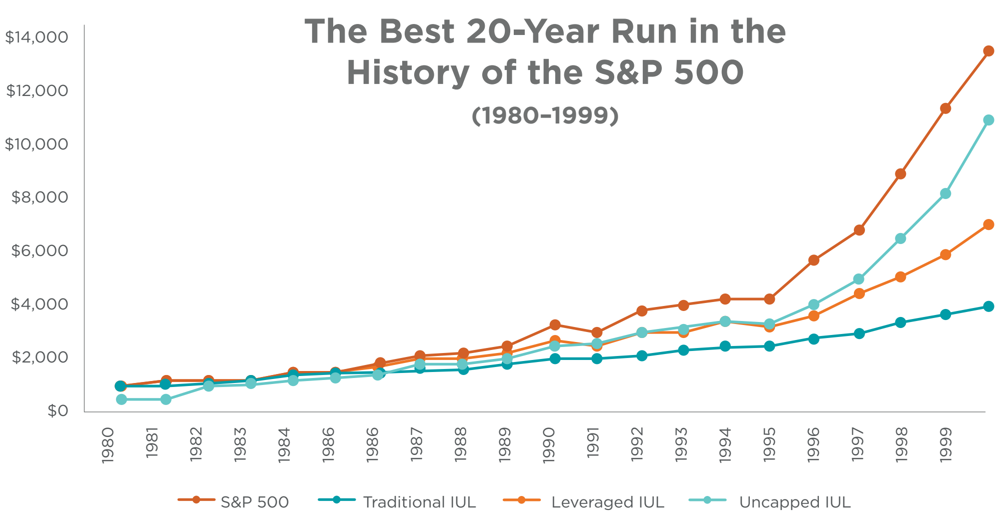


Investment 4
Proprietary Uncapped Index with Floor
$1,000 is worth $3,833

Investment 2
Simple Cap & Floor
$1,000 is worth $2,144

Investment 3
Cap & Floor with Multiplier
$1,000 is worth $1,423

Investment 1
S&P 500
$1,000 is worth $624



Investment 1
S&P 500
$1,000 is worth $13,611

Investment 4
Proprietary Uncapped Index with Floor
$1,000 is worth $11,030

Investment 3
Cap & Floor with Multiplier
$1,000 is worth $7,066

Investment 2
Simple Cap & Floor
$1,000 is worth $3,994

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