

# The Life Insurance Design Questionnaire®



PREPARED FOR:

PREPARED BY:

# The Life Insurance Design Questionnaire®

## INTRODUCTION



### HOW TO MATCH YOUR LIFE INSURANCE WITH YOUR NEEDS

The Life Insurance Design Questionnaire® is an assessment tool that enables your insurance advisor to assist you in the selection, design and purchase of life insurance products. While there are significant differences between companies, products tend to fall into several broad categories. Before you select a product or company, however, it is important to ask:

IS THIS THE RIGHT TYPE OF INSURANCE?

IS THE POLICY DESIGNED TO MEET MY NEEDS & DESIRES?

The Life Insurance Design Questionnaire® is intended to help you and your advisors answer these questions, so that you select the right type of insurance and that the policy is designed to meet your needs.

# The Life Insurance Design Questionnaire<sup>®</sup>

## DESIGN CONSIDERATIONS

CLIENT NAME(S): ① \_\_\_\_\_

② \_\_\_\_\_

DATE(S) OF BIRTH: ① MO / \_\_\_\_ DAY / \_\_\_\_ YR / \_\_\_\_

② MO / \_\_\_\_ DAY / \_\_\_\_ YR / \_\_\_\_

GENDER: (M/F) ① \_\_\_\_\_ ② \_\_\_\_\_

NICOTINE USE? (Y/N) ① \_\_\_\_\_ ② \_\_\_\_\_

TYPE OF DEATH BENEFIT:  INDIVIDUAL  SURVIVORSHIP

AMOUNT OF DEATH BENEFIT: \_\_\_\_\_

POLICY OWNER: \_\_\_\_\_

IF OWNED BY TRUST: EXACT NAME & DATE OF TRUST:  
\_\_\_\_\_

PREMIUM PAID BY: \_\_\_\_\_

STATE OF OWNERSHIP: \_\_\_\_\_

DO YOU HAVE EXISTING LIFE INSURANCE?  YES  NO

IF YES, PLEASE REFER TO "EXISTING POLICY INFORMATION" SUPPLEMENT

NOTES:  
\_\_\_\_\_  
\_\_\_\_\_

OBJECTIVE OF LIFE INSURANCE COVERAGE:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

PLEASE CHECK ADDITIONAL OBJECTIVES THAT MAY APPLY:

- WEALTH PROTECTION | *Provide liquidity to pay transfer taxes*
- INCOME REPLACEMENT
- BUSINESS CONTINUITY | *Buy-Sell Funding*
- BUSINESS CONTINUITY | *Key Person Insurance*
- EXECUTIVE BENEFIT
- ENHANCED CHARITABLE GIFTS
- ASSET PRESERVATION
- DEBT PROTECTION
- ESTATE EQUALIZATION STRATEGY
- REPLENISH/PRESERVE BUYING POWER
- LEVERAGE EXISTING ASSETS | *In GST Estate Planning*
- RETIREMENT SUPPLEMENT

1

**How long will you require the death benefit?**

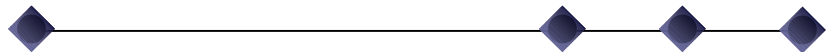
TO AGE: \_\_\_\_\_

LIFE EXPECTANCY: \_\_\_\_\_

TODAY

*Please circle on line or enter years.*

LIFE EXPECTANCY    AGE 100    BEYOND 100



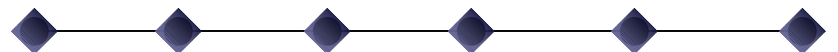
2

**Which premium duration do you prefer to pay?**

AGE: \_\_\_\_\_

*Please circle on line or enter years.*

1 YEAR    5 YEARS    10 YEARS    20 YEARS    LIFE EXPECTANCY    ALL YEARS



## PRIORITIES

### CHOOSING PRIORITIES AMONG PERMANENT PLANS

Permanent life insurance policies involve trade-offs among the potential for long term results, strong guarantees, and lower planned premiums. What are your priorities?

# 3

**A. Prioritize these objectives in order of their importance to you.**

- I WANT STRONG GUARANTEES (DEATH BENEFIT AND PREMIUM)\* \_\_\_\_\_
- I WANT TO PAY A LOWER PLANNED PREMIUM \_\_\_\_\_
- I WANT THE BEST POTENTIAL FOR LONG TERM RESULTS \_\_\_\_\_

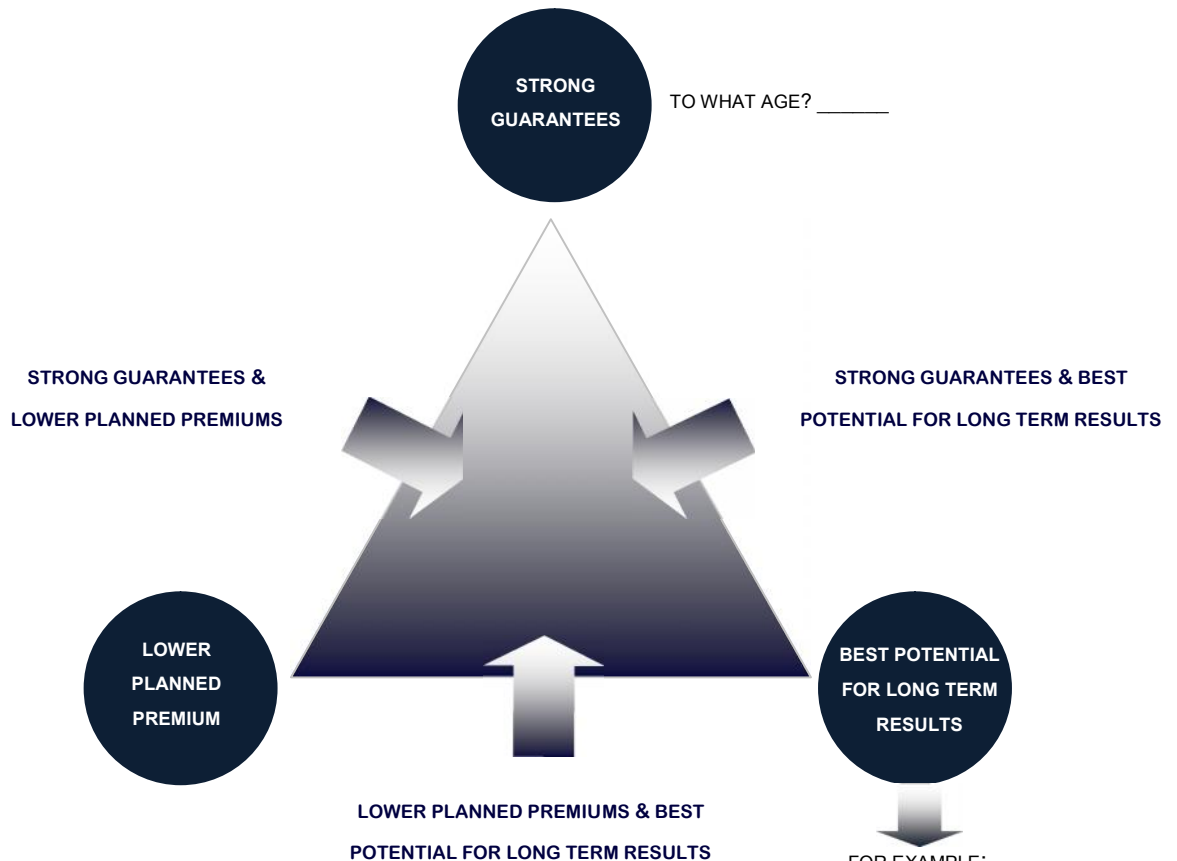
**RANK**

**B. I feel that a guaranteed death benefit is a critical design element.**

YES  NO

**C. If yes, to what age do you want the death benefit guaranteed?**

AGE \_\_\_\_\_



FOR EXAMPLE:

- REDUCE AGGREGATE PREMIUM
- CREATE INCREASING DEATH BENEFIT
- ACCUMULATE CASH VALUE

*\* Note: Guarantees made by a life insurance company are supported by the financial stability and claims paying ability of the company making the guarantee. Thus, the guarantee can be no stronger than the company making the guarantee.*

## DESIGN CONSIDERATIONS

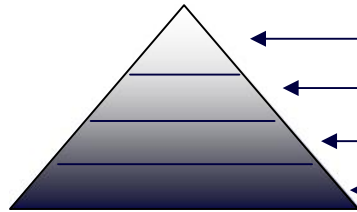
4

**How important is the ability to control and change the underlying investments in this contract?**

- VERY IMPORTANT  
 SOMEWHAT IMPORTANT  
 NOT IMPORTANT

5

**A. How important is the financial strength\* of the company?**



- VERY IMPORTANT  
 IMPORTANT  
 SOMEWHAT IMPORTANT  
 NOT IMPORTANT

**B. Would you be willing to pay a higher premium for a stronger company?**  YES  NO

6

**How important is policy flexibility to your situation?**

**A. How important is it to be able to alter your premiums up or down, or skip a premium in a given year?**

- VERY IMPORTANT  
 SOMEWHAT IMPORTANT  
 NOT IMPORTANT

**B. How important is it to have the flexibility to increase or decrease your policy's death benefit?**

- VERY IMPORTANT  
 SOMEWHAT IMPORTANT  
 NOT IMPORTANT

**C. How important is it to have access to significant cash values at some point in the future?**

- VERY IMPORTANT  
 SOMEWHAT IMPORTANT  
 NOT IMPORTANT

1. At what age? \_\_\_\_\_  
 2. How much? \_\_\_\_\_

7

**Other Design Specifications:**

WOULD YOU LIKE YOUR PREMIUMS TO BE PAID BY THE INSURANCE COMPANY IN THE EVENT OF DISABILITY?  YES  NO

DO YOU WANT A LEVEL OR INCREASING DEATH BENEFIT?  LEVEL  INCREASING

IF SO, TO WHAT AGE? \_\_\_\_\_

OTHER DESIGN CONSIDERATIONS: \_\_\_\_\_

\* Based on the independent third-party financial ratings of S&P, Moody's, A.M. Best, the Comdex rating systems, and quantitative measures such as P/E ratios, P/B ratios, and total return of the stocks. Many of these ratings apply to the insurance company's financial stability and claims paying ability. Financial strength does not necessarily impact the policy's economic benefit nor does it apply to any aspect of policy performance, including sub-account performance for variable life products.

## CONSIDERATIONS FOR CLIENTS INDICATING A DESIRE FOR THE BEST POTENTIAL FOR LONG

8

### HYPOTHETICAL EXAMPLES

YEAR	PATTERN 1	PATTERN 2	PATTERN 3
1	2.0%	6.7%	6.8%
2	74.5%	2.2%	6.5%
3	-9.5%	31.1%	6.4%
4	1.7%	-4.2%	5.9%
5	59.5%	4.2%	6.6%
6	-13.5%	21.2%	4.9%
7	-2.5%	-10.8%	6.9%
8	52.2%	2.7%	5.4%
9	37.1%	15.5%	5.4%
10	<u>-36.7%</u>	<u>33.1%</u>	<u>7.7%</u>
AVERAGE*	<b>11.55%</b>	<b>9.28%</b>	<b>6.25%</b>

ENTER  
SCORE

**A. Indicate the pattern that best matches your desires with regard to the returns on your policy values.**

POINTS	<b>11</b>	<b>5</b>	<b>1</b>
--------	-----------	----------	----------

\_\_\_\_\_

**B. I am willing to accept large variations in annual returns as I seek higher long-term returns.**

STRONGLY AGREE 11	AGREE 7	DISAGREE 4	STRONGLY DISAGREE 1
----------------------	------------	---------------	------------------------

\_\_\_\_\_

**C. I am willing to accept a substantial short-term decline in my cash value if it is required to obtain potentially higher long-term returns.**

STRONGLY AGREE 11	AGREE 9	DISAGREE 4	STRONGLY DISAGREE 1
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\_\_\_\_\_

### TOTAL FOR QUESTIONS 8-10:

**D. How would you rate your experience or knowledge of investments and money management?**

VERY HIGH 10	HIGH 7	MEDIUM 5	LOW 1
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\_\_\_\_\_

**E. What has been your primary investment / savings focus?**

TANGIBLE ASSETS 10	EQUITIES 7	FIXED INCOME 4	BANK CDs MONEY MARKET 2
-----------------------	---------------	-------------------	-------------------------------

\_\_\_\_\_

**F. What is your level of concern about inflation?**

VERY HIGH 10	HIGH 7	MEDIUM 5	LOW 2
-----------------	-----------	-------------	----------

\_\_\_\_\_

**G. How long, if at all, before you may need access to policy cash values?**

NEVER 11	MORE THAN 16 YEARS 9	10 TO 16 YEARS 3	6 TO 9 YEARS 2	LESS THAN 6 YEARS 0
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\_\_\_\_\_

\* Geometric

**OVERALL TOTAL SCORE**

=====

## RECOMMENDED CASH VALUE ALLOCATION

YOUR SCORE	PORTFOLIO	DESCRIPTION
62 OR OVER	AGGRESSIVE	 <p>HIGHEST RISK / HIGHEST RETURN</p> <p>LOWEST RISK / LOWEST RETURN</p>
49 TO 61	MODERATELY AGGRESSIVE	
35 TO 48	MODERATE	
22 TO 34	MODERATELY CONSERVATIVE	
21 OR UNDER	CONSERVATIVE	

### NOTES

These allocations only apply to variable life insurance policies. If your goals and preferences indicate that a non-variable product is more suitable for you, the table above does not apply to you.

■ **If your total score for questions #8 A-C is less than 13, or if your overall score is less than 22, you probably should focus on general account life insurance rather than variable life.**

### VERIFICATION

The answers to this questionnaire correctly reflect my beliefs, preferences and goals with respect to the life insurance under consideration. I have discussed these responses with my representative. I understand that the above data will be used to help me evaluate and select an appropriate product type and design.

SIGNATURE(S): \_\_\_\_\_  
\_\_\_\_\_

DATE: \_\_\_\_\_  
DATE: \_\_\_\_\_

IF POLICY IS OWNED BY A TRUST:

NAME OF TRUST: \_\_\_\_\_

DATE OF TRUST: \_\_\_\_\_

# THE LIFE INSURANCE DESIGN QUESTIONNAIRE®

## THE LIFE INSURANCE FAMILY TREES

### TERM INSURANCE



### PERMANENT INSURANCE

#### Guaranteed Premiums

- One Year Term (ART)
- 5 Year Level Premium
- 10 Year Level Premium
- 15 Year Level Premium
- 20 Year Level Premium
- 30 Year Level Premium

#### Important Term Insurance Considerations:

1. Is the term plan convertible?
2. Will it convert to a quality permanent plan?

#### General Account

#### Universal Life

- Non-Guaranteed Assumptions
- No Lapse Premium

#### Adjustable Life

- Term Guarantees
- Life Guarantees

#### Whole Life

#### Interest Sensitive Whole Life

- Blended Premium
- Guaranteed Premium

#### Modified Premium Whole Life

- Blended Premium
- Guaranteed Premium

#### Level Premium Whole Life

- Blended Premium
- Guaranteed Premium

#### Limited Payment Whole Life

- Blended Premium
- Guaranteed Premium

#### Separate Account

#### Variable Universal Life

- No Supplemental Death Benefit Guarantees
- Death Benefit Guarantees – No Lapse Premium

#### Variable Adjustable

- Temporary Death Benefit Guarantees
- Lifetime Death Benefit Guarantees



## LIFE INSURANCE PRODUCT OVERVIEW

	ADVANTAGES	DISADVANTAGES
<b>WHOLE LIFE INSURANCE</b>	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.
<b>UNIVERSAL LIFE WITHOUT SECONDARY DEATH BENEFIT GUARANTEES</b>	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
<b>UNIVERSAL LIFE WITH SECONDARY DEATH BENEFIT GUARANTEES</b>	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.
<b>VARIABLE UNIVERSAL LIFE WITHOUT GUARANTEES</b>	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
<b>VARIABLE UNIVERSAL LIFE WITH DEATH BENEFIT GUARANTEES</b>	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.

# The Life Insurance Design Questionnaire<sup>®</sup>

## EXISTING POLICY INFORMATION

### POLICY 1

NAME OF COMPANY: \_\_\_\_\_

POLICY NUMBER: \_\_\_\_\_

POLICY OWNER: \_\_\_\_\_

OWNER TAX ID# OR INSURED SS#: \_\_\_\_\_

YEAR ISSUED: \_\_\_\_\_

DEATH BENEFIT: \_\_\_\_\_

CASH ACCUMULATION VALUE: \_\_\_\_\_

CASH SURRENDER VALUE: \_\_\_\_\_

POLICY BASIS: \_\_\_\_\_

IS POLICY A MEC?  YES  NO

SPLIT DOLLAR ARRANGEMENT?  YES  NO

IS IT COLLATERALLY ASSIGNED?  YES  NO

PREMIUM AMOUNT: \_\_\_\_\_

DATE NEXT PREMIUM DUE: \_\_\_\_\_

PURPOSE OF LIFE INSURANCE: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

### POLICY 2

NAME OF COMPANY: \_\_\_\_\_

POLICY NUMBER: \_\_\_\_\_

POLICY OWNER: \_\_\_\_\_

OWNER TAX ID# OR INSURED SS#: \_\_\_\_\_

YEAR ISSUED: \_\_\_\_\_

DEATH BENEFIT: \_\_\_\_\_

CASH ACCUMULATION VALUE: \_\_\_\_\_

CASH SURRENDER VALUE: \_\_\_\_\_

POLICY BASIS: \_\_\_\_\_

IS POLICY A MEC?  YES  NO

SPLIT DOLLAR ARRANGEMENT?  YES  NO

IS IT COLLATERALLY ASSIGNED?  YES  NO

PREMIUM AMOUNT: \_\_\_\_\_

DATE NEXT PREMIUM DUE: \_\_\_\_\_

PURPOSE OF LIFE INSURANCE: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## AUTHORIZATION TO RELEASE POLICY INFORMATION TO MY AGENT

Please note that I have appointed \_\_\_\_\_ as my agent. As my agent, he/she is authorized by me to receive all of the above information regarding my life insurance policy and/or annuity information. Please provide a copy of the current in-force policy projections and release the information indicated above to my agent.

\_\_\_\_\_

SIGNATURE OF POLICY OWNER

\_\_\_\_\_

DATE

AGENT: \_\_\_\_\_

AGENT ADDRESS: \_\_\_\_\_

AGENT PHONE: \_\_\_\_\_

AGENT EMAIL: \_\_\_\_\_

# The Life Insurance Design Questionnaire<sup>®</sup>

## PORTFOLIO SUMMARIES

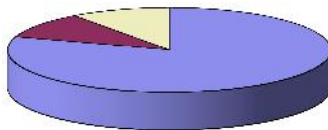


### WITH HISTORIC RETURNS & VARIATION\*

Variable Life Insurance is permanent life insurance in which cash values can be allocated among various sub-accounts provided by the life insurance company. Cash value products of any kind are usually only considered when the policy owner plans to hold the policy for at least 15 years. Sub-accounts and allocations among them can vary from highly conservative fixed income portfolios to very aggressive equity portfolios. The sample portfolios show the variation of returns historically associated with various portfolios.

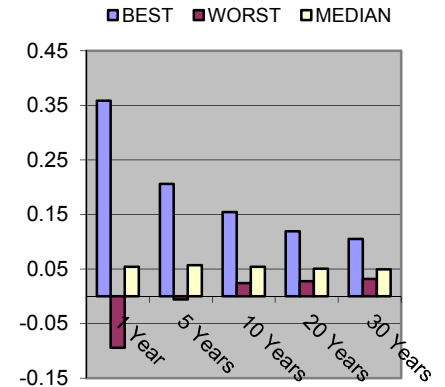
### CONSERVATIVE

- FIXED INCOME 80%
- LARGE CAP EQUITY 10%
- MONEY MARKET 10%



HISTORICAL RETURNS*	BEST	WORST	MEDIAN
**1 YEAR	35.87%	-9.47%	5.39%
**5 YEARS	20.59%	-0.60%	5.68%
**10 YEARS	15.44%	2.41%	5.38%
20 YEARS	11.92%	2.73%	5.06%
30 YEARS	10.49%	3.16%	4.92%

**AVERAGE ANNUAL RETURN\*\*\***  
**6.40%**



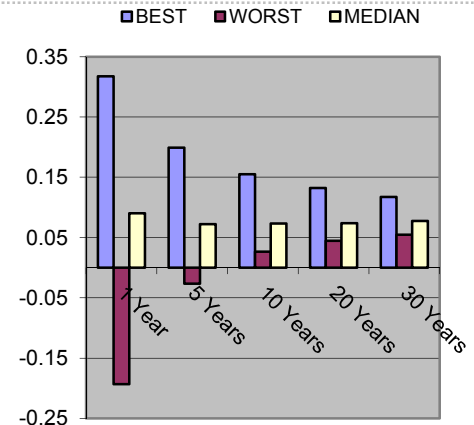
### MODERATELY CONSERVATIVE

- FIXED INCOME 55%
- LARGE CAP EQUITY 25%
- MONEY MARKET 10%
- AGGRESSIVE EQUITY 10%



HISTORICAL RETURNS*	BEST	WORST	MEDIAN
**1 YEAR	31.73%	-19.31%	9.01%
**5 YEARS	19.93%	-2.64%	7.24%
**10 YEARS	15.51%	2.67%	7.32%
20 YEARS	13.23%	4.45%	7.40%
30 YEARS	11.76%	5.47%	7.73%

**AVERAGE ANNUAL RETURN\*\*\***  
**7.97%**

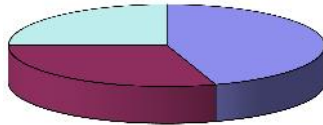


# The Life Insurance Design Questionnaire<sup>®</sup>

## PORTFOLIO SUMMARIES

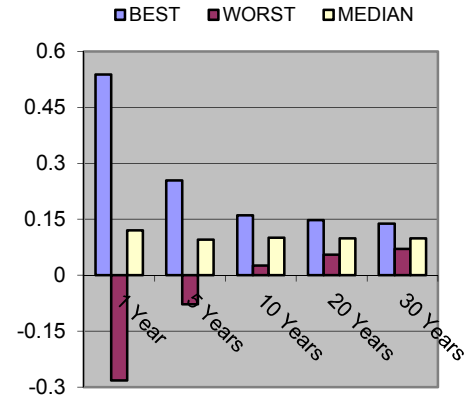
### MODERATE

- FIXED INCOME 45%
- LARGE CAP EQUITY 30%
- AGGRESSIVE EQUITY 25%



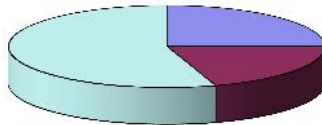
HISTORICAL RETURNS*	BEST	WORST	MEDIAN
**1 YEAR	53.81%	-28.24%	12.01%
**5 YEARS	25.37%	-7.83%	9.57%
**10 YEARS	16.02%	2.59%	10.02%
20 YEARS	14.78%	5.48%	9.86%
30 YEARS	13.82%	7.06%	9.86%

**AVERAGE ANNUAL RETURN\*\*\***  
**9.49%**



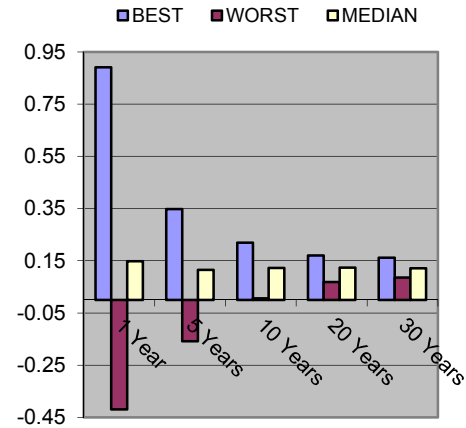
### MODERATELY AGGRESSIVE

- FIXED INCOME 25%
- LARGE CAP EQUITY 20%
- AGGRESSIVE EQUITY 55%



HISTORICAL RETURNS*	BEST	WORST	MEDIAN
**1 YEAR	89.02%	-41.95%	14.75%
**5 YEARS	34.81%	-15.82%	11.47%
**10 YEARS	21.97%	0.54%	12.27%
20 YEARS	17.03%	6.81%	12.34%
30 YEARS	16.18%	8.56%	12.17%

**AVERAGE ANNUAL RETURN\*\*\***  
**10.87%**



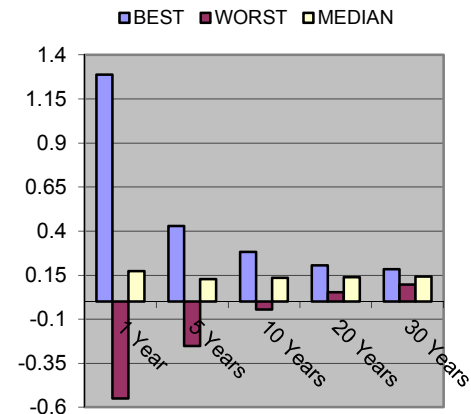
### AGGRESSIVE

- LARGE CAP EQUITY 15%
- AGGRESSIVE EQUITY 85%



HISTORICAL RETURNS*	BEST	WORST	MEDIAN
**1 YEAR	128.79%	-54.96%	17.30%
**5 YEARS	42.84%	-25.18%	12.82%
**10 YEARS	28.09%	-4.55%	13.49%
20 YEARS	20.57%	5.72%	13.79%
30 YEARS	18.36%	9.06%	14.20%

**AVERAGE ANNUAL RETURN\*\*\***  
**11.81%**



\* DATA SOURCE: Calculated by ValMark Advisers using data presented in Ibbotson Investment Analysis Software, Copyright 2013 Ibbotson Associates, Inc. All rights reserved. Used with permission. Historical data is for rolling periods: 1926-2012. Past performance does not guarantee future performance. Performance measures do not represent the returns of any particular sub account. They are based upon the returns of representative indices listed in "Notes on Methodology". You cannot invest directly in any index.

\*\* HISTORICAL RETURNS FOR YEARS 1, 5 & 10: Variable life policies are only appropriate for individuals with at least a 15-year time horizon due to the costs of insurance and sales loads.

\*\*\* GEOMETRIC MEAN is an average, accounting for volatility and compounding. It is different than the traditional mean because it uses multiplication rather than addition to summarize data.

# The Life Insurance Design Questionnaire®

## NOTES ON METHODOLOGY



### NOTE:

As you work through this brochure, you may have questions regarding some of the terms and concepts discussed. In addition, you may be interested in the methods used to derive the data provided. This section addresses those questions.

## 1. LIFE INSURANCE FAMILY TREE EXPLANATION

Life insurance falls into two overall categories. The first is **Term Insurance**, which offers lower premiums and protection for a limited time period. The second is **Permanent Insurance**, which requires higher premiums and offers cash values and death benefit protection that can continue throughout the insured's lifetime. Guarantees, coverage periods, features and riders vary widely among all policies. The variation is greatest among permanent policies.

The cash values of **General Account** (non-variable) policies are associated with an underlying fixed income portfolio of assets selected by the insurance company (generally bonds and mortgages). The cash values of **Separate Account** (or variable) policies are allocated by the policy-owner among sub-accounts, which can focus on equity or fixed income investments. Many factors, such as expenses and mortality experience, substantially impact the performance of all permanent life insurance policies.

Among permanent products, **Universal Life (UL)** provides flexible premiums with relatively minimal guarantees. In some cases, UL policies offer supplemental guarantees, which can guarantee death benefit protection even after cash values expire. **Adjustable Life** policies offer varying guarantees based on the premium level. **Whole life** policies provide lifetime guarantees for higher premiums. Whole life premiums can be reduced by blending the whole life policy with a term rider or by using a modified premium structure (blended premiums). In either approach, some level of guarantee is sacrificed to obtain lower premiums.

Due to this wide variance in structure, options, riders, guarantees and assumptions, a premium or illustration comparison alone is an inadequate and potentially misleading basis for comparison of life insurance policies.

## 2. ASSET ALLOCATION & SUB-ACCOUNT CLASSIFICATION

The Life Insurance Design Questionnaire provides portfolio models for five possible allocations of assets.

### ASSET CLASS

	AGGRESSIVE EQUITY	LARGE CAP EQUITY	FIXED INCOME	MONEY MARKET
<b>CONSERVATIVE</b>	0%	10%	80%	10%
<b>MODERATELY CONSERVATIVE</b>	10%	25%	55%	10%
<b>MODERATE</b>	25%	30%	45%	0%
<b>MODERATELY AGGRESSIVE</b>	55%	20%	25%	0%
<b>AGGRESSIVE</b>	85%	15%	0%	0%

## NOTES ON METHODOLOGY



### 2. ASSET ALLOCATION (CONTINUED)

NOTE: Clients may choose among various allocations of assets. The purpose of this supplement is to convey an understanding of risk and return and to provide general guidelines with regard to the asset allocation that is appropriate for a given client's return expectations and risk tolerance.

### 3. HISTORICAL PERFORMANCE

Historical performance calculations were based upon data provided by Ibbotson and Associates, Inc. Returns on portfolios with the asset allocations indicated above were measured between 1926 and 2012.

#### 4. EXPLANATION OF ASSET CLASSES

The following data was used to represent the asset classes in this study. It is important to keep in mind that the representative indexes are not managed and do not include any management expenses and fees. In addition, the performance figures quoted are historical and may contain statistical estimates. Future performance will vary. All data was obtained from Ibbotson & Associates, Inc. Analyst software.



#### OVERALL ALLOCATION INDICES:

<b>MONEY MARKET:</b>	Represented by 30-day U.S. Treasury Bills. (Ibbotson)	1926 – 2012
<b>LARGE CAP EQUITY:</b>	Represented by S&P 500 total return.	1926 – 2012
<b>AGGRESSIVE EQUITY:</b>	Represented by Small Stock Total Return (Ibbotson)	1926 – 2012
<b>FIXED INCOME:</b>	50% U.S. Long Term Corporate Bonds 40% U.S. Long Term Government Bonds 10% Domestic High Yield Corporate Bonds	1926 – 2012



VARIABLE LIFE SENSITIVITY ANALYSIS

# The Life Insurance Design Questionnaire®

## HISTORICAL PERFORMANCE VARIATIONS



### HOW TO READ THE CHARTS BELOW

This following study shows how often a particular portfolio has achieved a particular return over a specified time span. In other words, this answers the question, "Between the years 1926 and 2012, what percentage of the time did this asset allocation achieve at least this rate of return?"

**Example:** Refer to the conservative portfolio. A return of at least 4% was achieved in 69.23% of all of the 10-year periods (rolling) between 1926 and 2012. A rate of 6% was achieved in 44.87% of the periods.

**These rates do not predict the results you will actually obtain. Past performance does not guarantee future results.**

### CONSERVATIVE PORTFOLIO (HISTORICAL ACHIEVEMENT RATES)

% OF TIME PERIODS RATE OF RETURN WAS ACHIEVED	RATES OF RETURN	0%	4%	6%	7%	8%	9%	10%	12%
	5 YEAR	98.80%	74.70%	39.76%	33.73%	25.30%	19.28%	18.07%	9.64%
10 YEAR	100.00%	69.23%	44.87%	33.33%	26.92%	23.08%	17.95%	6.41%	
20 YEAR	100.00%	69.12%	41.18%	39.71%	36.75%	25.00%	17.65%	0.00%	
30 YEAR	100.00%	75.86%	46.55%	41.38%	31.03%	27.59%	3.45%	0.00%	

### MODERATELY CONSERVATIVE PORTFOLIO (HISTORICAL ACHIEVEMENT RATES)

% OF TIME PERIODS RATE OF RETURN WAS ACHIEVED	RATES OF RETURN	0%	4%	6%	7%	8%	9%	10%	12%
	5 YEAR	96.39%	86.75%	67.47%	55.42%	39.76%	32.53%	27.71%	16.87%
10 YEAR	100.00%	97.44%	80.76%	55.13%	37.18%	28.21%	25.64%	19.23%	
20 YEAR	100.00%	100.00%	86.76%	64.71%	44.12%	33.82%	26.47%	10.29%	
30 YEAR	100.00%	100.00%	96.55%	63.79%	48.28%	34.48%	29.31%	0.00%	



# The Life Insurance Design Questionnaire®

## HISTORICAL PERFORMANCE VARIATIONS



### MODERATE PORTFOLIO (HISTORICAL ACHIEVEMENT RATES)

	RATES OF RETURN	0%	4%	6%	7%	8%	9%	10%	12%
		% OF TIME PERIODS RATE OF RETURN WAS ACHIEVED							
5 YEAR		93.98%	85.54%	77.11%	71.08%	66.27%	57.83%	45.78%	30.12%
10 YEAR		100.00%	94.87%	87.18%	83.33%	73.08%	58.97%	51.28%	29.49%
20 YEAR		100.00%	100.00%	98.53%	95.59%	83.82%	69.12%	47.06%	22.06%
30 YEAR		100.00%	100.00%	100.00%	100.00%	93.10%	72.41%	48.28%	12.07%

### MODERATELY AGGRESSIVE PORTFOLIO (HISTORICAL ACHIEVEMENT RATES)

	RATES OF RETURN	0%	4%	6%	7%	8%	9%	10%	12%
		% OF TIME PERIODS RATE OF RETURN WAS ACHIEVED							
5 YEAR		91.57%	83.13%	77.11%	77.11%	73.49%	67.47%	65.06%	44.58%
10 YEAR		100.00%	96.15%	87.18%	85.89%	83.33%	79.49%	74.36%	52.56%
20 YEAR		100.00%	100.00%	100.00%	97.06%	95.59%	94.12%	83.82%	58.82%
30 YEAR		100.00%	100.00%	100.00%	100.00%	100.00%	94.83%	91.38%	56.90%

### AGGRESSIVE PORTFOLIO (HISTORICAL ACHIEVEMENT RATES)

	RATES OF RETURN	0%	4%	6%	7%	8%	9%	10%	12%
		% OF TIME PERIODS RATE OF RETURN WAS ACHIEVED							
5 YEAR		85.54%	78.31%	78.31%	75.90%	74.70%	71.08%	69.88%	55.42%
10 YEAR		97.44%	93.59%	85.90%	83.33%	82.05%	80.77%	78.21%	66.67%
20 YEAR		100.00%	100.00%	98.53%	98.53%	97.06%	94.12%	89.71%	75.00%
30 YEAR		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	96.55%	84.48%

DATA SOURCE: IBBOTSON & ASSOCIATES: 1926 – 2012

## S&P 500 AND THE LIDQ MODEL PORTFOLIOS LOSING MONEY IN THE MARKET: HOW OFTEN AND HOW MUCH?

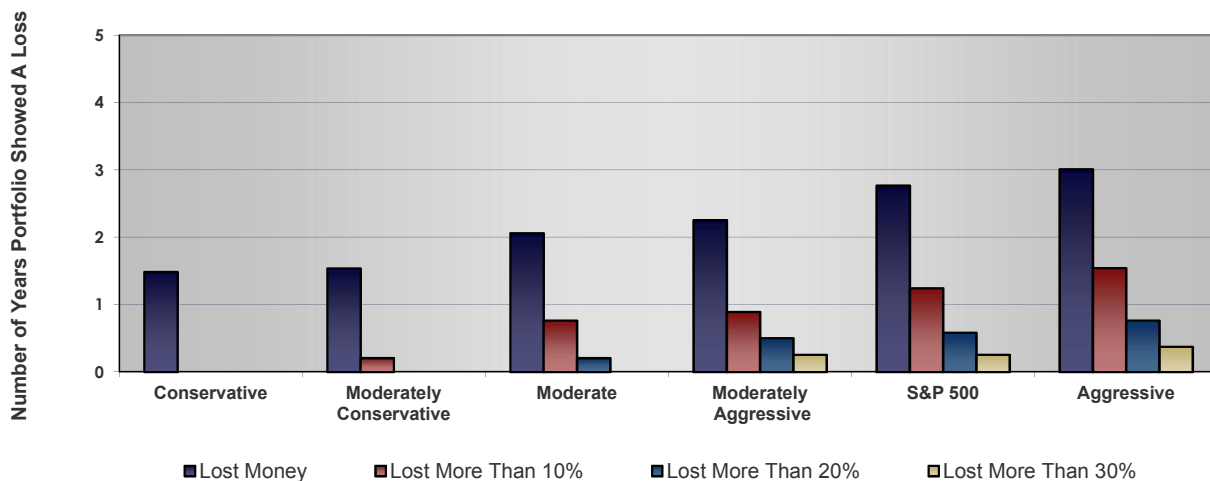
Losses in financial markets cause variable life policies to lose value. How often have the markets lost money, and how much have they lost? This study explores this question based on the performance of the S&P 500 and the LIDQ Model Portfolios between 1926 and 2012.

**The results underscore the importance of diversification.**

### Highlights:

- All portfolios can lose money. Even conservative portfolios lost money from time to time.
- Portfolios with significant equity exposure lost money in two or three years out of ten.
- When diversified portfolios generated losses, the loss was usually less than 10%.
- For all diversified portfolios, losses greater than 20% in any year were very rare.
- The moderately conservative portfolio never, in any year, generated a loss of more than 20%.

### Out Of A Ten Year Period, How Often Did The Portfolios Lose Money? And How Often Did They Lose At Least 10%, 20%, or 30%?



### How Many Years Have The Portfolios Experienced Losses Since 1926? And How Many Years Have The Losses Been At Least 10%, 20% or 30%?

	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	S&P 500	Aggressive
<b>Any Loss</b>	12	14	18	20	24	27
<b>At Least 10% Lost</b>	0	2	8	9	11	14
<b>At Least 20% Lost</b>	0	0	2	6	6	8
<b>At Least 30% Lost</b>	0	0	0	3	3	5



PRE-QUALIFICATION UNDERWRITING QUESTIONS

# The Life Insurance Design Questionnaire®

## PRE-QUALIFICATION UNDERWRITING QUESTIONS

Please answer the following questions to enable us to be as accurate as possible when quoting life insurance alternatives for you. A review of all underwriting requirements by the home office is necessary for final determination of rate class. Please provide details for any "yes" answers.

	YES	NO
1. Have you used tobacco in any form within the past 15 years? If "yes", please list the form of tobacco and the date last used. FORM: _____ LAST USED: _____	<input type="checkbox"/>	<input type="checkbox"/>
2. Have there been any cardiovascular deaths under age 60 among your parents or siblings?	<input type="checkbox"/>	<input type="checkbox"/>
3. Has there been any cancer history (not just deaths) prior to age 60 among your parents or siblings?	<input type="checkbox"/>	<input type="checkbox"/>
4. Do you have any personal history of cancer excluding basal cell carcinoma?	<input type="checkbox"/>	<input type="checkbox"/>
5. Do you have any personal history of coronary artery disease?	<input type="checkbox"/>	<input type="checkbox"/>
6. Is your current known cholesterol reading greater than 220?	<input type="checkbox"/>	<input type="checkbox"/>
7. Have you had any known blood pressure average greater than 140/90?	<input type="checkbox"/>	<input type="checkbox"/>
8. Do you have any ongoing medical conditions?	<input type="checkbox"/>	<input type="checkbox"/>
9. Are you taking any prescribed medications? If yes, please list name(s) and dosage(s). _____	<input type="checkbox"/>	<input type="checkbox"/>
10. Have you had any DWI / DUI or reckless driving convictions in the past 5 years?	<input type="checkbox"/>	<input type="checkbox"/>
11. Are you a pilot other than for a commercial passenger airline?	<input type="checkbox"/>	<input type="checkbox"/>
12. Do you engage in automobile or motorcycle racing, sports parachuting, skin or scuba diving or hang gliding?	<input type="checkbox"/>	<input type="checkbox"/>
<input type="radio"/> DETAILS OF "YES" ANSWERS: _____ _____		
<input type="radio"/> PROPOSED INSURED'S NAME: _____		
<input type="radio"/> HEIGHT: _____ WEIGHT: _____ DATE OF BIRTH: _____ SEX (M/F): _____		
<input type="radio"/> SIGNATURE: _____ DATE: _____		

