

Flex Pay PUA Rider FAQ

- What are the major features of the new Flex Pay PUA Rider?
 - Flexibility in the amount and frequency of premiums paid.
- What kind of flexibility?
 - The policyowner will select a planned premium (for billing) and a maximum annual premium.
 - Premiums are flexible, meaning the policyowner can pay any amount as long as the maximum premium is not exceeded and the minimum premium is met.
- What is the minimum?
 - \$100 per policy year
- Is there a limit to how large the maximum annual premium can be?
 - Yes, the company limit is \$100,000 per policy year
- Is there any limit on the number of premium payments that can be made in one policy year?
 - No, as long as the specified maximum premium is not exceeded.
- Can the specified maximum be increased?
 - Yes, upon underwriting approval.
- Can the planned premium be skipped?
 - Yes, as long as the minimum annual premium of \$100 is paid in each policy year.
- If the policyowner skips a planned premium, is there a catch-up provision?
 - Yes and no. You can make additional payments provided you do not exceed the specified maximum in any one policy year.
- What happens if the minimum annual premium is not paid?
 - The right to make additional payments into the Flex Pay PUA Rider is forfeited.
- Can this right be reinstated?
 - Yes, upon underwriting approval.
- How many years can premiums be paid for the new Flex Pay PUA Rider?
 - Premiums are payable until age 75, or earlier, as specified on the application.
- What happens if the base plan goes into nonforfeiture (NFO) or the base policy premium is past due?
 - Premiums into the Flex Pay PUA Rider will no longer be accepted.

- Is Waiver of Premium available on the new Flex Pay PUA Rider?
 - Yes and No, the existing waiver of premium is not available on the new Flex Pay PUA Rider; however a new **Disability Benefit Rider (DBR)** is available. A separate FAQ sheet, that describes the new DBR, is attached.

- How is the Flex Pay PUA Rider billed?
 - The Flex Pay PUA Rider is billed along with the rest of the policy.
 - The bill will show the Rider planned premium as a separate amount.
 - The bill will also show the following:
 - Minimum annual premium
 - Maximum annual premium
 - Amount paid this policy year towards the maximum annual premium

- What else do I need to know?
 - The Flex Pay PUA Rider cannot be paid using policy values.
 - The Flex Pay PUA Rider cannot be paid using the Advance Premium Fund.
 - Commission rates are the same for the Flex Pay PUA Rider as they were for the Annual and Single PUA Riders.
 - Commissions will be reduced for backdating the Flex Pay PUA Rider, as they were for the Annual and Single PUA Riders.
 - Commissions will be reduced for full or partial surrenders, in the first year, of the Flex Pay PUA Rider, as they were for the Annual and the Single PUA Riders.
 - As with other riders, first year commissions will be paid from the time the rider is added until the next anniversary at which time the renewal commission rate will apply.

Disability Benefit Rider (DBR) FAQ

- What is the new DBR and how does it work?
 - The applicant will select a Benefit Period and Benefit Amount for this rider subject to rider limits.
 - The benefit period starts at the issue date of the rider and continues to the end of the benefit period.
 - Once the end of the benefit period is reached, no further disability benefit payments will be paid.
 - For example, if you select 20 years as the benefit period, the 20 years will end 20 years from the issue date of the rider, NOT from the time of disability.
 - If the insured becomes totally disabled during this period, the Benefit, subject to limits described below, will be paid as a premium payment, into the Flex Pay PUA Rider.
 - The cost of the DBR is a fixed premium, and will be billed along with the fixed base policy premium regardless of when payments are made into the Flex Pay PUA Rider.
 - The typical 2 year or 5 year own occupation options are available.
 - What are the limitations on the Benefit Period?
 - The minimum benefit period is 7 years.
 - The maximum benefit period is the lesser of:
 - The Flex Pay PUA Rider premium period
 - 20 years
 - To age 65
 - Are there limitations on the Benefit Amount?
 - Yes
 - The minimum annual benefit amount is \$1000
 - The maximum annual benefit amount is the lesser of:
 - \$15,000
 - The Flex Pay PUA Rider specified maximum premium
- While benefits are being paid under the DBR, can the policyholder continue to pay into the Flex Pay PUA Rider?
 - Yes, subject to the Flex Pay PUA Rider maximum premium limits.
 - The DBR benefit plus the premiums paid cannot exceed the rider specified maximum premium.

- When does the DBR terminate?
 - The rider will terminate at any of the following events:
 - When the Benefit Period ends
 - Upon termination or maturity of the policy
 - Upon termination or maturity of the Flex Pay PUA Rider
 - The right to make additional premium payments into the Flex Pay PUA Rider is lost
 - At the end of the grace period for an unpaid premium
 - When Waiver of Premium is removed from the base plan

- Are there any other rules regarding the DBR?
 - Yes, some of these are as follows:
 - To have DBR on the Flex Pay PUA Rider, you must have Waiver of Premium on the base plan
 - If you have Waiver of Premium on the base, you do not need to have DBR on the Flex Pay PUA Rider

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Flex Pay PUA Rider Availability FAQ

- When will the new Flex Pay PUA Rider be available?
 - The new Flex Pay PUA Rider will be available, for new issues, January 3, 2012.
 - Century II Illustrations for the new Flex Pay PUA Rider will also be available January 3, 2012.
- What about pending applications submitted prior to January 3, 2012? Will they be automatically changed to the new Flex Pay PUA Rider?
 - No, they will continue to be processed as applied for.
- Will I be able to change a pending application submitted for an Annual PUA Rider to a Flex Pay PUA Rider?
 - Yes, but only if you either:
 - Complete a new signed application
 - A new signed illustration will be required at delivery
 - Submit a new signed illustration
 - There will be a nopay amendment for the rider change
- Will I be able to convert an existing Annual PUA Rider to the new Flex Pay PUA Rider?
 - Yes, for most policyowners a conversion option will be available summer of 2012.
 - There are some exceptions. For example, there is no Flex Pay PUA Rider available for Excalibur, so conversion is not an option.
 - In some cases, conversion will necessitate other coverage changes as well, such as changes in the Waiver of Premium benefit.
- Will I be able to submit new applications with the new Flex Pay PUA Rider in December?
 - Yes, the new application will be available on December 19th, 2011, and you must use the new application if you are applying for the new Flex Pay PUA Rider.
 - You will be able to submit new applications anytime after that date, however you should be aware of the following:
 - As the new rider is not yet 'live' in our system, we will enter the rider into our system as an Annual PUA Rider and change it to the Flex Pay PUA Rider in January.
 - Even if the Underwriting Department has approved the case and all requirements are complete, the policy will not be issued and paid until January.
 - The application must be signed on, or after, December 19th, 2011.
 - Applications requesting the Flex Pay PUA Rider submitted in December will not be issued and paid until 2012, and will not count towards the 2011 Convention.

- Regardless of the application date, the policy cannot be backdated prior to July 1, 2011 and will be further subject to the limitations mandated by all applicable law and regulations.
- Can I continue to sell the Annual PUA Rider in 2012?
 - No, the Flex Pay PUA rider is replacing the Annual PUA Rider, and the Annual PUA Rider will no longer be available. There are exceptions, for example:
 - If the new Flex Pay PUA Rider is not approved in a state, the Annual PUA Rider will still be available in that state, until the Flex Pay PUA Rider is approved.
 - There is no Flex Pay PUA Rider available for Excalibur and thus, the Annual PUA Rider should continue to be used.
 - As the new application does not show the Annual PUA Rider, in the above situations, add the Annual PUA Rider information on a blank line in the 'Additional Rider and Benefits' section of the new application.
- What will I be able to do on January 3, 2012?
 - Sell the new Flex Pay PUA Rider on new policies
 - Add the new Flex Pay PUA Rider to existing policies that do NOT currently have an Annual PUA rider
 - Change a pending application to include the new Flex Pay PUA Rider
- Until the conversion option is available, what do I do if my client needs the flexibility of the new Flex Pay PUA Rider?
 - If the policyholder is unable to pay an Annual PUA Rider premium billed before the conversion option is available, a rider reduction may be requested. A reduction will be processed, enabling the policyholder to pay a lower premium than billed, and the Annual PUA Rider will be marked for conversion to the Flex Pay PUA Rider once the conversion option becomes available.
 - This reduction can only be requested one time.
 - Use the new Policy Change/Reissue application (Form 6329-11) to request this reduction and eventual conversion to the Flex Pay PUA Rider.
 - The Annual PUA Rider will be reduced at the time of the policy change request; however, when the Annual PUA Rider is converted to the Flex Pay PUA Rider summer of 2012, the maximum premium on the Flex Pay PUA Rider will be established based on the Annual PUA Rider premium amount prior to the reduction.
 - The rider must remain in premium paying status and meet the \$100 minimum annual premium in order for the conversion to occur.
 - The maximum premium for the Flex Pay PUA Rider will be the annualized quarterly premium of the Annual PUA Rider, prior to the reduction.
 - Illustrations for the new Flex Pay PUA Rider will be prepared after the rider is converted.

- What will I be able to do once the conversion option is available, summer of 2012?
 - You will be able to convert, on request, an Annual PUA Rider to the new Flex Pay PUA Rider.
 - Procedures will be in place for this conversion option. Some of the conversion guidelines are:
 - Policy Change/Reissue applications (Form 6329-11) will be required for any conversion
 - The maximum premium of the Flex Pay PUA Rider will be equal to the annualized quarterly premium of the Annual PUA Rider.
 - Increases to the maximum premium will be allowed pursuant to underwriting approval.
 - Sides A & B of the Policy Change/Reissue application and a HIPAA form must be completed
- Do I have to convert the Annual PUA Rider to the Flex Pay PUA Rider?
 - No, if your client does not need the flexibility the Flex Pay PUA Rider offers, they do not need to convert and the Annual PUA Rider will remain on their policy.

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Flex Pay PUA Rider Reissue FAQ

- After January 3, 2012, will I be able to reissue policies that are **not yet inforce** to change an Annual PUA Rider to a Flex Pay PUA Rider?
 - Yes, with a Policy Change/Reissue application and new illustration.
 - Remember that if there was waiver on the Annual PUA Rider, you may select the new DBR for the Flex Pay PUA Rider
 - The maximum premium of the Flex Pay PUA Rider will be equal to the annualized quarterly premium of the Annual PUA Rider.
 - Side A of the Policy Change/Reissue application must be completed
 - Increases in maximum premium will be allowed with underwriting approval.
 - Side A & B of the Policy Change/Reissue application and HIPAA must be completed
 - Regardless of the application date, the policy cannot be back dated prior to July 1, 2011 and will be further subject to the limitations mandated by all applicable law and regulations.
- Will the waiver on the Annual PUA Rider apply to the new Flex Pay PUA Rider?
 - No, you must use the DBR with the new Flex Pay PUA Rider.
- After January 3, 2012, will I be able to reissue inforce policies to change an Annual PUA Rider to a Flex Pay PUA Rider?
 - No. However, if the policyholder is unable to pay an Annual PUA Rider premium billed before the conversion option is available summer of 2012, a one time rider reduction will be allowed as described on page six of this document.

Conversion FAQ

Once the conversion option is available, summer of 2012, you will be able to convert an Annual PUA Rider to the new Flex Pay PUA Rider. To do this, do the following:

- Complete a Policy Change/Reissue application (Form 6329-11)
 - Remember that if there was Waiver of Premium on the Annual PUA Rider, it will not carryover to the new Flex Pay PUA Rider. However, the DBR is available, and you may select it for the Flex Pay PUA Rider.
 - Underwriting approval will not be required, provided the maximum premium is not increased.
- Prepare a new inforce illustration using the agent website
- Obtain the appropriate signatures
- Send this information to the Home Office via one of the following methods:
 - Fax to 630.684.5491
 - Upload from the agent website
 - Mail

A few things to keep in mind:

- There is no need to convert policies immediately, the conversion option will remain open and can be done at any time.
- The maximum premium of the Flex Pay PUA Rider will be equal to the current annualized quarterly premium of the Annual PUA Rider
 - Increases to the maximum premium will be allowed with additional underwriting approval.
 - Decreases to the maximum premium will be allowed.
- There are some exceptions, for example, there is no Flex Pay PUA Rider available for Excalibur, so conversion is not an option.
- If a recent premium was applied to the Annual PUA Rider, the conversion will be held for 5 business days from the date the premium was applied.