

Sample VUL

Product Profile

Product Rating: (3 stars) ★★ ★
 Product Type: VUL
 Premium Type: Flexible
 Min. Face Amount: \$100,000
 Optimal Funding Strategy: Max fund

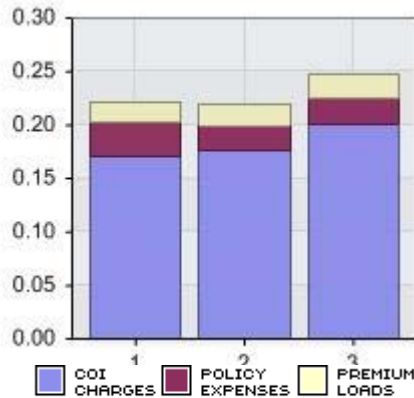
Pricing Style:
 Policy pricing is a function of 3 factors: Cost of Insurance Charges (COIs), Expenses & Earnings. Product suitability is therefore categorized by the structure of and the underlying experience for these pricing components. (See The Pricing Advisor section below or at www.TheInsuranceAdvisor.com for more information.)

	Max. Accum	Mixed	Min. Prem
Retail			
Institutional	■		
Experience-Rated			

Policy Under Evaluation		Avg for All Policies
38	# of Funds	37
28	# of Top Performers	24
0.87%	Avg Inv Mgmt Fee	0.86%

* Source: Morningstar*

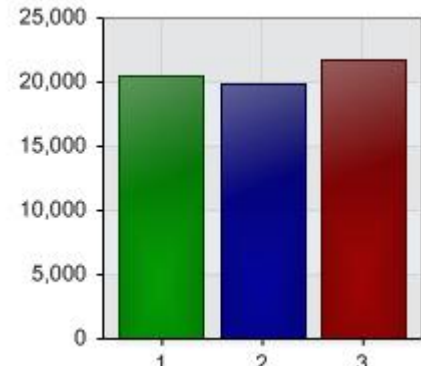
Policy Expense Breakdown



1. Policy Under Evaluation
2. Institutionally Priced Policies
3. Retail Policies

Policy Expense Breakdown measures the present value cost per \$ of Death Benefit and the individual cost components, assuming identical funding amounts and funding patterns for a policy issued to a 60 year old male Non-Smoker Standard risk.

Premium Comparison - Face Amt: \$1,000,000



1. Policy Under Evaluation
2. Institutional Pricing Benchmark
3. Benchmark for All Policies

Premium Comparison calculates the minimum level annual premium required over 40 years to endow the policy, assuming a 8% average net policy earnings rate and current expense assumptions for a policy issued to a 60 year old male Non-Smoker Standard risk.

Cost of Insurance (COI) Charges

	Policy Under Evaluation	Institutional Pricing Benchmark	Benchmark for All Policies
Weighted-Average Annual COI	\$13,166	\$12,940	\$14,734

Policy Expenses

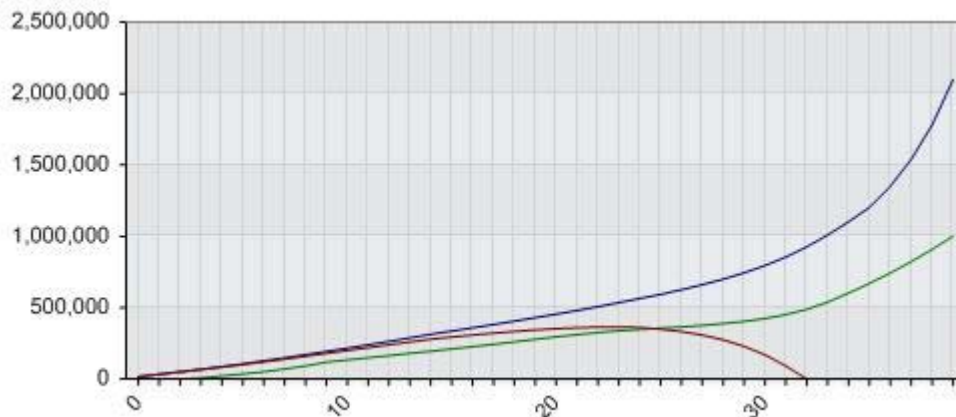
	Policy Under Evaluation	Institutional Pricing Benchmark	Benchmark for All Policies
M&E Risk %	0.05	0.55	0.60
Other %	0.00	0.00	0.00
Total %	0.05	0.55	0.60
Loan Spread %	0.75	1.00	2.00
Fixed Charges Per Policy Yr	\$2,529	\$1,728	\$1,728

Premium Loads

	Policy Under Evaluation	Institutional Pricing Benchmark	Benchmark for All Policies
State Tax %	2.35	2.35	2.35
Fed DAC Tax %	1.50	1.50	1.50
Carrier % Load(s)	0.00	0.00	0.00
Sales/Service % Load(s)	3.15	3.65	3.65
Total %	7.00	7.50	7.50

Hypothetical Policy Cash Value Account Growth

Planned Annual Premium: \$20,460



- Policy Under Evaluation
- Institutional Pricing Benchmark
- Benchmark for All Policies

The purpose of this graph is to show how different policy charges could effect policy value and death benefit. This graph is hypothetical and may not be used to predict or project actual policy performance or tax treatment.

Policy/Benchmark	Est Yr 1 Cash Value / Premium Ratio	Surrender Charge	Yrs Applied	Average Decrease %/Yr	Death Benefit @ Endowment/Maturity	Gross % Return	Net % Return	Net Net % Return
Policy Under Evaluation	0.00%	100.00%	9	11.11%	\$1,000,880	8.87	8.00	7.95
Benchmark for Institutionally-Priced Policies	80.00%	0.00%	N/A	N/A	\$1,000,880	8.86	8.00	7.45
Benchmark for All Policies	0.00%	88.00%	11	8.00%	Lapse @ Y33	8.86	8.00	7.40

Cost of Insurance (COI) Charges (cont'd)

Cost of Insurance charges (COIs) are deductions for the payment of claims and are typically the largest single cost factor, accounting for 75% or more of the total premium. However, because COIs vary with age of the insured, policy age, premiums, earnings, and deductions for other policy expenses, they can also be the most difficult to compare. For this reason, a weighted-average annual COI is calculated by averaging the present value of each COI charge using the Net Net Rate of Return (i.e. the rate at which cash values would otherwise have grown but for the deduction of COIs) shown above.

This weighted-average annual COI is then compared to standard industry mortality tables (75-80 S&U Male Age Nearest for current non-guaranteed COIs and 1980 CSO Male Age Nearest for guaranteed maximum COIs) to create a standardized, uniform method of comparison.

Policy Expenses (Cont'd)

Policy Account Value Charges include Mortality & Expense Risk (M&E) Charges and other account-value-based charges that are independent from the individual separate account funds and are, therefore, deducted from cash values at the policy level. These charges do not include Investment Advisory Fees, Fund Management Fees, nor Fund Operating Expenses that are specific to each particular separate account fund within the policy and are, therefore, deducted at the respective fund level.

Premium Loads (Cont'd)

All policies include deductions for State Premium Taxes, Federal DAC Taxes and charges for policy issue, administration, distribution and general operating expenses of the insurance carrier and/or the sales and servicing organization. While most policies assess charges for these expenses, either in the form of a premium load or as a flat-dollar policy expense, these expenses may be included with other policy charges and, therefore, may not be disclosed separately (shown as "N/A" when undisclosed).

The Pricing Advisor

Despite a confusing variety of products and terminology, insurance pricing is simple when reduced to its fundamental components. For instance, all premiums are based on three components:

- 1) death benefits claims paid, or Cost of Insurance charges (COI);
- 2) carrier and servicing organization expenses associated with policy design and administration (E); and
- 3) investment earnings (i%).

In other words, premiums will always be based on the following simple formula: $\text{Premiums} = \text{COI} + E - i\%$. However, different products place different emphasis on each of these pricing components. This results in products that perform differently under different funding scenarios (e.g. products with low COIs perform best in minimum-funded, defined-death-benefit applications while products with low M&E/cash-value-based expenses perform best in maximum-funded, defined-contribution-type applications).

In addition, because different groups of policyholders have different claims experience and expenses, premiums will also vary depending on the claims experience and expenses for the group being insured. The Pricing Advisor uses this simple formula to help you evaluate your client's new proposals and existing portfolios.

Retail Pricing

Insurance carriers pool policies to make risks more predictable. (See Law of Large Numbers at www.TheInsuranceAdvisor.com). In fact, the larger the pool, the more predictable the risk. Pooling, which combines large and small policies and low and high risk segments of the pool, averages the variables that contribute to premium prices. In effect, this averaging cross-subsidizes smaller transactions and higher-risk segments with excess "profits" from the larger transactions and lower-risk segments in the pool. (See Problems with Pooled Products at www.TheInsuranceAdvisor.com). Consequently, for larger transactions and lower-risk buyers, Retail Pricing may not represent the best value. However, most insurance buyers have access only to Retail Pricing. While most products will continue to be priced to serve this largest segment of the market, a growing number of select buyers are gaining access to Institutional and Experience-Rated Pricing.

Institutional Pricing

Large corporations and public companies purchase insurance differently than the average "retail" buyer. Because these large transactions and large groups of policies cost less to sell and administer, carriers typically reduce institutional cost factors to reflect volume discounts and economies of scale. While institutional products are becoming more widely available, threshold financial requirements still limit access to Institutional Pricing that offers lower premiums to only a small percent of insurance buyers. However, access to institutional pricing is becoming more widely available through purchasing groups and/or institutional risk pools.

Experience-Rated Pricing

In addition to the same advantage of lower expenses offered by Institutional Pricing, Experience-Rated Pricing also offers the benefit of lower COI charges. Experience-Rated products are available to only a selective pool of qualified companies and qualified individuals. Experience-Rated products are priced for the superior claims experience of professionals, business executives and owners, and high net worth individuals. Because this group enjoys healthier lifestyles and better health care, they live longer. As a result, this group experiences lower mortality rates, and products priced for this market generally have lower COI charges than products sold to retail and institutional markets.

Carrier Due Care²

Financial Strength & Claims-Paying Ability Ratings (alpha order)	Watch List		
AM Best	A++	(1 of 15)	n/a
Fitch	AA	(3 of 24)	n/a
Moody's	Aa3	(4 of 21)	n/a
Standard & Poor's	AA	(3 of 20)	n/a
Percentile Ranking		94%	

Retention Limit:

Single Life: \$10,000,000

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