



National Life
Group®

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NL ValuGuard

SURVIVORSHIP WHOLE LIFE INSURANCE

Product Guide

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Quick Reference Guide

Combining the need for guaranteed death benefit protection with high cash values, and competitive premiums.

NL ValuGuard is a second-to-die whole life policy designed to provide guarantees. Guaranteed death benefit protection and guaranteed level premium for two insured's entire lifetimes. NL ValuGuard also offers guaranteed cash value accumulation that grows tax deferred within the policy and is available to access using policy loans during the insured's lifetime after the first policy year. NL ValuGuard is suitable for business owners, families, and estate planning situations.

Product Focus

- NL ValuGuard is designed to provide clients peace of mind through the knowledge that their family or business will be provided for.
- Cash value accumulation is guaranteed, and accumulates on a tax-deferred basis.
- Competitive premiums, and second-to-die structure is appropriate for estate planning situations.

Highlights

Strong Guarantees

- **Guaranteed Death Benefit** – protects both insureds for their entire lifetimes. The death benefit is provided at the second death, appropriate for estate transfer situations.
- **Guaranteed Level Premiums**—help give your clients peace of mind that the cost of insurance will remain level.
- **Guaranteed Cash Value** – cash value accumulates tax-deferred in two ways: according to a predetermined schedule of fixed rates, and by passing on earnings of the company through dividends. Dividends are not guaranteed.

Optional Riders

- **Accelerated Benefit Riders** – Provides access to the death benefit during the surviving insured's lifetime to cover expenses from an illness that is terminal, chronic or critical or a critical injury. ABR riders may be available to add to policy after the first death.
- **FlexTerm Rider** – The addition of FlexTerm can help achieve your client's objective of a death benefit at a more affordable premium, and FlexTerm rates are guaranteed for 10 years.
- **Additional Paid Up Life Insurance Rider (Adds Rider)** – our single premium and multiple premium adds riders can be used to purchase paid-up additions to increase both the death benefit and cash values of the policy.

Competitive Premiums

- **FlexTerm Rider** – helps address death benefit needs at a more affordable premium.
- **Level Premium Structure** – Guarantees level premiums to age 100.

Guarantees are dependent upon the claims-paying ability of the issuing company.

Policy loans reduce the policy's cash value and death benefit and may result in a taxable event.

Riders are optional, may be available at additional cost, and may not be available in all states or on all products.

Product Details

Issue Ages: 20-85

Minimum Policy Size: \$100,000

Maximum Policy Size: Subject to reinsurance

Premium Payments: Premiums will be level and payable to age 100

Rate Classifications: Six rate classes that vary based on your clients' combined rate classifications.

Substandard: Substandard table ratings and flat extras are available. NL ValuGuard may even be available if one of the insureds is uninsurable.

Dividend Options: Dividends may be taken in cash. Dividends may be used to increase a policy's cash value and death benefit through the purchase of Paid Up Life Insurance, called Dividend Additions. Dividends may be applied toward premiums due. Dividends may be left in the policy to accumulate cash value. Enhanced Paid-Up Option

Policy Loans: Available

1035 Exchange with Loans: Up to 50% of the gross policy value transferred from the original policy

Withdrawals: Paid-Up Additions may be surrendered at anytime for their cash surrender value.

Riders: Accelerated Benefits Riders
Annual Premium Additions Rider (APAR)
Single Premium Additions Rider (SPAR)
Business Exchange Rider
FlexTerm Riders I & II
Policy Split Options Rider

Prospect Profile

NL ValuGuard is an appropriate product for consumers who are looking for strong guarantees, permanent insurance coverage and guaranteed cash value accumulation with a need for the death benefit at the second of two deaths.

NL ValuGuard is geared towards middle and upper market families or business owners, and is specially designed for estate planning situations, or scenarios where clients want an efficient way to pass their assets onto their heirs.

Prospect Profile

Estate Planning

NL ValuGuard fits in very well with estate planning situations, where the goal is to provide for the surviving spouse or business partner, and ultimately pass on the estate.

Example: Family Estate Transfer

Consumers can help protect their family with survivorship life insurance. After the first death the estate can transfer to the surviving spouse without accumulating taxes through their unlimited marital deductions. The accumulated cash value available to the surviving spouse can be accessed through policy loans and withdrawals to help cover loss of income, funeral and other expenses. The death benefit is then provided after the second death when the estate is transferred to the children, which could help cover any taxes now applicable to help establish a smooth estate transition.

Premium Payments, Loans, Withdrawals & 1035 Exchange

Premiums

Policy premiums will be level and payable to equal equivalent age 100.

Standard Annual Premiums

- Rates per thousand will be a function of the issue ages, sexes and rate classes of the insureds.
- Annual, Semi-Annual, Quarterly, and Monthly Check-o-Matic premium modes will be available.
- A policy fee of \$75 will be added to the standard annual premium regardless of the face amount of the policy.

Substandard Annual Premiums

- Attributed to a Flat Extra Rating, applied for the number of years indicated by the underwriter, but not longer than the premium paying period of the policy.

Grace Period

- If any premium is not paid on or before its due date, the policy will enter a 61 day grace period on the premium due date.
- If the premiums are not paid before the end of the grace period, the policy value will be applied to the nonforfeiture option elected by the policyholder.
- Any premium still unpaid at the end of the grace period less any dividend applied towards the payment of this premium may be paid by a loan against the policy.

Loans

Available any time after the first policy year. Policy must be in-force, and assigned to the company. The amount available for a loan will not exceed the maximum loan value less any outstanding loans and accrued interest.

After a loan is made, interest will be due on the next and all later policy anniversaries. If interest is not paid when due, it will be added to the loan balance. Whenever the debt equals or exceeds the maximum loan value, the policy will terminate without value 31 days after we mail notice to the policyholder. We may defer any policy loan for not more than six months.

Loan Interest Rate

- Policy uses a variable loan interest rate based on the Moody's Corporate Bond Yield Average subject to a minimum rate of 5%.
- Generally, the loan rate will be reset each policy anniversary based on the published monthly average for the calendar month ending two months before the calendar month in which the policy anniversary occurs.

Maximum Loan Value

- Maximum loan value on any given date is equal to the cash value of the policy plus the value of any dividend additions on the date to which premiums are paid (or the next policy anniversary in the case of policies in force as paid-up insurance) discounted with interest at the loan interest rate to the valuation date.

Dividend Adjustment

- The annual dividend for a policy with an outstanding loan will be adjusted based on the difference between the interest return realized on the loan and the interest return realized on other assets.

Automatic Premium Loan

- Any premium still unpaid at the end of the grace period less any dividend applied towards the payment of this premium may be paid by a loan against the policy.

Withdrawals

Any paid-up additions, or dividend additions may be surrendered at any time for their cash surrender value. Once the minimum has been reached, if the policy holder would like to access their cash value they must surrender the entire policy. Payments will be in the form of:

1035 Exchanges with Loans

NL ValuGuard accepts the transfer of an existing policy loan as part of a 1035 exchange. The loan value transferred cannot exceed 50% of the gross policy value transferred from the original policy.

Accelerated Benefits Rider (ABR) for Terminal Illness

Accelerates death benefit during lifetime for terminal illness.

Overview

Riders are supplemental benefits that can be added to a life insurance policy and are not suitable unless the client has a need for life insurance. ABR is a no-additional premium rider that allows for the death benefit, on a discounted basis, to be accelerated during lifetime, for terminal illness. A unique feature about ABR is that benefits do not have to be used to defray actual expenses associated with the terminal illness. They could be used for such things as making structural changes to a home to accommodate the illness, compensating a non-licensed care provider, etc. This rider can be added after the first death and is subject to underwriting and may be subject to exclusions and/or limitations.

ABR Terminal Benefit:

The amount of death benefit available for ABR payout is based on a discount factor of the death benefit amount. The amount accelerated will reduce the death benefit, the cash value and the loan value. A summary of the projected discounted death benefit amount can be illustrated through the NLGroup Illustration system.

For Terminal Illness, National Life will accelerate, income-tax free, the discounted death benefit, not to exceed a lifetime maximum. There is no annual limit and the benefit can be received as a lump sum if desired. ABR Terminal does not have a waiting period.

Terminal Illness Definition:

Terminal Illness advances payment, under certain circumstances and on a discounted basis, payment of all or part of the policy's death benefit prior to the death of the insured. The accelerated payment can be made if the Insured is suffering from a terminal illness that will result in death within 24 months (12 months in CT, NY, and PA).

Limits may vary by state, please refer to your policy form for details and limitations that may apply in your state.

Receipt of accelerated benefits will reduce the cash value and death benefit, may be a taxable event and may affect a family's eligibility for public assistance programs. Policyholders should consult their personal tax advisor to determine the tax status of any benefits paid under this rider and with social service agencies concerning how receipt of such a payment will affect eligibility for public assistance.

Accelerated Benefits Rider (ABR) for Chronic Illness

Accelerates death benefit during lifetime for chronic illness.

Overview

Riders are supplemental benefits that can be added to a life insurance policy and are not suitable unless the client has a need for life insurance. ABR is a *no-additional premium* rider that allows for the death benefit, on a discounted basis, to be accelerated during lifetime, for chronic illness. A unique feature about ABR is that benefits do not have to be used to defray actual expenses associated with the chronic illness. They could be used for such things as making structural changes to a home to accommodate the illness, compensating a non-licensed care provider, etc. ABR proceeds in the state of MA can only be used to pay for expenses incurred for Qualified Long-Term Care Services, defined as the necessary diagnostic, preventative, therapeutic, curing, treating, mitigating and rehabilitative services, and maintenance or personal care services that are required by a chronically ill individual and are provided pursuant to a plan of care prescribed by a licensed health care practitioner.

Note: Rider availability and waiting period can vary by state, so make sure to check your policy form.

This rider can be added after the first death and is subject to underwriting and may be subject to exclusions and/or limitations.

Chronic Illness Definition:

A chronically ill individual is one who has been certified, within the past 12 months, by a licensed health care practitioner as being unable to perform, without substantial assistance, at least 2 out of 6 activities of daily living - ADLs - for a period of at least 90 days due to a loss of functional capacity. The six activities are defined as eating, toileting, transferring, bathing, dressing and continence. Cognitive impairment may also qualify.

ABR Chronic Benefit:

The amount of benefit available for ABR payout is based on a discount factor of the death benefit amount. The amount accelerated will reduce the death benefit, the cash value and the loan value. A summary of the projected discounted death benefit amount can be illustrated through the NLGroup illustration system.

Once the policy has been in force for two years, National Life will accelerate, up to an annual limit **for chronic illness**, not to exceed the total discounted death benefit or lifetime maximum of \$1,500,000.

Accelerated Benefits Rider (ABR) for Critical Illness and Critical Injury

Accelerates death benefit during lifetime for critical illness or critical injury.

Overview

Riders are supplemental benefits that can be added to a life insurance policy and are not suitable unless the client has a need for life insurance. ABR is a no additional premium rider that allows for the death benefit, under certain circumstances and on a discounted basis, to be accelerated during lifetime, for critical illness or critical injury. A unique feature about ABR is that benefits do not have to be used for actual expenses associated with the triggering illness or injury. They could be used for such things as making structural changes to a home to accommodate the medical condition or illness, compensating a non-licensed care provider, etc.

The death benefit can be accelerated when an insured is diagnosed with a triggering illness. Triggering illnesses are:

- ALS (Lou Gehrig's disease)
- Aorta Graft Surgery
- Aplastic Anemia
- Blindness
- Cancer
- Cystic Fibrosis
- End Stage Renal Failure
- Heart Attack
- Heart Valve Replacement
- Major Organ Transplant
- Motor Neuron Disease
- Stroke
- Sudden Cardiac Arrest

Critical Injury Definition

The death benefit can be accelerated when an insured is diagnosed with a triggering injury. Triggering injuries are:

- Coma
- Paralysis
- Severe Burns
- Traumatic Brain Injury

ABR Critical Benefit:

The amount of benefit available for ABR payout is based on a discount factor of the death benefit amount. The amount accelerated will reduce the death benefit, the cash value and the loan value. A summary of the projected discounted death benefit amount can be illustrated through the NLGroup illustration system.

The critically ill or critically injured client can request a full acceleration or partial acceleration of the policy's death benefit in the form of a lump sum not to exceed the lifetime benefit maximum. There is no annual limit. The level of discounting applied to the death benefit varies depending on the insured's age and the severity of the critical illness or critical injury.

Note: Waiting period and Rider availability can vary by state. Make sure to check your policy form.

Covered Critical Illness in the state of Massachusetts includes: End stage renal disease; Coronary artery disease resulting in acute infarction vascular or requiring surgery; Major organ transplant; Permanent neurological deficit resulting from cerebral vascular accident; Diagnosis of an invasive malignancy characterized by the uncontrolled growth and spread of malignant cells and the invasion of tissue. Cancer does not include: Stage A Prostate Cancer; Any skin cancer except invasive malignant melanoma into the dermis or deeper; Premalignant lesions, benign tumors, or polyps; and Carcinoma in-situ.

NL Accelerated Benefits Rider (ABR) for Chronic Illness – NY State Special

Accelerates death benefit during lifetime for chronic illness.

Overview

Riders are supplemental benefits that can be added to a life insurance policy and are not suitable unless the client has a need for life insurance. ABR is a no-additional premium rider that allows for the death benefit, on a discounted basis, to be accelerated during lifetime, for chronic illness. A unique feature about ABR is that benefits do not have to be used to defray actual expenses associated with the chronic illness. They could be used for such things as making structural changes to a home to accommodate the illness, compensating a non-licensed care provider, etc.

This rider also offers a guaranteed paid-up option on any death benefit not accelerated. This rider can be added after the first death and is subject to underwriting and may be subject to exclusions and/or limitations.

Chronic Illness Definition:

A chronically ill individual is one who has been certified, within the past 12 months, by a licensed health care practitioner as being unable to perform, without substantial assistance, at least 2 out of 6 activities of daily living - ADLs - for a period of at least 90 days due to a loss of functional capacity. The six activities are defined as eating, toileting, transferring, bathing, dressing and continence. Cognitive impairment may also qualify.

In addition to meeting the ADL requirement mentioned above, a life expectancy calculation needs to be completed at the time of acceleration.

ABR Chronic Benefit:

The amount of benefit available for ABR payout is based on a discount factor of the death benefit amount. The amount accelerated will reduce the death benefit, the cash value and the loan value. A summary of the projected discounted death benefit amount can be illustrated through the NLGroup illustration system.

There is no waiting period for the NL ABR Chronic in the state of New York. Once the chronic illness definition has been met, National Life will accelerate, up to the IRS per diem limit for chronic illness, not to exceed the total discounted death benefit or a lifetime maximum.

FlexTerm I & II

The addition of a FlexTerm Rider can help achieve your client’s objective of a death benefit at a more affordable premium!

Overview

FlexTerm uses the annual dividend, generated by the base policy, plus the net rider premium, to purchase a combination of one-year term and paid-up-additions. FlexTerm can provide higher death benefits per premium dollar than any other dividend option. Once your client’s desired level of death benefit has been determined, a combination of base policy amount and FlexTerm amount can be chosen to suit your client’s insurance needs.

Minimum Face Amount: \$5,000

Maximum Face Amount: 9 times the base policy amount, or the amount supportable by the current dividend scale – whichever is less.

Minimum Age: 20

Maximum Age:

FlexTerm I 85

FlexTerm II 79

The initial FlexTerm I death benefit is guaranteed for 10 years or more!

There are two patterns of death benefit available:

FlexTerm I

Provides a level FlexTerm amount by using a decreasing term structure. In the early years the one-year term portion will be most of the FlexTerm amount, with only a small amount of paid-up additions. As the policy matures, more dividends are generated by the base policy, and more paid-up additions can be purchased to meet the FlexTerm amount. As paid-up additions build within the policy, less one-year term is purchased each year, until the whole FlexTerm portion is paid-up. With FlexTerm I, your client’s initial death benefit amount is guaranteed for ten years, regardless of changes in the dividend scale!

FlexTerm II

A level amount of one-year term is purchased each year. Dividends not needed to purchase one-year term will be used to purchase additional paid-up insurance resulting in an increasing total death benefit pattern. Over time, the term portion of FlexTerm remains level, but the cost of one-year term increases. The pattern changes to decreasing term when the insureds reach attained age 81.

Policy Split Option Rider

Option to split policy into two individual full-pay policies

Overview

This rider provides the insureds the option to split their contract into two individual full-pay policies (may be whole life, indexed universal life, variable universal life, or universal life) sold by the company at the time of the split. No evidence of insurability is required.

The conditions for the policy split are allowed without evidence within 180 days of any one of the following:

- A final decree of divorce is issued terminating the marriage.
- There is a change in the federal estate tax law which results in either:
 1. an end to the unlimited marital deduction or
 2. a reduction in federal estate tax rates so that the tax due at the second death is less than 50% of what it would have been before the change.

Availability

- Only available at issue to legally married couples.
- Maximum issue age of either insured is 80. There is no minimum age.
- Neither insured may have a rating in excess of 250% or be uninsurable. There are no restrictions on flat extra ratings.

Charges

There is no cost for the rider, but there is a \$200 administration charge at the time the rider is exercised.

Other Rider Information

NL ValuGuard offers more Rider options making the product even more appealing!

Additional Paid-Up Life Insurance Rider

The purpose of this rider is to increase the death benefit and cash value through the purchase of additional paid-up life insurance. The Rider is used to improve the “efficiency” of a product and the value can be applied toward premium payments in the future.

This rider has **Single Premium Addition, and Annual Premium Addition** options.

Rider for Exchange to New Insureds

Allows a one time exchange of an existing traditional permanent policy for a new policy on the life of two insureds, one or both may be new. The Rider itself has no additional charge but the exchange has to meet the following conditions.

- Both insureds on the original policy must be alive
- Both new insureds must be insurable.
- Both new insureds must consent to the exchange.
- The owner must have an insurable interest in the lives of both new insureds.

This provision is beneficial to the employer in case one key executive leaves the company and is replaced by another. The new executive can be substituted for the departing executive under the rider provisions.

Enhanced Paid Up Life Insurance Option

This method is used to illustrate an artificial shortening of the policy’s premium paying period. It illustrates out of pocket costs stopping in a much shorter time frame. To accomplish this, the policy’s cash value is used to purchase a paid-up policy. The death benefit of the paid-up policy will be less than the death benefit of the original policy. To make up the difference, the annual dividend is used to purchase one year term insurance and additions.