



**North American Company**  
for Life and Health Insurance  
Since 1886

## Custom Guarantee (Gen 8)

### A Universal Life Insurance Policy Proposal

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*Prepared for:*

Valued Client  
Male, Age 62 (Based on Nearest Birthday), Preferred Non-Tobacco  
Death Benefit: \$274,121 Initial DB Option: Level  
Initial Annual Premium: \$5,000.00  
1035: \$0.00 (Month 1) Non-1035: \$0.00 (Month 1)  
Riders: None  
Rating: None

*Agent:*

North American Company  
North American Company  
525 W. Van Buren  
Chicago, IL 60607  
312-648-7600

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#### EXPLANATION OF POLICY PROPOSAL

***Plan Description***

Custom Guarantee (Gen 8) is a universal life product, issued on form series LS170, that provides a death benefit upon the death of the insured person. This policy is guaranteed to remain in force for 5 years subject to the payment of a minimum premium as shown in the Minimum Premium section of this proposal. In addition, the policy provides for an Extended No Lapse Guarantee which can extend the death benefit guarantee beyond the minimum 5 year guarantee.

***Important Facts About This Proposal***

This proposal shows you how your universal life insurance policy works based on the information shown in the "Prepared for:" section at the top of the page, and any loans, withdrawals and other policy changes assumed in this proposal. It is only an example. Your policy will not work exactly as it is shown in this document because the actual values in your policy will vary based on:

- the amount of the premium payments you make;
- when you make the premium payments;
- the actual cost of insurance;
- actual policy expenses;
- loans, withdrawals and other policy changes not shown in this proposal;
- the actual rate at which interest is credited to your policy.

If this proposal assumes that a policy loan is made, then the rates at which interest will be credited on loaned amounts are set forth under the caption "Loans".

In this proposal we show you how your policy would work if we charged you the maximum amount for your cost of insurance and policy expenses (such as administrative expenses), and paid you the minimum rate of interest on your policy value. We guarantee these values, and they are shown in the "Guaranteed" columns of the Tabular Detail pages.

Please be aware that any changes to your Policy, including but not limited to planned premium amount, premium mode, premium duration or death benefit amount, do not happen automatically and must be requested by the Owner (regardless of whether those changes are reflected in this proposal). Please contact your agent or North American Company for information regarding changes to your policy.

This proposal is not a contract. If there are any differences between this document and your insurance policy, your policy will take precedence.

This proposal is based on a reasonable interpretation of current income tax laws, and we do not guarantee the tax treatment of any policy. We recommend that you consult a tax advisor about your personal circumstances.



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### EXPLANATION OF POLICY PROPOSAL (CONT.)

#### **Minimum Premium**

The minimum premium payment that will guarantee that this policy will stay in force for 5 years is \$3,632.88 annually. This premium assumes that there are no policy changes during the guarantee period. Policy changes such as increasing or decreasing the death benefit, changing the death benefit option or adding or removing a rider will change the minimum premium that is required to maintain this guarantee. Payment of the minimum premium may not provide coverage beyond the first 5 years and may result in a negative or zero account value. If that happens, significantly higher premiums may be necessary to keep the policy in force. By paying only the minimum premium, you may be forgoing the advantage of building more significant cash values in subsequent years.

The normal maturity date for your policy is the policy anniversary nearest your age 120. For this proposal, the minimum Annual premium that must be paid to guarantee coverage to maturity is \$5,000.00. It is important to note that the calculation of this premium is based on the following assumptions:

- guaranteed interest rate, guaranteed mortality charges and guaranteed expenses;
- premiums are paid in all years to age 100, regardless of the premium payment pattern shown in the Tabular Detail pages, to keep the policy in force to age 120;
- pour-ins and 1035 exchange amounts, if any, are not included;
- policy changes, withdrawals, and loans are not included. Any of these transactions combined with the calculated premium may cause the policy to lapse prior to age 120 on a guaranteed basis.
- riders and ratings, if applicable, are included.

#### **Extended No Lapse Guarantee**

The Extended No Lapse Guarantee provides an important no lapse protection guarantee that can ensure that your coverage will continue beyond the minimum 5-year death benefit guarantee period even if the policy's surrender value is not sufficient to cover the monthly deductions as defined in the policy. The guarantee will vary depending on the amount and timing of premium payments. By paying the premiums proposed on the Tabular Detail pages, the guaranteed death benefit coverage is extended to age 120. There are charges associated with this benefit, and they are defined in the Schedule of Policy Benefits.

The guarantee uses an alternate account value that is calculated in a similar manner as the policy account value but uses different charges and interest rates. This alternate account value is simply a reference value that is used to determine whether the guarantee is in effect. It is not used in determining the policy account value, surrender value or any other value described in the policy, and you cannot access its value for purposes of loans or withdrawals. The performance of the alternate account value fund is sensitive to the prompt payment of premiums. Payments should be made on time and in a consistent manner to protect this guarantee.



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#### EXPLANATION OF POLICY PROPOSAL (CONT.)

If the premium requirements associated with the Extended No Lapse Guarantee are not met, significantly higher premiums may be necessary to keep the policy in force. Paying only the premium to guarantee the death benefit under this provision may result in a negative or zero account value.

Note that changes in your premium payment pattern or other policy changes such as loans, withdrawals and death benefit changes may affect the length of time that this guarantee can continue your policy in force.

#### **Premium Outlay**

The premium amount that appears in any given year on the Tabular Detail pages is the sum of the payments you plan to make each year. Based on the payment frequency you selected for this proposal, the Annual premium for the first year is \$5,000.00. This proposal assumes that all scheduled premium payments are received on the first day of each payment frequency period.

#### **Maximum (Guideline) Premium**

The Internal Revenue Service has set certain limitations on the amount of premium that can be paid into a policy to qualify it as insurance. There are two classifications:

1. The maximum single premium, which is referred to as the Guideline Single Premium.
2. The maximum level annual premium paid each year, which is referred to as the Guideline Level Premium or Guideline Annual Premium.

Based on the data used for this proposal, the initial Guideline Single Premium is \$148,906.04 and the initial Guideline Annual Premium is \$14,322.56. The total of your premium payments cannot at any time exceed the greater of the Guideline Single Premium or the sum of the Guideline Annual Premiums for the same period.

The payment of the initial Guideline Single Premium in year 1 or the initial Guideline Annual Premium in all years will not, in some cases, guarantee coverage for the duration of your policy.

If you pay the premiums that are shown on the Tabular Detail pages of this proposal, then based on the guaranteed interest rate and guaranteed charges, the insurance coverage of \$274,121.00 would cease at age 120.



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#### EXPLANATION OF POLICY PROPOSAL (CONT.)

**Modified Endowment Contract**

Based on the premium payments and exchange information used in this proposal, this policy is not a Modified Endowment Contract. MEC premiums are computed according to Internal Revenue Code guidelines.

According to the Internal Revenue Code, a life insurance policy is considered a Modified Endowment Contract ("MEC"), and loses certain tax advantages, if the accumulated premiums paid at any time during the first 7 policy years exceed the sum of the MEC premium of \$22,580.25 for the same period. Also, if you are exchanging a modified endowment contract for a new life insurance policy, the new policy will automatically be a modified endowment contract regardless of the amount of premiums paid.

**Proposal Values**

Policy values and death benefits shown are end-of-year values.

**Life Insurance Benefit**

The initial death benefit is: \$274,121.

The level death benefit proposed is the amount that we will pay to the named beneficiary when the insured person dies while this policy is in force. The death benefit is the greater of the initial death benefit or the account value multiplied by the corridor percentage shown in the Schedule of Policy Benefits. The actual amount payable may be lower if you reduce your death benefit, take a policy loan or make a withdrawal. It may be higher if you increase your death benefit.

If you would like to see a proposal for a death benefit amount other than what is shown here, please discuss it with your North American representative.

**Underwriting Class**

The underwriting class used in this proposal is Preferred Non-Tobacco. Actual premiums for the proposed insurance coverage will ultimately depend on the outcome of the underwriting process and may vary from this proposal. If so, you will receive a revised proposal with your insurance contract.

**Account Value**

The account value is the amount we use to calculate the interest that we credit to your policy. Your account value is equal to:

- the total of all of the premium payments you've made;
- minus the cost of insurance charges;
- minus policy expenses;
- minus the cost of any additional insurance or benefits;
- minus any withdrawals;
- plus any interest credited.



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#### EXPLANATION OF POLICY PROPOSAL (CONT.)

Because this is a flexible premium policy, you have the option to stop or reduce premium payments for a period of time. Even if this proposal shows premium payments for just one year or several years only, North American will continue to deduct the cost of insurance and policy expenses from your policy's account value each month. Depending on actual results, you may need to continue or resume premium outlays. If at any time the account value is not sufficient to cover the monthly charges and expenses, and absent an applicable no lapse guarantee, you would have to make sufficient premium payments to cover the charges and expenses in order to continue coverage.

#### ***Surrender Value***

The surrender value is the amount you receive if you cancel your policy. Your surrender value is equal to:

- your account value;
- minus any outstanding policy loans and loan interest;
- minus surrender charges.

The surrender charge reduces to zero at the end of 20 years.

#### ***Processing Changes at Age 100***

The normal maturity date for your policy is the policy anniversary nearest your age 120. If your policy is in force at age 100, death benefit coverage will continue to age 120 unless the accrued value of any outstanding loan causes the policy to lapse prior to age 120. Certain changes will occur for the years beyond age 100:

- No mortality or expense charges will be deducted, and no further premium payments will be accepted.
- Loan repayments will be accepted, and loan interest will continue to accrue.
- Rider charges, if any, will continue to be assessed.

#### ***Accelerated Death Benefit Endorsement***

Allows for the policy owner to accelerate a portion of the policy's death benefit if the insured is diagnosed with a qualifying illness. The policy owner specifies the amount to accelerate up to the maximum allowed. There is no premium or charge for this endorsement; however, there is an administrative fee when an accelerated death benefit payment is made for either the Terminal Illness or Chronic Illness benefit. Since this benefit is paid prior to death, the benefit payment to the policy owner will be discounted from the amount accelerated. An election to accelerate benefits will reduce the remaining death benefit and account values in the policy. If the policy has a loan balance, a portion of the payment will be used to reduce the policy debt. This endorsement provides accelerated death benefits for Terminal Illness, Chronic Illness and Critical Illness; however, you can only elect to accelerate benefits under one of these conditions at any given time. The maximum death benefit we will accelerate on the policy is \$1,000,000.



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#### EXPLANATION OF POLICY PROPOSAL (CONT.)

The maximum amount available for election is dependent on the actual Death Benefit at the time of election. As shown in the Policy Illustration, the actual Death Benefit can vary based on many factors, such as interest credited and the use of guaranteed or current charges. Policy Values such as the Net Cash Surrender Value and Policy Debt can have an impact on your payment at the time of election. Any payment amounts illustrated for accelerated benefits are not guaranteed and can only be determined at the time of the actual acceleration of the Death Benefit.

**Terminal Illness:** The insured qualifies as terminally ill if a physician has certified that the insured's life expectancy is 24 months or less. The minimum Terminal Illness benefit election is 10% of the Death Benefit on the Election Date or \$100,000, if smaller. The maximum Terminal Illness benefit is 75% of the Death Benefit on the Election Date or \$750,000, if smaller.

The **accelerated death benefit** payment amount that is received from the Terminal Illness benefit is based on the following factors.

1. The benefit discount rate that the Company is required to use at the time of election. A higher discount rate results in a lower payment.
2. The insured's life expectancy used by the Company. The longer the Company assumes the insured lives with a Terminal Illness, the lower the payment.

**Chronic Illness:** The insured qualifies as chronically ill if a physician has certified that the insured is permanently unable to perform, for at least 90 consecutive days, without substantial assistance from another person, at least two Activities of Daily Living or suffers from severe cognitive impairment. (Activities of Daily Living include bathing, continence, dressing, eating, toileting, and transferring). The minimum Chronic Illness benefit per year is 5% of the Death Benefit on the initial Election Date or \$50,000 if smaller. The maximum Chronic Illness benefit per year is 24% of the Death Benefit on the initial Election Date or \$240,000, if smaller.

The **accelerated death benefit** payment amount that is received from the Chronic Illness benefit is based on the following factors.

1. The insured's age at election. In general, the younger the insured's age at the time of election, the lower the payment.
2. The benefit discount rate that the Company is required to use at the time of election. A higher discount rate results in a lower payment.
3. The insured's life expectancy used by the Company. The longer the Company assumes the insured lives with a Chronic Illness, the lower the payment.



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#### EXPLANATION OF POLICY PROPOSAL (CONT.)

**Critical Illness:** The insured qualifies as critically ill if a physician has certified that the insured has had one of the following specified medical conditions within the last 12 months: cancer, heart attack, kidney failure, major organ transplant, or stroke. The minimum Critical Illness benefit election is \$2,500 at the time of election. The maximum Critical Illness benefit at the time of election is the smaller of 25% of the policy's death benefit at the time of election or \$50,000.

The **accelerated death benefit** payment amount for the Critical Illness benefit is determined by using 40% of the Accelerated Death Benefit at the time of election - regardless of age, gender, underwriting class, or severity of the illness. This percentage will not change for the life of the policy.



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**TABULAR DETAIL**

*Guaranteed  
3.00% / 2.50% Interest Rate*

<u>End of Year</u>	<u>End of Yr Age</u>	<u>Premium Outlay</u>	<u>Account Value</u>	<u>Surrender Value</u>	<u>Death Benefit</u>
1	63	5000.00	0	0	274121
2	64	5000.00	0	0	274121
3	65	5000.00	0	0	274121
4	66	5000.00	0	0	274121
5	67	5000.00	0	0	274121
		<u>25,000.00</u>			
6	68	5000.00	0	0	274121
7	69	5000.00	0	0	274121
8	70	5000.00	0	0	274121
9	71	5000.00	0	0	274121
10	72	5000.00	0	0	274121
		<u>50,000.00</u>			
11	73	5000.00	0	0	274121
12	74	5000.00	0	0	274121
13	75	5000.00	0	0	274121
14	76	5000.00	0	0	274121
15	77	5000.00	0	0	274121
		<u>75,000.00</u>			
16	78	5000.00	0	0	274121
17	79	5000.00	0	0	274121
18	80	5000.00	0	0	274121
19	81	5000.00	0	0	274121
20	82	5000.00	0	0	274121
		<u>100,000.00</u>			
21	83	5000.00	0	0	274121
22	84	5000.00	0	0	274121
23	85	5000.00	0	0	274121
24	86	5000.00	0	0	274121
25	87	5000.00	0	0	274121
		<u>125,000.00</u>			





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**TABULAR DETAIL (CONT.)**

*Guaranteed  
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<u>End of Year</u>	<u>End of Yr Age</u>	<u>Premium Outlay</u>	<u>Account Value</u>	<u>Surrender Value</u>	<u>Death Benefit</u>
26	88	5000.00	0	0	274121
27	89	5000.00	0	0	274121
28	90	5000.00	0	0	274121
29	91	5000.00	0	0	274121
30	92	5000.00	0	0	274121
		<u>150,000.00</u>			
31	93	5000.00	0	0	274121
32	94	5000.00	0	0	274121
33	95	5000.00	0	0	274121
34	96	5000.00	0	0	274121
35	97	5000.00	0	0	274121
		<u>175,000.00</u>			
36	98	5000.00	0	0	274121
37	99	5000.00	0	0	274121
38	100	5000.00	0	0	274121
39	101	0.00	0	0	274121
40	102	0.00	0	0	274121
		<u>190,000.00</u>			
41	103	0.00	0	0	274121
42	104	0.00	0	0	274121
43	105	0.00	0	0	274121
44	106	0.00	0	0	274121
45	107	0.00	0	0	274121
		<u>190,000.00</u>			
46	108	0.00	0	0	274121
47	109	0.00	0	0	274121
48	110	0.00	0	0	274121
49	111	0.00	0	0	274121
50	112	0.00	0	0	274121
		<u>190,000.00</u>			



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<u>End of Year</u>	<u>End of Yr Age</u>	<u>Premium Outlay</u>	<u>Account Value</u>	<u>Surrender Value</u>	<u>Death Benefit</u>
51	113	0.00	0	0	274121
52	114	0.00	0	0	274121
53	115	0.00	0	0	274121
54	116	0.00	0	0	274121
55	117	0.00	0	0	274121
		<u>190,000.00</u>			
56	118	0.00	0	0	274121
57	119	0.00	0	0	274121
58	120	0.00	0	0	274121
		<u>190,000.00</u>			

<sup>1</sup>3.00% year 1, 2.50% thereafter



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**TRADITIONAL UNDERWRITING REQUIREMENTS**

***Requirements***

The underwriting requirements based on this proposal are:

NOTE: In addition to the requirements below, please complete Part A of the application and Part B.

Paramed  
Blood/HOS  
EKG

APS if M.D. consulted in past yr.

Motor Vehicle Reports will be ordered for all applicants that are of driving age and have a valid driver's license.

The Home Office reserves the right to order additional requirements deemed necessary.