

GUL policies are highly complex products that provide a guaranteed death benefit as long as the requirements of the death benefit guarantee calculations are satisfied. Policy cash values are usually insufficient to maintain the policy. As such the guarantee provisions are critical to the policy remaining in effect and to the ultimate cost of the policy.

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**Certainty** When sufficient premiums are paid to maintain the death benefit guarantee, the owner will have high certainty over policy performance expectations. Left unattended, it is likely the guarantee provision may become compromised which can terminate the policy immediately or in the future. The carrier may alter the policy charges in extreme circumstances subject to maximum levels stated in the policy, but the carrier can't alter provisions of the secondary death benefit guarantee.

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**Flexibility** GUL policies have limited flexibility due to the sensitivity and complexity of the death benefit guarantee calculations. The owner may technically pay any premium amount including zero if needed. However, failure to monitor the impact of taking such actions can lead to immediate policy termination or loss of the death benefit guarantee down the road. Policy coverage may also be reduced in the future if desired by the owner.

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**Equity** Premiums net of premium loads increase policy cash value and are credited with a guaranteed minimum amount of interest. However, GUL policies usually do not have material, if any, cash value. Earnings are generally determined by a carrier portfolio of high quality fixed income investments.

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**Premium** Premiums are calculated to have the death benefit guarantee in effect for a specified time period. Payment of this premium exactly as planned guarantees the death benefit. Deviations will require recalculation of the necessary premium often at a much higher amount (depending upon the degree of deviation and specific product provisions). Deviation may also result in immediate policy termination in some products while reducing the coverage period in other products.

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**Safety** All guarantees are backed by carrier financial strength which will change over time. Policy cash values, if any, are part of the carrier's General Account asset portfolio and subject to claims of carrier creditors in the unlikely event of carrier failure.

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### Design and Maintenance Suggestions

1. Strictly adhere to the exact plan for premium amounts and timing as paying early, late, or in a different amount may dramatically impact the guarantee duration.
2. Ensure you are comfortable with the rigid premium requirements of the contract over a policy holding period expected to span multiple decades.
3. Periodically request revised policy illustrations from the carrier to monitor the death benefit guarantee health.
4. Closely monitor annual statements for changes in the expected guaranteed coverage duration or premium amount.