Indexed Universal Life Insurance ("IUL")

without secondary death benefit guarantees

VALMARK FINANCIAL GROUP®

IUL policies are highly complex products that provide a death benefit as long as policy cash value is sufficient to cover the monthly charges deducted for the coverage. Policy earnings and expenses are shown in detail in annual reporting.

Certainty	Under conservative assumptions with proper monitoring and adequate premium payments, the owner may have reasonable certainty over policy performance expectations. Left unattended or with aggressive assumptions, it is likely cash value will become insufficient to cover monthly policy charges which can terminate the policy immediately or in the future. Policy is likely to have a death benefit guarantee of a limited duration. The carrier may alter the policy charges in extreme circumstances subject to maximum levels stated in the policy.
Flexibility	IUL policies have lots of contractual flexibility. However, many products have inherent penalties for use of some of the flexible features including premium changes or accessing policy equity. The owner may pay any premium amount including zero if needed. This is a powerful feature for adapting to changing personal financial resources over time. However, failure to monitor the impact of taking such actions can lead to cash value insufficiency down the road. Policy coverage may also be reduced in the future if desired by the owner.
Equity	Premiums net of premium loads increase policy cash value and are credited with earnings based upon the change in a reference index of investments such as the S&P 500. IUL products do not actually purchase the investments. Downside protection is provided via minimum floor on earnings. Positive earnings are limited by carrier discretion over various elements including caps on upside. Policy cash values may be accessed by the owner via withdrawals or via a policy loan. Access provisions vary greatly and can trigger earnings forfeitures or carry significant interest rate risk. The carrier portfolio behind the product is primarily high quality fixed income investments.
Premium	Premiums are usually determined using a product illustration. This provides an estimated premium based upon a set of specific assumptions which are unlikely to occur exactly as planned over time. As a result, policy premiums are likely to vary over time due to policy owner actions, volatility in earnings credited to the policy cash value, and other factors.
Safety	All guarantees are backed by carrier financial strength which will change over time. Policy cash values are part of the carrier's General Account asset portfolio and subject to claims of carrier creditors in the unlikely event of carrier failure.

Design and Maintenance Suggestions

1. Use a conservative earnings assumption to build in a cushion for inevitable earnings volatility.
2. Use the premium flexibility sparingly and always expect to increase future premiums any time you choose to pay no or a lower premium than planned.
3. Review contract language for harmful provisions prior to executing any changes.
4. Periodically request revised policy illustrations from the carrier to monitor for cash value and premium adequacy.
5. Avoid use of risky participating loan provisions.