

Life

Executive AdvantageSM

Loan Regime Split Dollar

Offer an incentive to help recruit, retain and reward select employees.

Issued by North American Company for Life and Health Insurance



Nothing contained in this brochure should be construed as tax or legal advice. North American and its agents do not provide any tax or legal advice. Please consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to any of the arrangements described.



For the life of your business

Executive Advantage

Executive Advantage is a loan regime split dollar arrangement through North American in which life insurance premiums, the death benefit, and cash values are split between two parties - the policyowner (usually an employee) and non-owner (usually an employer). The employer extends loans to the employee for life insurance premium payments, and the employee pays the interest on that loan to the employer each year. Upon the employee's death, resignation, or retirement, the employer receives the loaned premiums back. The loan is often paid back with values from the life insurance policy or in the event of death, the death benefit itself.

A collateral assignment on the life insurance policy is used to provide collateral on the loan. This prohibits the employee from accessing cash values and assigns death benefit up to the amount owed to the employer, with any remaining amount going to the employee's beneficiaries. Upon repayment of the outstanding loan, the collateral assignment of the policy death benefit and values are released, leaving the employee with full control over the policy death benefit and any remaining cash value.

Executive Advantage can offer a number of benefits for both the employer and the employee.

For the employer

- No discrimination tests or criteria. The employer can freely choose which key employee receives the benefit.
- No IRS pre-approval required.
- Flexible plan design and exit options.
- Alternative to offering equity in the company.
- Ability to recoup costs at retirement, termination, or death.

Potential costs to the employer may include:

- Committing dollars at a moderately low interest return.
- Legal fees to create and maintain the split dollar agreement.

For the employee

- Generally tax-free death benefit, and no tax obligation during funding or in retirement.
- Opportunity to obtain life insurance coverage for minimal out-of-pocket expense.
- Ownership of the policy and access to tax-favored supplemental income.¹
- An alternative to partial interest in the company.

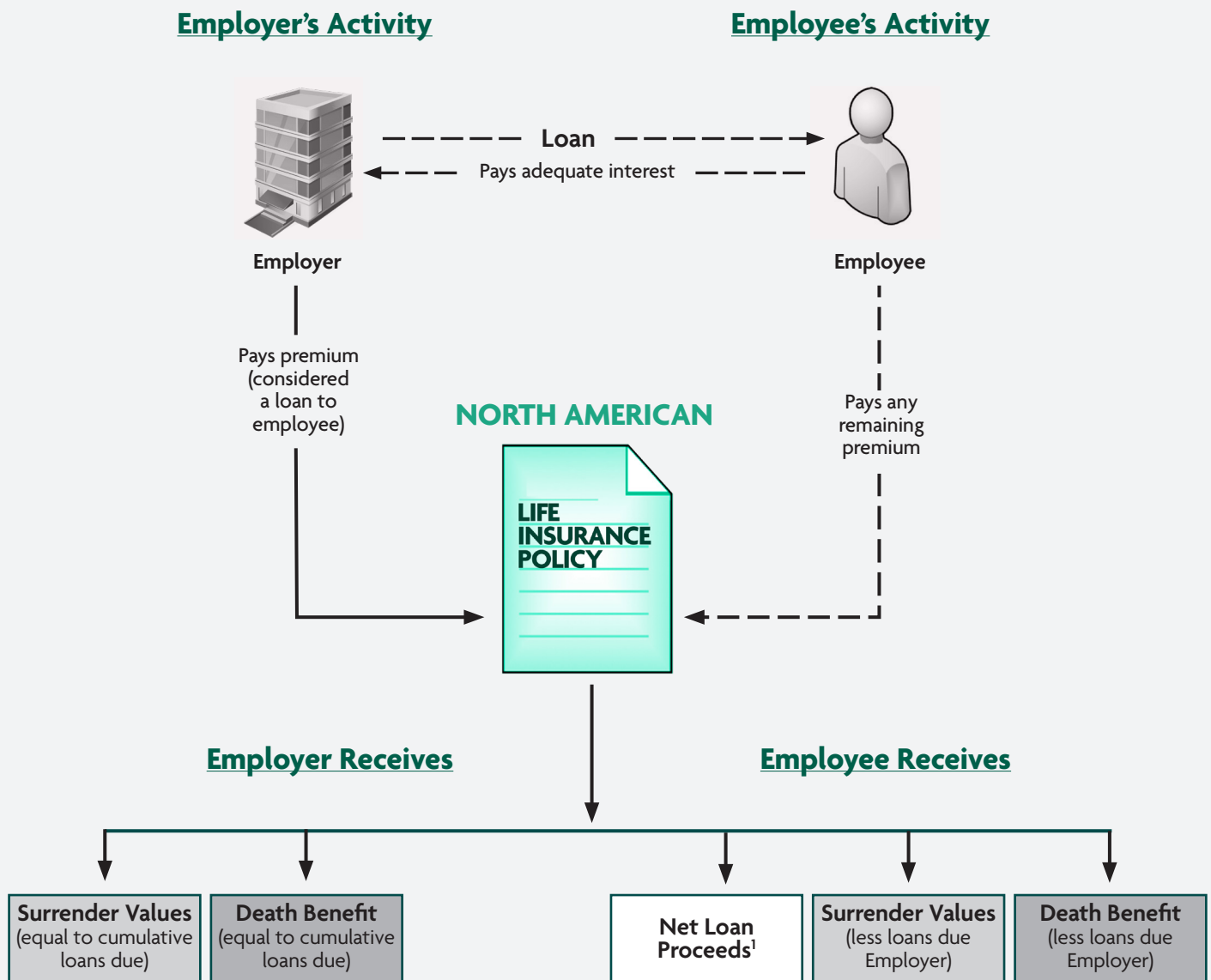
Potential costs to the employee may include:

- Outstanding loan balance needing repayment in the future.
- Repaying loan through policy values, if desired, based on policy performance.
- Payment of interest on the split dollar loan.

How it works

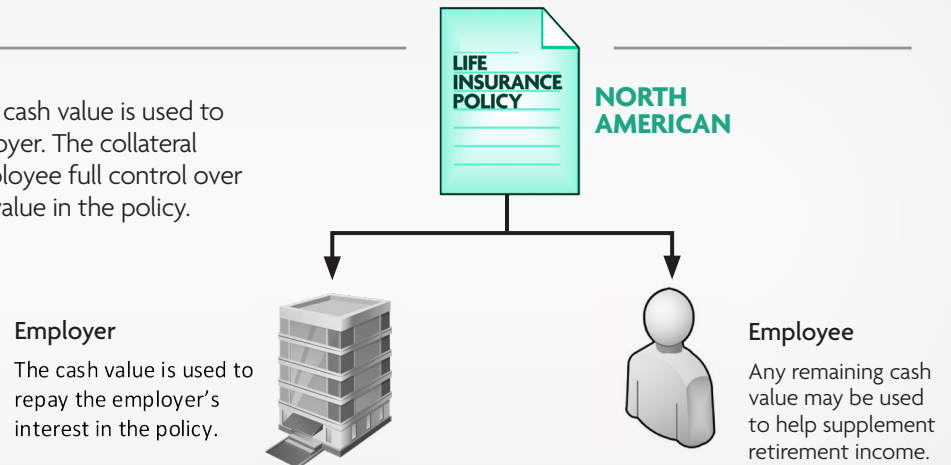
Executive Advantage split dollar agreement

1. The employer selects an employee to cover with a life insurance policy.²
2. The employer and the employee enter into an agreement about how they will share the costs and benefits of the policy.
 - The employer may make loans for the entire premium.
 - They establish a loan interest and principal payment schedule.
3. The employee pays loan interest (at the Applicable Federal Rate) on the borrowed premium dollars from the employer. A collateral assignment on the policy provides the employer control over cash value and death benefit up to the employee's owed amount while the loan is outstanding.



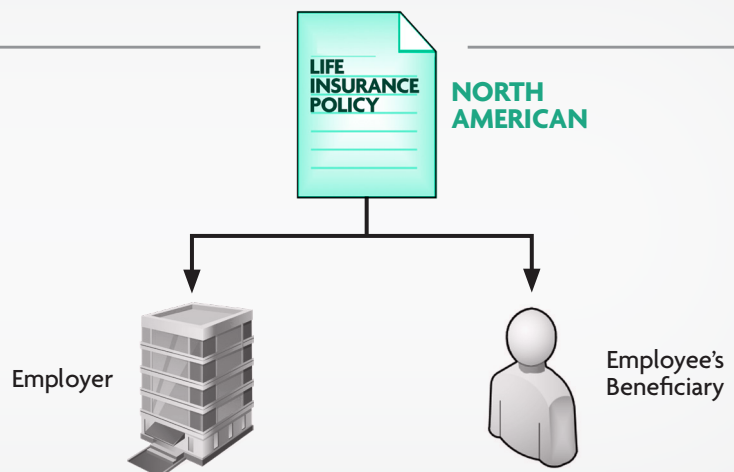
Upon retirement

4. At the employee's retirement, the policy cash value is used to pay back the premium loan from the employer. The collateral assignment is then released, giving the employee full control over the death benefit and any remaining cash value in the policy.



Upon death

5. Upon the death of the employee, a portion of the death benefit equal to the employer's interest is paid to the employer. Any remaining death benefit is paid to the employee's beneficiary. Both parties generally receive death benefit proceeds income tax free.



Talk to your financial professional today about retaining your valuable workforce!

1. Identify key employees within your company.
2. Work with a financial professional and key employees to find the right life insurance for their needs.
3. Meet with your attorney to draft a split dollar agreement.
4. Contact the North American Advanced Markets team for help with designing your case.

Definitions

Feature	Definition
Split dollar agreement	In a split dollar agreement, two or more parties agree to purchase and share the costs and benefits of a life insurance policy.
Loan regime	With this design, the employee owns the life insurance policy and the employer's payment of premium to the life insurance company is considered loans to the employee. The value of the employee's right to the death benefit is measured each calendar year. Interest on the borrowed funds are paid to the employer at the Applicable Federal Rate, which varies by loan duration. A collateral assignment against the cash value and death benefit is placed on the policy until the employer loans are repaid.
Premiums not tax deductible	Premiums paid into the policy are not tax deductible for either the employer or employee.
Taxable interest	Loan payments to the employer are taxable interest and are not deductible to the employee.
Retirement of the employee	At the employee's retirement, the policy's cash value is used to pay back the employer's interest. The employee may use any remaining cash value as a supplement to retirement income or for any other purpose.
Death of the employee	Upon the death of the employee, a portion of the death benefit equal to the employer's interest is paid to the employer. Any remaining benefit is paid to the employee's beneficiary. Both parties generally receive death benefit proceeds free from income tax.

1. Policy loans from life insurance policies generally are not subject to income tax, provided the contract is not a Modified Endowment Contract (MEC), as defined by Section 7702A of the Internal Revenue Code. A policy loan or withdrawal from a life insurance policy that is a MEC is taxable upon receipt to the extent cash value of the contract exceeds premium paid. Distributions from MECs are subject to federal income tax to the extent of the gain in the policy and taxable distributions are subject to a 10% additional tax prior to age 59½, with certain exceptions. Policy loans and withdrawals will reduce cash value and death benefit. Policy loans are subject to interest charges. You are urged to consult with an attorney or tax advisor who can provide appropriate advice that meets your particular needs and circumstances.

2. The employee must belong to a select group of management, which includes quantitative and qualitative elements. To meet the quantitative standard, plans should be limited to the top 15% of the workforce. To meet the qualitative test, a significant disparity should exist between the average compensation of the top-hat group and the average compensation of all other employees.

3. A.M. Best is a large third-party independent reporting and rating company that rates an insurance company on the basis of the company's financial strength, operating performance, and ability to meet its obligations to contract holders. A+ (Superior) is the second highest rating out of 15 categories, and was affirmed for North American Company for Life and Health Insurance as part of Sammons Financial Group on August 29, 2023. S&P Global Ratings awarded its "A+" (Strong) rating for insurer financial strength on February 26, 2009 and affirmed on May 24, 2023 to North American Company for Life and Health Insurance as part of Sammons Financial Group. The A+ (Strong) rating is the fifth highest out of 22 available ratings for North American Company for Life and Health Insurance, member of Sammons Financial Group. A+ Stable Rated by Fitch Ratings. Fitch Ratings, a global leader in financial information services and credit ratings, on December 7, 2022, assigned an Insurer Financial Strength rating of A+ Stable for North American Company. This rating is the fifth highest of 19 possible rating categories. The rating reflects the organization's strong business profile, low financial leverage, very strong statutory capitalization and strong operating profitability supported by strong investment performance. For more information, read the Fitch Ratings report at <https://www.fitchratings.com/research/insurance/fitch-affirms-sammons-financial-group-ratings-outlook-stable-07-12-2022>.

The parties to the loan split-dollar arrangement should seek their own independent legal and tax advice as to whether and how to enter into an loan split-dollar arrangement based on the employer's and employee's unique circumstances.

Under a loan split-dollar agreement, the employee enters into an agreement with the employer. North American Company for Life and Health Insurance is not a party to this agreement and North American's only obligation is to administer the policy it issues (consistent with the policy's terms and conditions).

Under a split dollar agreement classified as a welfare benefit plan, the employee must belong to a select group of management, which includes quantitative and qualitative elements. To meet the quantitative standard, plans should be limited to the top 15% of the workforce. To meet the qualitative test, a significant disparity should exist between the average compensation of the top-hat group and the average compensation of all other employees.

Neither North American Company nor its agents give legal or tax advice. Please consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements.

Life insurance products and all applicable endorsements and riders are issued by North American Company for Life and Health Insurance, West Des Moines, Iowa. Product, features, endorsements, riders, or issue ages may not be available in all jurisdictions. Limitations or restrictions may apply.

Sammons Financial® is the marketing name for Sammons® Financial Group, Inc.'s member companies, including North American Company for Life and Health Insurance®. Annuities and life insurance are issued by, and product guarantees are solely the responsibility of, North American Company for Life and Health Insurance.



North American is a Sammons Financial Group company.

We are committed to our customers, distribution partners, employees and communities – and the deeply rooted belief that we grow stronger together.

With so much change happening in the world, people are looking for companies that can stand the test of time. They need a partner that can weather life's storms. That's us. For over a century, we have been here for our customers and honoring our commitments. And because we're privately owned, we don't measure our impact by the number of years we've been in business, investor goals or size of the company. We are proud of our impact of the financial futures we help secure, and the legacies we help establish.

We believe that we aren't here to serve just today's customers, but customers for generations to come. As we look ahead to our next hundred years, that fundamental principle remains rich in its vision. No matter how much change happens in the world around us, we strive to find new ways to create value for our customers. Just like always.

North American has continued to earn high ratings, based on our financial strength, operating performance, and ability to meet obligations to our policyholders and contract holders. North American currently holds the following ratings:

“A+”

A.M. Best³ (Superior) (Second category of 15)

S&P Global Ratings³ (Strong) (Fifth category of 22)

Fitch Ratings³ (Stable) (Fifth category of 19)