

Life



North American Company for Life and Health Insurance®

# Custom Guarantee® UL

Universal life insurance with a death benefit guarantee<sup>1</sup>

*Marketing Guide*





## Marketing Custom Guarantee

Uncertainty in life is guaranteed. No one can predict what changes may occur in his or her lifetime, or when the unthinkable might happen. Fortunately, universal life insurance can help provide protection from the unpredictable—and now, with Custom Guarantee, death benefit protection can be guaranteed.<sup>1</sup>

Custom Guarantee can give your clients the life insurance they need, regardless of what happens. It delivers guarantees that are more typical of whole life insurance, but offers the performance and flexibility of universal life. Plus, with its Extended No Lapse Guarantee, your clients can select the duration of the guarantee period that meets their specific needs.<sup>2</sup>

Guarantees include:

- Guaranteed death benefit for the duration the client chooses<sup>1</sup>
- Guaranteed exchange privilege
- Guaranteed policy expenses — no hidden fees

With these guarantees, Custom Guarantee can meet the needs of your clients looking for:

- Guaranteed death benefit protection
- An alternative to whole life
- A traditional universal life policy with solid guarantees
- A tool for estate planning
- A vehicle for legacy building

## Extended No Lapse Guarantee

The Extended No Lapse Guarantee is automatically included on every policy and extends the guarantee period to any age up to age 120 (subject to premium payment requirements). It guarantees that the policy will not enter the grace period when certain conditions are met.

**How the Extended No Lapse Guarantee works:** If on any monthly anniversary, the total of all premium guarantee accounts (explained below) is greater than or equal to the policy debt, then the policy will not enter the grace period or lapse due to its net cash surrender value, even if the net cash surrender value is insufficient to pay the monthly deductions.

The premium guarantee accounts are reference values used to determine whether the Extended No Lapse Guarantee is in effect. They do not represent an independent dollar value that can be accessed. They also do not affect the calculation of the actual account value, net cash surrender value, or any other value described in the policy.

For purposes of the Extended No Lapse Guarantee, premiums are applied at the beginning of the policy month in which they are received and special treatment is given to 1035 exchanges in order to provide extra protection for the performance of the Extended No Lapse Guarantee. After the no lapse guarantee period, coverage can be guaranteed to any age up to age 120 through the Extended No Lapse Guarantee. Restrictions may apply.

## Guaranteed Exchange Privilege

With the guaranteed exchange privilege, your client can exchange a policy (up to the specified amount) without evidence of insurability and surrender charges, to one of North American's indexed universal life insurance products available at the time of exchange.

- The guaranteed exchange privilege is available to policy age 75, and it is not available to policy ages 76 and above. It is not available if there is an outstanding policy loan.
- Any supplementary benefit, rider, or new feature may be included on the new policy subject to North American's approval and to the terms and conditions of each rider or endorsement.

The Cash Surrender Value on the new policy may not be greater than the Cash Surrender Value on the policy being exchanged.

## Custom Guarantee Product Specifications

The following product details are highlights of Custom Guarantee. You may also visit our website at [NorthAmericanCompany.com](http://NorthAmericanCompany.com) for more information.

### Minimum Face Amount

- \$50,000 for issue ages 15 days to 70 years
- \$100,000 for issue ages 71 to 79 years

### Issue Ages

Underwriting Class	Issue Ages	
Super Preferred Non-Tobacco	18 years	79
Preferred Non-Tobacco	18 years	79
Standard Non-Tobacco	0 (15 days)	79
Preferred Tobacco	18 years	79
Standard Tobacco	15 years	79

*Please consult our web-based illustration software for premium rates.*



## Target Premium

Custom Guarantee features a two-year rolling target:

- Generally, the premium required to provide guaranteed coverage to age 120 is fully commissionable for issue ages up to 75 (on non-rated cases) on a level-pay basis. Beyond issue age 75, cases with small face amounts, and on rated cases, that premium may not be fully commissionable.
- We will pay the full first year commission on premium paid during the first 24 policy months up to the target premium established at the time of issue.
- We will not apply a rolling target to commissions paid for face increases.

## Maximum Premium Limit<sup>3</sup>

- \$500,000 maximum premium limit in all years.
- Limit applies to lump sums, 1035 exchanges, and ongoing premiums.

## Interest Rate

- 2.5% guaranteed in all years.
- Contact the Administrative Office for current interest rates.

## Policy Loans<sup>4</sup>

Standard Policy Loans at a guaranteed rate of 6.0% are available beginning in policy year one. After 20 policy years, guaranteed Net Zero-Cost Loans (loans charged and credited at 2.5% for a net zero cost) are available on the full loan value (the policy's net cash surrender value less loan interest to the next policy anniversary). No fixed account interest bonus is credited on values backing standard or net zero cost loans.

## Withdrawals<sup>4</sup>

- Partial withdrawals are available starting in the first policy year.
- Only one withdrawal may be made in the first policy year.
- The maximum withdrawal in policy year one is equal to 50% of the net cash surrender value. The net cash surrender value is equal to the account value less applicable surrender charges and policy debt, if any. In policy year two and beyond, the maximum cumulative withdrawal in each policy year is equal to 90% of the net cash surrender value.
- The minimum withdrawal is \$500.
- There is no withdrawal processing fee for the first withdrawal made in a policy year. A \$25 fee applies for each subsequent withdrawal made in the same policy year.

## Surrender Charges

- Surrender charges decrease on an annual basis for policy years 1 through 20, but are not applied after attained age 95.
- Surrender charges vary by issue age, sex, premium class, policy year, and amount of coverage.

## Automatic Distribution Option

The policyowner can request monthly, quarterly, semi-annual, or annual distributions of the net cash surrender value. The policyowner needs to complete the Automatic Distribution Option form to begin receiving the distribution. There is no withdrawal processing fee if this option is used.

## Death Benefit Options

There are two death benefit options available on Custom Guarantee.

- Level Death Benefit, where the death benefit is at least the specified amount.
- Increasing Death Benefit, where the death benefit is at least the specified amount plus the account value in the policy.

## Maturity Date

- To age 120, age nearest.
- Extended maturity: If the contract is still in effect at age 120 and if the IRS will still treat the policy as life insurance past age 120, then the owner may elect to extend the maturity date. (The Death Benefit Option must be the Level Death Benefit Option.)

## Specified Amount Changes

### Increases

- Available in the first policy year with satisfactory evidence of insurability
- Minimum increase amount is \$25,000
- We reserve the right to limit elected increases after 15 policy years

## Decreases

- Available after the second policy year
- Specified amount may not be decreased below \$25,000
- Subject to surrender charges

## Riders and Endorsements

### Accelerated Death Benefit Endorsement for Critical, Chronic, and Terminal Illness<sup>5</sup>

Accelerated Death Benefits allow the policyowner to access a portion of the death benefit if the insured is diagnosed with a qualifying illness. There's no additional premium required; however there is an administrative fee at the time the accelerated benefit is elected for the chronic or terminal illness benefit. The death benefit will be reduced by the amount the policyowner chooses to accelerate. However, the actual amount paid will be less than the amount of death benefit accelerated. This is because a discount is applied to accelerated death benefits. For chronic and terminal illness, the discount depends on the specifics of the policy (including the insured's age and premium class, among other factors), as well as interest rates at the time the acceleration is requested. For critical illness, all approved claims will receive a payment guaranteed to be 40% of the death benefit amount accelerated, less any amounts needed for debt repayments (for example, 40% of \$50,000 = \$20,000) – regardless of the type of critical illness event as defined in the endorsement form, policy age, gender, or underwriting class. Up to a total of \$2,000,000 may be accelerated, including the combined total acceleration of death benefits from multiple claims. Payment of accelerated death benefit payments may impact policy provisions and other riders or endorsements. Refer to the Accelerated Death Benefit marketing guide for complete details.

### Critical Illness<sup>6</sup>

- Specific medical conditions that may qualify for the critical illness benefit include heart attack, cancer, stroke, major organ transplant, and kidney failure. For complete definitions, please refer to the Accelerated Death Benefit Endorsement marketing guide at [NorthAmericanCompany.com](http://NorthAmericanCompany.com). Please keep in mind that the policyowner must file the claim within 12 months of a qualifying event. The maximum amount of the death benefit that may be accelerated is the lesser of 25% of the death benefit at the time of each election, or \$50,000. The minimum amount that may be accelerated is \$2500 (which would result in a payment of \$1000 after the discount is applied). The maximum issue age is 75, and the insured must be rated at a Table 2 or better and not have a medical flat extra.

#### For California applicants:

- A licensed health care practitioner must provide written certification that the insured has incurred a specific medical condition within the past 12 months that may include heart attack, cancer, stroke, major organ transplant, and kidney failure.
- The insured must be covered under an individual group health insurance policy or an HMO or employer plan providing essential benefits.

### Chronic Illness

- This benefit allows the policyowner to accelerate a portion of the death benefit amount after the insured is diagnosed as chronically ill. To qualify for the Accelerated Death Benefit Endorsement that includes chronic illness, the following criteria must be met: 1) Maximum issue age is 80 or less, 2) Insured is rated at Table 4 or less, 3) Does not have a medical flat extra.

The insured is considered chronically ill if a physician has certified that within the past 12 months the insured:

1. Is unable to perform, for at least 90 days, without substantial assistance from another person, at least two Activities of Daily Living (bathing, continence, dressing, eating, toileting and transferring).

Or

2. Requires substantial supervision by another person to protect oneself from threats to health and safety due to severe cognitive impairment. Severe cognitive impairment means deterioration or loss of intellectual capacity that is measured by clinical evidence and standardized tests, which reliably measure impairment in: short-term or long-term memory; or orientation to person, place or time; or deductive or abstract reasoning; or judgment as it relates to safety awareness.

## For California Applicants

**Chronic illness or chronically ill** means the Insured has been certified through a written certification by a Licensed Health Care Practitioner within the last 12 months as: Being expected to be unable to perform, for at least 90 days without Substantial Assistance from another person, at least two Activities of Daily Living; or Requiring Substantial Supervision by another person, to protect oneself from threats to health and safety due to Severe Cognitive Impairment. Severe cognitive impairment means deterioration or loss of intellectual capacity that is comparable to (and includes) Alzheimer's disease and similar forms of irreversible dementia, and measured by clinical evidence and standardized tests that reliably measure impairment in the individual's: Short-term or long-term memory; Orientation as to people, places or time; and Deductive or abstract reasoning. Applicants must complete the Chronic Illness Supplemental Application form.

## For Florida applicants

The insured is considered chronically ill if he or she is unable to perform for at least 90 days without substantial assistance from another person, at least two Activities of Daily Living due to loss of functional capacity; or requires substantial supervision for protection from threats to health and safety due to severe cognitive impairment. Severe Cognitive Impairment means a deficiency in a person's short-term or long-term memory, orientation to person, place or time, deductive or abstract reasoning, or judgment as it relates to safety awareness. Diagnosis of severe cognitive impairment must be made by a licensed medical practitioner.

One election is available every 12 months. The maximum death benefit amount that may be accelerated per election is the lesser of 24% of the death benefit or \$480,000. The minimum accelerated death benefit amount that may be accelerated is 5% of the death benefit on the initial election date or \$50,000 if smaller. Only one accelerated benefit rider or endorsement can be elected at any given time.

## Terminal Illness

- This benefit allows the policyowner to accelerate a portion of the death benefit if the insured is certified as terminally ill with a life span of 24 months or less (12 months in Florida). Only one election can be made for terminal illness. The maximum death benefit amount that may be accelerated on the benefit election date of terminal illness is the lesser of 90% of the death benefit or \$1,000,000. The minimum is the lesser of 10% of the death benefit or \$100,000.

## Premium Recovery Endorsement

The Premium Recovery Endorsement allows the owner to fully surrender the policy during the premium recovery period and recover all or a portion of the total premiums paid less any policy debt or withdrawals, including withdrawal charges and processing fees. The total premiums paid will be reduced by the same portion as the death benefit for any acceleration of the death benefit. This endorsement will remain in effect to the 25-year policy anniversary as long as the qualification test is satisfied at each policy anniversary. Generally, the qualification test is met if the gross premiums paid guarantee the policy to at least the insured's attained age of 95, assuming no policy loans are taken. In some instances, additional premium may be required based on underwriting class, table ratings, or flat extras. If the Premium Recovery Endorsement terminates, it cannot be reinstated. This benefit is available for a 60-day window following the 15, 20, and 25-year policy anniversaries. The owner may recover up to 50% of paid premiums if exercised following the 15-year anniversary, and up to 100% of paid premiums if exercised following the 20 or 25-year anniversaries. The maximum amount that can be recovered is capped at 50% of the lowest specified amount of the policy. The premium recovery value will never be less than the net cash surrender value. Please reference the policy for complete details.

## Additional Riders

Additional riders available for Custom Guarantee:

- Accidental Death Benefit Rider
- Children's Term Insurance Rider
- Guaranteed Insurability Rider
- Waiver of Monthly Deductions Rider<sup>7</sup>

North American's web-based illustration software can illustrate cases that include these riders. For more information about these riders please refer to the Riders and Options Guide.

## Policy Costs

- Policy expense charge is \$6.00 per month in all policy years until age 120. The policy expense charge is \$6 per month in all years on a current and guaranteed basis.
- Guaranteed premium load is 20% in all policy years until age 120. The premium load is only in years 1-20 on a current basis.
- Guaranteed and current cost of insurance charges until age 120.
- Guaranteed COI (cost of insurance) rate based on 2017 CSO, ANB (age nearest birthday), sex distinct, smoker distinct tables.
- Unit Expense Charge is a per \$1,000 of specified amount charge assessed for the earlier of 30 years or to age 120 on a current basis, and to age 120 on a guaranteed basis.

## Underwriting

Detailed underwriting requirements can be found in the Underwriting Guidelines brochure.

Issue Ages <i>(age nearest)</i>	Specified Amount: Minimum to Maximum*
<b>15 days - 14 years</b>	Standard NT
<b>15 years - 17 years</b>	Standard NT Standard TB**
<b>18 years - 79 years</b>	Super Preferred NT Preferred NT Standard NT Preferred TB Standard TB

\* Specified amounts for applicants under age 18 are limited by underwriting guidelines. Please contact your underwriter for details.

\*\*Even though standard tobacco is indicated as 15 years of age, blood/urine will not be taken until age 16.

## Substandard

Table ratings are available for both medical and non-medical reasons and vary by issue age. Table ratings are applied under the following guidelines:

- Table ratings are 25% per table for COI rates and minimum premiums.
- Target premiums will increase on table rated cases.
- Table ratings are only available and applied to the Standard Non-Tobacco or Standard Tobacco rates.

Flat extras may be applicable and vary by issue age. Flat extras are applied under the following guidelines.

- Non-medical flat extras are applied to Standard Non-Tobacco and Standard Tobacco rates only.
- Medical temporary flat extras may be applied to the Standard Non-Tobacco and Standard Tobacco rates.
- Temporary flat extras are non-commissionable.

**CALIFORNIA NOTE: Agents offering, marketing, or selling accelerated death benefits for chronic illness must be able to describe the differences between benefits provided under an accelerated death benefit for chronic illness and benefits provided under long-term care insurance to clients. You must provide clients with the ADBE Consumer Brochure for California that includes this comparison.**

1. Subject to premium payment requirements.
2. Subject to premium payment requirements. After the 5 year no lapse guarantee period, coverage can be guaranteed to any age up to age 120 through the Extended No Lapse Guarantee. The Extended No Lapse Guarantee ensures that coverage will continue even if the policy's net cash surrender value is insufficient to pay the monthly deductions. This guarantee is provided as long as the premium guarantee account is greater than or equal to the policy debt. The Extended No Lapse Guarantee does not guarantee coverage during the 5 year no lapse guarantee period. The performance of the Extended No Lapse Guarantee is sensitive to the timing of premium payments. Your client should make sure their premium payments are made on time and consistent with their plan in order to keep the guarantee. By paying only the premium required to satisfy the Extended No Lapse Guarantee, your client may be forgoing the opportunity to build more cash values. Restrictions may apply. In illustration software, there may be restrictions in the length of the guaranteed death benefit. See illustration software for details.
3. The maximum premium limit is not contractual. Subject to change.
4. In some situations loans and withdrawals may be subject to federal taxes. North American does not give tax or legal advice. Clients should be instructed to consult with and rely on their own tax advisor or attorney for advice on their specific situation. Income and growth on accumulated cash values is generally taxable only upon withdrawal. Adverse tax consequences may result if withdrawals exceed premiums paid into the policy. Withdrawals or surrenders made during a Surrender Charge period will be subject to surrender charges and may reduce the ultimate death benefit and cash value. Surrender charges vary by product, issue age, sex, underwriting class, and policy year.
5. Critical Illness and Chronic Illness are subject to eligibility requirements.
6. CALIFORNIA NOTE. California applicants are subject to additional underwriting requirements. Refer to endorsement form LR498 or the Consumer Brochure for complete details regarding the critical illness benefit offered in this state.
7. Not available in New Jersey.

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

Custom Guarantee UL is issued on policy form series LS185, or state variation, including all applicable endorsements and riders, by North American Company for Life and Health Insurance Life, West Des Moines, IA. Products, features, riders, endorsements, or issues ages may not be available in all jurisdictions. Limitations or restrictions may apply.

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