

Legacy Optimizer

Indexed Universal Life Insurance
Sales Process Guide



North American Company
for Life and Health Insurance
Since 1886

| *Life*

Help your clients optimize their legacy

Legacy Optimizer is designed to provide **guaranteed death benefit protection with a single premium¹**, as well as liquidity, and growth features, and living benefits.

It's plain and simple—it's life insurance anyone can understand.

- Simple application process
- Simplified underwriting
- Immediate answer

And there's no bloodwork, no doctor visits, no hassle, and no wait.²

What will your Baby Boomer clients leave behind?

You've worked hard to help your clients prepare for their future. From planning for retirement, to paying off the mortgage, their money has been put to good use. But what happens when their children have grown, the bills are paid, and your clients move from an accumulation phase of life to a legacy phase?

They may have money they intend to pass on to the next generation but want to keep access to it, just in case. That's where Legacy Optimizer comes in.

How to use this guide

This sales process guide will show you how to identify potential prospects and present Legacy Optimizer to your clients. It also contains detailed product information and answers to frequently asked questions to help you close the sale.



How **Legacy Optimizer** Can Help

Optimizes your client's legacy

The purpose of Legacy Optimizer is to help your clients optimize the legacy they leave for their loved ones. Legacy Optimizer does this in two ways:

1. It leverages the money into a larger legacy through a guaranteed death benefit.
2. The death benefit passes on to the beneficiary generally tax free.

Minimizes risk

Legacy Optimizer helps minimize risk in two ways:

1. The product guarantees the death benefit with a single premium.¹ With just one premium, your clients won't need to worry about missing a payment or a lapse in the policy.
2. The product also provides an opportunity to grow the cash value and death benefit beyond the guaranteed amount based on the movement of a stock market index with a 0% floor, while also being subject to a cap or spread. Their money is not actually invested in the market.

Provides easy access to funds, just in case

Legacy Optimizer also offers accelerated death benefit features for terminal and chronic illness. This may allow more funds than would be available through the cash value. As an acceleration of the death benefit, the funds are received generally tax free. If the funds aren't needed, the full death benefit is preserved for the client's beneficiaries.

The product also offers a combination of penalty-free withdrawals³, policy loans, and a return of premium⁴ endorsement, so your client can rest easy knowing that assets may be available for unplanned expenses.

Simple application process

The application process is simple and easy, with an answer typically given in under 30 minutes.

- Ask your client a few simple questions to determine if your client is a good fit for Legacy Optimizer.
- Submit your client's application through North American Company's SimpleSubmit® e-app.
- Complete a quick phone call to discuss medical questions, medical reports, and pharmaceutical drug check.
- Receive an immediate answer.

And best of all – there's no bloodwork, no doctor's appointments, and no hassle.²

Identifying Prospects

Many of your clients may be interested in Legacy Optimizer. Generally, Legacy Optimizer is most appealing to clients who:

- Are 50 - 80 years old
- Have sufficient retirement resources and emergency funds
- Have \$25k to \$200k in a low-interest account
- Anticipate they will not use all of their wealth during their lifetime
- Want to pass on a legacy to their beneficiaries

When you uncover the money in a low interest account, ask “when do you plan to use this money?” Here are some of the answers you’ll likely receive:

- Never.
- I don’t know.
- It’s for emergencies.
- It’s there just in case.
- I’ll give it away if I don’t need it.

Follow up with the Legacy Optimizer question.

The Legacy Optimizer Question

The Legacy Optimizer elevator pitch encapsulates how this product can optimize your client’s legacy. Ask your clients:

If there was a way to take a portion of the money that you have in low-interest accounts and...

- Immediately guarantee a larger legacy for your loved ones, and
- Pass it on potentially free from taxes and outside of probate court

But...

- Keep access to the money just in case, and
- Be able to use part of the death benefit while you’re living in case of chronic or terminal illness

Would you be interested?

Frequently Asked Questions

1. What is the target market for Legacy Optimizer?

Generally, Legacy Optimizer is most appealing to clients who are 50-80 years old and have at least \$25k in a low-interest account. These clients should have sufficient retirement resources and emergency funds, anticipate they will not use all of their wealth during their lifetime, and want to pass on a legacy to their beneficiaries.

2. What makes Legacy Optimizer different from other life insurance products? Legacy Optimizer is designed to provide guaranteed death benefit protection with a single premium¹, as well as liquidity and growth features, and living benefits. It only has two underwriting classes: tobacco, and non-tobacco. It also contains a guaranteed Return of Premium⁴ feature that begins in year five.

3. Can an annuity be exchanged for life insurance? No. While annuities can be exchanged through a 1035 exchange to other annuities, annuities cannot be exchanged for life insurance.

4. Can a 1035 exchange from another life insurance product be made into Legacy Optimizer? Yes, a 1035 exchange can be made from one life insurance policy into Legacy Optimizer. Remember to review the suitability for the exchange with your client before completing a 1035 exchange.

5. Are all Legacy Optimizer policies considered Modified Endowment Contracts (MECs)? Most Legacy Optimizer policies will be considered MECs. The only way a Legacy Optimizer policy might not qualify as a MEC is if there was a 1035 exchange completed from another non-MEC life insurance policy. Since this product is not focused on replacement sales, most Legacy Optimizer policies will be considered MECs.

6. How often do crediting rates change? Legacy Optimizer uses a New Money method for determining the interest rate on the fixed account and the interest cap and spread rates. Changes could occur ranging from monthly to quarterly for new sales as opposed to a portfolio based product. To find the current caps and spread rates for new sales, please visit NorthAmericanCompany.com/legacy-optimizer.

7. What underwriting information is reviewed? We will review the Medical Information Bureau (MIB) database, which includes medical information that is collected during other life insurance submissions. We will also review a prescription database to help determine a risk class based on prescription medication history.

8. How is the death benefit calculated? The death benefit is calculated by the premium, age of the insured, risk class (tobacco or non-tobacco), and gender.

9. What if a client needs to access potential cash value? Withdrawals and loans are available immediately. After the first year, withdrawals up to 10% of the account value are allowed free of withdrawal charge. If the policy is considered a MEC, withdrawals are taxed on a Last-In-First-Out (LIFO) basis and any gains will be taxed. Withdrawals before the age of 59½ are subject to an additional 10% tax.

Product Highlights

Legacy Optimizer is designed to provide a guaranteed death benefit to beneficiaries in the most tax-efficient manner.

Issue Age	Ages 50-80 on an Age Last Birthday basis
Death Benefit	<p>Level Death Benefit only</p> <p>The minimum specified amount of death benefit is \$25,000. The maximum is determined by the initial premium. Instead, a guaranteed death benefit is determined by the initial premium. Additional premiums will not increase the guaranteed death benefit.</p>
Underwriting	Two underwriting classes: Non-Tobacco and Tobacco
No-Lapse Guarantee	With a single premium, the policy has a minimum guaranteed death benefit and the policy will not lapse if loans are not taken. If there is a loan, the policy will lapse when the cash surrender value less policy debt is not sufficient to cover the monthly deduction. When a loan is fully repaid (with interest) the no lapse guarantee is reinstated.
Death Benefit Guarantee	A single premium can guarantee a death benefit up to age 120 if there is no outstanding loan.
Return of Premium	<p>Legacy Optimizer includes an endorsement that provides a return of premium upon policy surrender. The return of premium becomes available starting in policy year five. The return of premium value is equal to:</p> <ol style="list-style-type: none">1. The initial single premium; less2. Any withdrawals, including any withdrawal charges and processing fees. <p>The Return of Premium feature applies to the initial (single) premium only. Additional premiums received after the initial premium are NOT included in the return of premium amount.</p>

Accelerated Death Benefit – Chronic Illness

Legacy Optimizer automatically includes the chronic illness accelerated death benefit. No additional underwriting is required.

Electing Benefits

To qualify for an accelerated death benefit election for chronic illness, the insured must be certified by a physician within the last 12 months as being unable to perform for at least 90 consecutive days without substantial assistance from another person, at least two Activities of Daily Living (bathing, continence, dressing, eating, toileting and transferring); 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 measured by clinical evidence and standard tests, which reliably measure impairment in short-term or long-term memory, orientation to person, place or time, deductive or abstract reasoning, and judgment as it relates to safety awareness.

Benefit Amount

The payment the policyowner may receive will be less than the amount of death benefit accelerated because the benefit is paid prior to death. A discount factor will be applied to the accelerated amount.

The policyowner may accelerate a maximum of 24% of the death benefit every 12 months up to \$240,000 if the insured is certified as chronically ill. The minimum acceleration amount is the lesser of 5% of the death benefit or \$50,000.

The policyowner will receive at least:

- 60% of the amount accelerated for ages 50-64

- 80% of the amount accelerated for ages 65-79

- 85% of the amount accelerated for ages 80+

If the policy has outstanding policy loans, a portion of the amount accelerated will be used to pay policy debt and the amount received will be less.

Administrative Fee

We charge an administrative fee for each chronic illness election after applying the discount to the accelerated death benefit amount. The maximum administrative fee is \$200 and varies by jurisdiction.

Final Election

A Final Election occurs when the policyowner chooses to accelerate all of the remaining death benefit in the policy, excluding the Residual Death Benefit. The Residual Death Benefit is the greater of \$10,000 or 5% of the death benefit amount on the date of the policyowner's initial election.

Accelerated Death Benefit – Terminal Illness	<p>Legacy Optimizer automatically includes a terminal illness accelerated death benefit. No additional underwriting is required.</p> <p>Electing Benefits</p> <p>To qualify for an accelerated death benefit election for terminal illness, a physician must certify that the insured has a life expectancy of 24 months or less. This timeframe may vary by jurisdiction.</p> <p>Benefit Amount</p> <p>The policyowner may accelerate a maximum of 90% or \$900,000 of the death benefit on the election date. The minimum election amount is the lesser of 10% or \$100,000 of the death benefit on the election date.</p> <p>The payment the policyowner may receive will be less than the amount of death benefit accelerated because the benefit is paid prior to death. A discount factor will be applied to the accelerated amount. The policyowner will receive at least 90% of the amount accelerated for all ages.</p> <p>If the policy has outstanding policy loans, a portion of the amount accelerated will be used to pay policy debt and the amount received will be less.</p> <p>Administrative Fee</p> <p>We charge an administrative fee for the terminal illness election after applying the discount to the accelerated death benefit amount. The maximum administrative fee is \$200 and varies by jurisdiction.</p>
Index Selection Options	<p>Legacy Optimizer is an Indexed Universal Life (IUL) product. IUL provides the opportunity to earn interest based on the upward movement of a stock market index. Although growth is based on a stock market index, the client's money is not actually invested in the market. Legacy Optimizer has two index selection options. Both indexes have a zero percent floor and the starting value resets every year. If the index experiences negative or no growth, negative credits will not be applied to the Index account, due to the zero percent floor rate. Interest is also subject to a cap or spread rate.</p> <p>Refer to NorthAmericanCompany.com/legacy-optimizer for current cap and spread rates for new sales.</p> <p>S&P 500® Annual Point-to-Point</p> <p>When using the Annual Point-to-Point method, the index change is determined by comparing the index value on the last day of the index period (ending index value) to the index value on the first day of the index period (beginning index value). The index change used to calculate the index credit will never be more than the index cap and never less than the floor rate. Index credits, if any, are credited and locked in at the end of the index period.</p> <p>S&P 500® Annual Point-to-Point with Spread</p> <p>When using the Annual Point-to-Point with Spread method, the index change is determined by comparing the index value on the last day of the index period (ending index value) to the index value on the first day of the index period (beginning index value). The index spread rate is subtracted, and then the floor rate is applied to determine the final index credit. Index credits, if any, are credited and locked in at the end of the index period.</p>

Interest Rate	<p>The policy's fixed account offers a current interest rate, which is subject to change based on the current interest-rate environment. However, the fixed account offers a guaranteed minimum interest rate of 0.25% in all years.</p> <p>Refer to NorthAmericanCompany.com/legacy-optimizer for the current interest rate for new sales.</p>
IUL Marketing Dos and Don'ts	<p>DO...</p> <ul style="list-style-type: none"> • Emphasize that the product is designed to provide death benefit protection. • Emphasize the guarantees, including protection of premium and the guaranteed interest rates. • Refer to the applicable index only as a factor that in part determines the interest to be credited at the end of a term and not as a vehicle for participation in stock market gains or returns. • Emphasize that the company credits interest, not that purchasers get "market gains" or "market growth." • Clearly state that the product is not an investment in the "market" or in the applicable index. • Emphasize the long-term nature of the product and be clear about surrender charges. • Emphasize the insurance benefits of the product. • Be clear that the spread rates or cap may change in the future. • Be clear that North American is the entity backing the guarantees provided by the product. • Disclose that the index interest could be less than with a traditional product and could be zero. • Disclose indexed universal life products are subject to all policy fees and charges normally associated with most universal life insurance.
	<p>DO NOT...</p> <ul style="list-style-type: none"> • Place undue emphasis on the index. • Use investment terms such as "investment performance," "trading day," "investment returns," "maximizing returns," "Wall Street," the "stock market," or "market risk" except with extreme care (and appropriate caveats). • Describe the product's indexing feature or formulas as a means of "participation" in the "stock markets," the "equity markets," or the index, although indexing may be appropriately described as providing the potential for higher interest rates over the long term. • Provide a partial or complete list of the stocks or the companies that comprise any of the indexes (such a list might suggest that the owner is indirectly investing in those stocks). • Emphasize similarities to variable universal life, variable annuities, mutual funds, or other investment vehicles. • Describe the product as like or similar to variable life with a guaranteed floor or principal protection.

Interest Cap, Spread, and Participation Rates

Interest credited in the index account is subject to an index cap, interest spread, and/or a participation rate depending on the crediting method selected.

Definitions

- Index Cap – Maximum interest rate that is credited to the Index Account.
- Participation Rate – The percentage of the index movement that is credited to the Index Account (subject to any Index Cap or Index Spread).
- Spread Rate – A percentage subtracted from the index growth to determine the final index crediting rate.

Guaranteed Rates

Index Selection	Index Cap	Spread Rate	Participation Rate
S&P 500® Annual Point to Point	Min: 0.50% Max: None	N/A	100%
S&P 500® with Spread	N/A	Min: None Max: 30%	100%

Current Rates

Refer to NorthAmericanCompany.com/legacy-optimizer for current index cap, spread, and participation rates for new sales.

Note: Legacy Optimizer uses a new money method for determining the interest rate on the fixed account and the index cap and spread rates. We may change interest rates or index cap and spread rates for new sales more frequently than a product that uses a portfolio rate method. Please see the website for rates available for new sales.

Premiums

A single premium determines a guaranteed death benefit. Additional premiums do not increase the guaranteed death benefit, nor are they commissionable.

Minimum Premium

\$25,000

Maximum Premium

Issue Ages 50-59 ... \$150,000

Issue Ages 60-80 ... \$200,000

Most Legacy Optimizer policies will be Modified Endowment Contracts. See the Modified Endowment Contract section.

Premium Bonus

A guaranteed premium bonus totaling 10% is paid in increments of 2% each year in policy years five through nine. Bonus applies to the initial premium only less any withdrawals and withdrawal charges.

Cash Value Accumulation Test (CVAT)

The Cash Value Accumulation Test (CVAT) is the only test used for Legacy Optimizer to determine if the policy qualifies as life insurance.

CVAT requires that the Account Value does not at any time exceed the net single premium that would be necessary to fund future benefits under the policy. If needed, the Death Benefit will be increased to ensure that this requirement is met.

Charges and Deductions	<div> <div> Cost of Insurance Charged monthly on a per \$1,000 basis. Varies by gender, tobacco status, issue age, and duration. </div> <div> Premium Load None </div> <div> Percent of Account Value Charged monthly based on the amount of the account value. </div> <div> Monthly Unit Expense Charge Varies by gender, tobacco status, and issue age. Guaranteed: All years up to age 120 Current: Applied in years 1-10 only </div> <div> Surrender Charge Surrender charges apply for the first nine policy years and progressively decreases during that period. </div> <div> Withdrawal Charge There is a penalty charge for making a withdrawal in policy year one or for withdrawing more than 10% of the account value per year in policy years 2+. </div> </div>				
Withdrawals and Loans	<div> Withdrawals Withdrawals are limited to one per policy year. Withdrawals will reduce the guaranteed death benefit by a pro rata amount. If the policy is a MEC, withdrawals beyond the amount of the sum of all premiums (a.k.a. basis) are taxable, even if the client is over age 59½. See the Modified Endowment Contract section for more information. </div> <div> <i>Availability</i> <table border="1"> <tr> <td>Policy Year 1</td><td>Partial withdrawals allowed with withdrawal charge.</td></tr> <tr> <td>Policy Years 2+</td><td>No withdrawal charges for withdrawals up to 10% of account value.</td></tr> </table> </div> <div> Standard Loans Standard loans are available at a guaranteed rate of 6.00%. Refer to NorthAmericanCompany.com/legacy-optimizer for the current loan rate. When a loan is taken, the death benefit is no longer guaranteed and the no lapse guarantee is not in effect. However, when a loan is repaid (with interest), the no lapse guarantee goes back into effect and the death benefit is guaranteed. </div>	Policy Year 1	Partial withdrawals allowed with withdrawal charge.	Policy Years 2+	No withdrawal charges for withdrawals up to 10% of account value.
Policy Year 1	Partial withdrawals allowed with withdrawal charge.				
Policy Years 2+	No withdrawal charges for withdrawals up to 10% of account value.				



1. Although Legacy Optimizer is filed as a Flexible Premium Universal Life and allows additional premiums, the product is designed for a single premium payment. Taking a policy loan may cause the policy to lapse. There are limited benefits to adding premiums after policy issue – for example, the Account Value will increase with additional premium payments, but the guaranteed death benefit and the Return of Premium Value will NOT. Therefore, clients should carefully consider whether additional premiums are paid.

2. Coverage is subject to health questions and pharmaceutical check.

3. Up to 10% of the account value beginning in policy year two and only one free withdrawal is allowed per year. Withdrawals in excess of the 10% will be subject to a withdrawal charge.

4. Return of Premium is available in policy years 5+ when the policy is surrendered.

THE STANDARD & POOR'S 500® COMPOSITE STOCK PRICE INDEX;

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For most policies, withdrawals are free from federal income tax to the extent of the investment in the contract, and policy loans are also tax-free so long as the policy does not terminate before the death of the insured. However, if the policy is a Modified Endowment Contract (MEC), a withdrawal or policy loan may be taxable upon receipt. Further, unpaid loan interest on a MEC may be taxable. A MEC is a contract received in exchange for a MEC or for which premiums paid during a seven-year testing period exceed prescribed premium limits (7-pay premiums).

Income and growth on accumulated cash value 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.

Indexed Universal Life products are not an investment in the "market" or in the applicable index and are subject to all policy fees and charges normally associated with most universal life insurance.

Neither North American nor its agents give 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.

Legacy Optimizer is issued on policy form series LS180 and the Return of Premium Endorsement is issued on rider form series LR500 by North American Company for Life and Health Insurance, Administrative Office, One Sammons Plaza, Sioux Falls, SD, 57193. Products, features, riders, endorsements, or issue ages may not be available in all jurisdictions. Limitations or restrictions apply.

We're Here For Life®

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