National Life Group®

TotalSecure Q&A

TotalSecure Competitive Overview

What makes our TotalSecure whole life different?

Most whole life products have rigid designs that offer the client little flexibility. Not TotalSecure.

TotalSecure has unique features that allow flexibility in both the initial policy design and the way the policy is managed after issue. When you consider our accelerated benefits riders and strong guarantees, no other whole life policy offers what TotalSecure does.

What makes TotalSecure unique?

TotalSecure is unique because of two features not found with any other whole life contract: Our excess premium and internal paid-up dividend option.

Specifically, while other companies also offer several options in which policy owners can use their dividends (take in cash, pay ordinary insurance premiums, pay down policy loans, etc.), we are the only carrier to permit the use of dividends to purchase additional internal paid-up insurance (see below for more about "paid-up" and "internal paid-up" insurance).

We are also uniquely less restrictive on premium payments, and allow policy owners to pay premiums in excess of the minimum required, which can help fund the base policy and purchase internal paid-up insurance (see below for more about "excess premiums").

Additionally, premium in excess of the required minimum can be paid any time there is still ordinary insurance (MEC rules still apply.) When this is done, the excess premium funds portions of the base policy.

TotalSecure also way ahead of the whole life market with its critical injury Accelerated Benefits Riders (ABRs) and the industry's highest limits on terminal illness ABRs.

What else makes TotalSecure competitive?

TotalSecure's unique product features give unequalled case design and policy management flexibility to our agents and policy owners.

For example, premium offset designs that other companies present are not paid-up on a guaranteed basis; they rely on future dividends and partial surrenders to pay premiums that are still due. This is a dividend-dependent design and dividends are not guaranteed.

Limited-pay products other carriers offer do not provide premium flexibility once they're issued. TotalSecure's guaranteed cash values are among the best in the industry. You pay less and get more guaranteed cash value.

TotalSecure offers our full menu of Accelerated Benefits Riders (ABRs): terminal, chronic, critical illness and critical injury. Our terminal and critical injury ABRs are particularly alone in their class in the whole life space.

TotalSecure's premiums are lower than many competitor products. Since dividends are largely premium-driven, TotalSecure is a more efficient whole life contract that is less dependent on dividends to provide value than our competitors' whole life products.

Paid-Up Insurance Overview

What is "paid-up" insurance?

Paid-up insurance means the policy owner is no longer required to make premium payments.

Insurance that still requires premium payments, called ordinary insurance, is different from paid-up insurance. Paid-up insurance is paid-up permanently and is guaranteed. A policy can have portions of both paid-up and ordinary insurance, however, the cash values and dividend payments for paid-up insurance are higher than those for ordinary insurance.

What is the difference between "internal-" and "external" paid-up insurance?

Internal paid-up insurance refers to base policy amounts that become paid-up and is unique to NLG. Internal paid-up insurance is paid-up using excess premiums or by our internal paid-up dividend option.

External paid-up insurance offers a death benefit in excess of the base policy death benefit and is funded in several ways including through additional paid-up life insurance rider premiums, dividends applied to purchase paid-up additions, or additions purchased under the Flex Term rider.

Units of external and internal paid-up additions have the same cash values and receive the same dividend amounts.

What is "excess premium?"

Excess premium is premium paid in addition to the required minimum premium to keep the policy in force.

If the required minimum premium is paid each year, the policy will continue until age 100. At age 100 the guaranteed cash value will equal the policy face amount — this is known as endowment.

Our product is unique because premium in excess of the required minimum premium can be paid any time there is still ordinary insurance (MEC rules still apply.) When this is done, the excess premium fully funds portions of the base policy and is used to shorten the premium payment period. In fact, excess premium can be paid so that a design of any desired premium payment period is possible. The more excess premium paid, the faster the base policy will be paid-up.

Excess premium purchases paid-up insurance at the end of the policy year. Until applied at the end of the year, excess premium earns interest at a rate guaranteed not to be less than 4%. And, as excess premium is applied to paid-up insurance, the required minimum premium for the base policy goes down.

What is the additional paid-up insurance rider?

Known internally as the "Adds" rider, premium is specified for this rider at issue and is used to purchase additional paid-up life insurance. The cost for the rider is included in the contract premium. The rider premium/cost does not need to be paid, but if it is not, the rider ceases and no more premium will be dedicated to purchasing Adds thereafter. The Adds rider purchases additional external paid-up insurance.

The adds rider can be purchased after issue with additional underwriting.

Receipt of Accelerated Benefits will reduce the Cash Value and Death Benefit otherwise payable under the policy, may result in a taxable event, and may affect your client's eligibility for public assistance programs. Riders are supplemental benefits that can be added to a life insurance policy and are not suitable unless the client has a need for life insurance. Riders are optional, may require additional premium and may not be available in all states or on all products.

Which should I use for my client, excess premium or the additional paid-up insurance rider?

Both can be used at the same time.

Use excess premium to fully fund the base policy amount early and accelerate the cash value growth of the policy. Once the base policy is paid-up, no more excess premium can be paid.

Use the Adds rider when ongoing increases to the death benefit are desired. Adds rider premiums can be paid until age 100 and premium limits are 3x the Band 1 Male Non-Tobacco premium rates.

How do commissions work on required premium vs. excess premium vs. additional paid-up insurance rider premiums?

Required premium is like "target" premium that you typically see with universal life products and receives full first-year compensation.

Excess compensation rates are applied to excess premium.

Adds rider premiums are not commissionable.

What is best practice around 1035 Exchanges? Is it best to use the Single Premium Additions Rider (SPAR) or excess premium?

Use excess premium to pay off the policy for a short-pay or no pay policy.

Use SPAR if the policy owner will continue to pay premiums.

Dividends and Guaranteed Rate Overview

What are policy dividends?

Whole life products are priced so that the premiums, combined with investment income from the company's general account less expenses and mortality, endow the policy. Conservative margins are built into the premiums so that the company is certain that the premiums will be enough to endow the policies. Since the assumptions are conservative, a surplus may be generated by the premiums, a portion of which is known as divisible surplus and is issued in the form of dividends. It is expected that there will be a dividend surplus, but it is not guaranteed. All divisible surplus must be paid to policy holders in the form of policy dividends, though dividends are not guaranteed to be paid. We expect to pay dividends regularly on TotalSecure.

What are the different ways to use dividends? How should my clients choose?

The policy owner chooses how any dividends are used. For example, dividends can be received as cash, used to pay premiums, or applied to internal paid-up insurance, the latter option being unique in the industry.

What is the internal paid-up dividend option?

This industry-unique option allows dividends to be applied to purchase paid-up insurance in amounts similar to our excess premium option.

What is the additions dividend option?

This option applies dividends to purchase additional paid-up insurance.

What does the dividend scale interest rate mean?

The dividend scale interest rate is not a rate credited to the policy. It is declared annually by the board of directors. The rate is used to determine the portion of dividends that will be paid as the result of a favorable investment income experience.

What is the 4% guaranteed rate?

This guaranteed rate is not a credited rate. It is used along with expense and mortality to calculate the guaranteed cash values.

Flex Term Riders Overview

What is Flex Term?

Flex Term is a premium paying rider with a face amount. The Flex Term face amount is the amount of paid-up life insurance that can be purchased under the rider and is used to purchase a combination of one-year term insurance and paid-up additions. Also, all excess premium and dividends are used to purchase paid-up additions. This continues until the entire face amount of the rider consists of paid-up additions.

When should clients use Flex Term?

Flex Term is used to lower the required minimum premium.

This can help your clients buy more insurance coverage, however it comes with additional risk.

With Flex Term cash value accumulation is slower and guaranteed cash values are lower. Flex Term is also dependent on dividend payments to reduce the one-year term amounts. It's still a good idea to pay excess premiums when possible since one-year term costs increase every year.

The maximum blend of Flex Term amount to base policy is 9:1, meaning 9 parts Flex Term and 1 part base.

What is the difference between Flex Term and the term riders?

The goal of Flex Term is to replace term coverage with paid-up coverage while the goal of the term riders is to provide temporary coverage at relatively low cost.

The 10-, 15-, 20- and 30-year term riders available with TotalSecure can be added to increase coverage for specified periods. These riders have level premiums for their term periods, but do not have cash values.

Outstanding term riders will drop off in the illustration system, but not in the administration system, thus the owner would have to ask to have them removed.

Loans

Can policy owners take loans?

Yes, loans can be taken after the first policy year.

What is direct recognition?

Direct recognition is when policy holder dividends are adjusted for loan activity.

If the variable loan rate (VLR) is greater than the dividend scale interest rate, dividends will be increased. If the VLR is less than the dividend scale interest rate, dividends will be decreased.

Loans are a contractual right to use policy cash value as collateral to borrow money from the company. The company charges interest on these loans. The loans are assets to the company and the loan interest is investment income. As such, loans impact the company's investment experience.

Due to the impact of loans on investment income adjusting dividends for policy holders who take loans is more equitable than adjusting dividends for all policyholders due to loan activity.

What happens if clients skip a premium?

The required minimum premium is always due. If this is not paid, the policy would go into a grace period.

Automatic policy loans can be taken to pay premiums.

Paid-up portions of the policy could also be surrendered to pay any premiums due.

Illustration Tips

What's the best way to illustrate income?

For whole life, it is more efficient to surrender to cost basis and then take loans when illustrating income.

How do I design a short pay scenario?

Use the "Include Limited Pay" selection under the Face Amount box.

"Paid-up" uses excess premium to fully fund the policy early. This is unique to National Life Group and provides the most control over the pay-up period.

"Internal Fund" uses projected dividends and the Adds rider to offset premiums with projected dividends and the surrender of Adds to pay future premiums. This is dividend dependent.

Reduced-paid up uses the guaranteed cash value to purchase a reduced face amount that is paid-up. Dividends are still received on the paid-up policy.

The Term purchase provision creates a reduced paid-up and uses dividends to purchase a combination of one year term and paid-up additions (Flex Term).

How does the protection solve work?

The protection solve uses a blend of 60% base and 40% Flex Term to solve for premium outlay that will endow the policy under current dividend assumptions.

How does the accumulation solve work?

The accumulation solve uses rules to determine a mix of base policy, term rider, and Adds rider to arrive at superior projected cash values for the premium period selected.

Receipt of Accelerated Benefits will reduce the Cash Value and Death Benefit otherwise payable under the policy, may result in a taxable event, and may affect your client's eligibility for public assistance programs. Riders are supplemental benefits that can be added to a life insurance policy and are not suitable unless the client has a need for life insurance. Riders are optional, may require additional premium and may not be available in all states or on all products.

Policy loans and withdrawals reduce the policy's cash value and death benefit and may result in a taxable event.