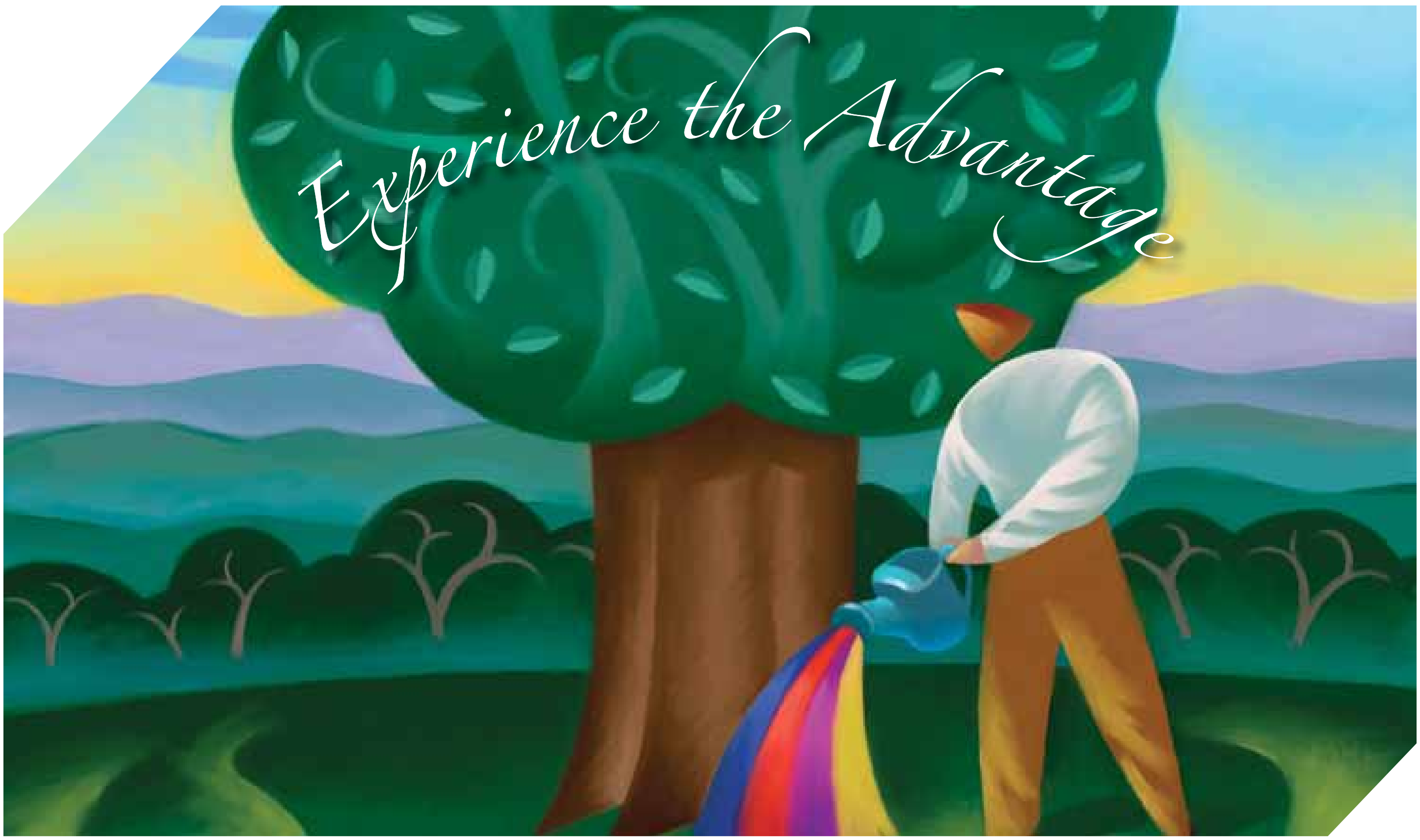
Life Insurance Company of the Southwest

SecurePlus Advantage 79

Indexed Universal Life



Marketing Guide

For Agent Use Only – Not For Use With The Public

64070 MK3289(0610) TC56789(0610)

Experience Life®

Experience the Advantage

SecurePlus Advantage 79

- designed for flexibility:
  - – focus on the current tax benefits, *or*
  - – focus on the future cash value accumulation
- upside potential with downside protection

Table of Contents

SecurePlus Advantage 79 from Life Insurance Company of the Southwest (LSW) is a flexible premium Indexed Universal Life policy that offers:

- Pension and Profit Sharing plan use
- Efficient tax benefits under Section 79 Plans
- Five interest crediting strategies with the choice of a fixed interest strategy and four indexed strategies
- Living Benefit riders
- Five-year declining surrender charge
- Variable and fixed net cost loan options
- Overloan Protection Rider
- Full customization with available riders

For Agent Use Only – Not For Use With The Public

SecurePlus Advantage 79

Product at a Glance

Issue ages:	20–85 (age nearest birthday)	
Minimum face amount:	$100,000	
Pension Minimum Face Amount:[1]	Standard Initial: $5,000 ($25,000 for WA) Preferred Initial: $100,000	
Rate classes:	Elite Non-Tobacco (issue ages 20-75) Preferred Non-Tobacco (issue ages 20-85) Standard Non-Tobacco (issue ages 20-85) Preferred Tobacco (issue ages 20-85) Standard Tobacco (issue ages 20-85)	
Substandard:	Table ratings and flat extras are available with Standard Non-Tobacco User and Standard Tobacco User classes. Temporary flat extras are available with any rate class.	
Surrender schedule:	Five-year declining surrender charge	
Policy charges:	Expense charges: varies based on issue age, gender, face amount, and rate class	
Policy fee:	$20 per month	
Premium load:	6% of premium	
Policy loans:	Available after the first policy year, both variable and fixed	
Withdrawals:	Available after the first policy year, subject to a fee of $25.00 per withdrawal	
1035 exchanges with loans:	Available for up to 50% of the gross transferred amount	
Riders available (where approved):	<u>For Section 79 Use</u> Accelerated Benefits Riders (Terminal, Chronic, and Critical Illness) Accidental Death Benefit Rider[2] Additional Protection Benefit Rider[2] Children's Term Rider[2] Disability Income Rider (2-year and 5-year)[2] Extension of Benefits Rider[2] Guaranteed Insurability Rider[2] Long-Term Care Rider[2] Other Insured Rider[2] Overloan Protection Rider Waiver of Specified Premium[2]	<u>For Pension Use</u> Accelerated Benefits Riders (Terminal, Chronic, and Critical Illness) Accidental Death Benefit Rider[2] Additional Protection Benefit Rider[2] Other Insured Rider[2] Qualified Plan Exchange Privilege Rider Waiver of Specified Premium[2]

1 LSW products will be available in all pension plans except 412(e)(3).

2 In the case of any rider for which an additional charge is imposed, check with the plan administrator to determine whether the particular benefit provided by the rider is permitted in the plan.

SecurePlus Advantage 79 Indexed Universal Life, form series 8593/8594/8593ID(0708)/8594ID(0708) and associated riders are underwritten by Life Insurance Company of the Southwest and may not be available in all states. Riders are optional and may be available at additional cost.

For Agent Use Only – Not For Use With The Public

Section 79 Plans

Internal Revenue Code Section 79 permits employers to offer group life coverage on employees as a fringe benefit. Most group life plans use a group term insurance product to provide this benefit. The employer pays the premiums and takes a tax deduction (to the extent compensation is reasonable under IRC Sec. 162). The employee receives up to $50,000 of death benefit income-tax free; if the death benefit exceeds $50,000, the employee must include in income the value of the excess benefit amount. The value of this excess amount is determined under Table I, which establishes uniform premiums based on 5-year age brackets. The employee names a beneficiary to receive the death benefit income-tax free.

In order to qualify for this special income tax exclusion and the Table I rates, the program must meet the following conditions:

- The policy must provide a general death benefit excludable from a participating employee's income as life insurance under IRC Section 101(a).
- The insurance must be provided to a group of employees as compensation for personal services performed by the employees.
- The policy must be carried directly or indirectly by the employer. This requirement is met through a master policy or a group of individual policies if the employer pays the cost of coverage or arranges for payment by the employees through a single insurance company.

- The amount of insurance provided must be computed under a formula that precludes individual selection. The formula can be based on age, years of service, compensation, or position. Many plans satisfy this requirement by offering benefits to all eligible employees as a uniform multiple of compensation.
- Certain nondiscrimination rules as to eligibility and benefits must be met.

The disadvantage of group term insurance is that the coverage ends at retirement or termination of employment. If the employee has a need for coverage after leaving the employer, the cost of replacement coverage could be prohibitive – even if the term insurance contains a conversion privilege. Furthermore, term coverage does not build cash value, which can be used during the lifetime as an emergency source of cash or to supplement income during retirement.

Essentially, group term insurance is an ideal fringe benefit for rank and file employees. However, the business owner and key employees are generally looking for life insurance coverage that provides benefits beyond the death benefit protection. They want a policy that offers:

- Portability at retirement or termination of employment to provide permanent protection
- Tax-deferred build-up of policy cash value that can be accessed to supplement retirement income
- Lifetime access to policy values in the event of a terminal or chronic illness

Section 79 permits group life insurance plans to provide for permanent benefits, thus allowing the plan to be funded with cash value life insurance policies.

Nondiscrimination rules

In order for key employees (including owner-employees) to receive certain benefits under a Section 79 Plan – specifically the exclusion of the cost of $50,000 of insurance protection and the ability to use the Table I rates for coverage above $50,000 – the plan must meet nondiscrimination rules set forth in the Internal Revenue Code. The plan cannot discriminate in favor of key employees with regard to eligibility for participation or with regard to the type or amount of benefits.

Certain employees can be excluded from the plan if they are covered under a collective bargaining agreement, if they fail to meet certain age or service requirements, or if they are part-time or seasonal employees.

Most conservatively designed plans offer coverage to all full-time employees who meet the minimum age and service requirements. And while the Treasury Regulations permit the coverage amounts to vary for different classes of employees, many plans simply offer coverage to all participating employees based on a uniform multiple of compensation.

Since the nondiscrimination rules require that the same type of benefits be made available to rank and file employees as are available to key employees, a plan that offers permanent benefits must make those benefits available to all eligible employees. However, since life insurance with permanent benefits generates tax consequences for participants, any employee is entitled to elect term coverage instead. In practice, the vast majority of rank and file employees elect to receive only the free (to them) $50,000 of group term.

Groups of fewer than 10 employees

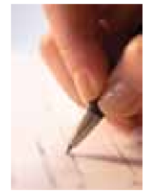
Groups of nine or fewer employees can participate in Section 79 Plans, but with additional limitations. Such plans must provide coverage to all full-time employees who provide evidence of insurability satisfactory to the carrier. Finally, the minimum service requirement is reduced from three years to six months. Contact Advanced Sales 1-888-297-3990 for details and requirements.

Experience the Advantage

Employer

Employer adopts a Permanent Benefit Section 79 Plan

Permanent Life Insurance



Employee

Employee applies for life insurance policy.

Employee owns the policy and can name the beneficiary.

Employee must include cost (based on Table I) of coverage in excess of $50,000, as well as the value of the permanent benefit, in income.

Employee's Beneficiary

Beneficiaries receive the life insurance policy death benefit income-tax free.

How does the Section 79 Plan work?

- The employer, working with the plan administrator and financial professional, adopts a group life insurance plan.
- Employees elect the type and amount of benefits they wish to receive.
- Participating employees apply for insurance coverage.
- The employer pays the insurance premiums and takes an income tax deduction for the entire premium cost.
- All employees electing insurance in excess of $50,000 must include the cost of that excess coverage in income.
- Employees electing permanent benefits must also include the value of those permanent benefits in income.
- When the employer is no longer paying premiums on an employee's policy, an employee who elected term insurance must either convert that insurance or lose coverage, while an employee who elected permanent coverage is responsible for maintaining that coverage.

  SecurePlus Advantage 79, although not guaranteed, is designed in a way that no premiums are required after the fifth year.[3]
- At the employee's death, his or her beneficiary receives proceeds income-tax free.

3 The contract is not guaranteed to be paid up in five years, and insurance costs will be deducted each month from the contract values. The policy owner may reduce the face amount or pay additional premiums if cash value growth is less favorable than projected.

Who are prospects for permanent group life plans?

Owner-employees of C corporations and non-owner key employees of any business entity.

Section 79 does not allow owner-employees of the following business entities to receive any group life insurance benefits:

- Partners in a partnership
- Members of an LLC (unless taxed as a C corporation)
- Sole proprietors
- Owners of more than 2% of the stock of an S corporation

If the owners of a pass-through entity believe sufficiently in the value of having a Section 79 Plan, they may decide to work with their tax advisors to establish a new C corporation alongside the pass-through entity. Typically the C corporation handles one or more functions of the enterprise, such as the management function, and the owners receive W-2 income as employees of the C corporation.

The Section 79 Plan provides:

The Business

- The ability to reduce its tax obligation
- Minimal plan administration
- Minimal rank and file employee cost
- A way to attract, retain, and reward key employees

Key Employees

- Substantial life insurance benefit
- Supplemental retirement income
- Low reportable income – Employee pays taxes on approximately 65% of the premium paid
- Portable benefits after separation from service
- Benefits for Terminal , Chronic, or Critical illness

Section 79 Plans funded with Indexed Universal Life

A primary objective of funding permanent life insurance under Section 79 is often to pay premiums with deductible employer dollars, while minimizing the amount of income the employee must include for income tax purposes.

SecurePlus Advantage 79 was designed specifically for funding Section 79 Plans, providing both death benefit protection and cash value accumulation. What makes SecurePlus Advantage 79 ideally suited for these plans is the ability to design the product one of two ways.

1. Focus on the up-front income tax benefits, or
2. Focus on the future cash value accumulation.

If the owner-employee or key employee is seeking maximum current income tax benefits, SecurePlus Advantage will provide the lowest inclusion amount as well as competitive cash values.

If, however, their focus is on greater future cash value accumulation, and they are not so concerned about minimizing current taxes, the Additional Protection Benefit Rider (APB) may be used to enhance future cash value accumulation.

Experience the Advantage

Focus – Tax Inclusion
Objective: Maximum Current Income Tax Benefits

The employer should pay the maximum premium, (up to the lesser of the MEC or Guideline Limit) for the death benefit amount.

Structuring SecurePlus Advantage for current tax inclusion and cash value accumulation for Section 79 Plans:

- Five year funding
- Fixed Account for 5 years (keeps cost of permanent benefit more level, making exclusion amount more predictable)
- Indexed accounts after year 5 (potential cash value growth through indexing strategy)
- Option A Death Benefit
- Reducing the Face Amount prior to taking income will increase the income potential

Funding the policy for five years with an Option A death benefit will provide the employer with the greatest tax deduction and the optimal cash value growth for the employee's future benefit. In most cases, the employee participant will prefer the Tax Inclusion focus.

The Section 79 Plan must be terminated after five years to avoid negative tax consequences for employees electing permanent benefits. The life insurance policy is designed to be fully funded after five years based on DEFRA guidelines and current assumptions. Although the contract is not guaranteed to be paid-up in five years, the policy owner may reduce the face amount or pay additional premiums if cash value growth is less favorable than was illustrated at point of sale.

Focus – Future Cash Value Accumulation
Objective: Future Supplemental Income

The employer should pay the maximum premium (up to the lesser of the MEC or Guideline Limit) for the death benefit amount, which includes Additional Protection Benefit rider (APB). Including APB will increase the future cash value accumulation for the employee participant but will increase the current tax inclusion amount. The policy should be funded and structured in the same way as the tax inclusion focus.

SecurePlus Advantage 79

Case Study

Male Age 50, Preferred Non-Smoker; Individual Tax Bracket 33%; Corporate Tax Bracket 35%

Objective: Death benefit protection with future supplemental retirement income

Employer pays $100,000 premium for 5 years takes full deduction.

Employee applies for and owns $1,762,454 of SecurePlus Advantage 79.

Inclusion = 61%[4]

Employee must pay tax on 61% of the first year premium.

$100,000 x .61 = $61,000

@ 33% tax bracket = employee out of pocket cost of $20,130

Allocation to fixed account illustrating 6% years 1-5. 5th year contract value $324,055.

Reallocate to indexed account illustrating 8% index crediting thereafter.

Age 65, take annual income for 20 years $51,650.

Or, maximum face amount reduction year 12 - $678,269 face amount.

Age 65, take annual income for 20 years $58,950.

Summary

5 year cumulative employer contribution	$500,000
Average employee inclusion over 5 years	63%
5 year cumulative employee cost	$103,950
Initial death benefit	$1,762,454
Annual income for 20 years	$51,650

Focus on future cash value accumulation

With use of APB Rider, the annual income amount could be increased to $67,800 or $72,150 with a maximum face reduction. The average 5 year inclusion would be 79% resulting in an average out-of-pocket cost for the employee of $26,070.

4 Includes Table 1 cost.

All Rates and values shown are not guaranteed and should not be construed as guarantees to be paid in the future. Actual results may be higher or lower than illustrated. Policy loans and withdrawals will reduce the cash value and death benefit and may result in a taxable event. Annual Income is derived by taking fixed net cost loans at 6%.

For Agent Use Only – Not For Use With The Public

Interest Crediting Methodology

Building Tax-Deferred Cash Value

With Indexed Universal Life, your clients have options regarding how interest is credited to their cash value. They may choose to have a fixed interest rate apply or have interest credited based on changes in the S&P 500® Index, allowing them to take advantage of increases in the Index without the risk of stock market losses. Minimum interest guarantees ensure that the policy cash value will not decline due to decreases in the Index.

Basic Strategy

All premiums paid by the client are allocated into the Basic Strategy and a rate of interest declared by the company is credited to the account. This rate for the Basic Strategy is guaranteed to be not less than 2.5%.

The Basic Strategy must maintain a minimum value. This minimum value is determined at the start of each policy year and is an estimate of the amount required to fund the monthly deductions for the policy year. This amount will change each policy year on the policy anniversary.

Once per month on the 21st, any Basic Strategy value in excess of the Basic Strategy minimum value will be transferred to the other strategies based on the allocation specified by the policyholder, subject to a $50.00 minimum value.

Interest Crediting Strategies

LSW's SecurePlus Advantage 79 contract has five different interest crediting strategies available to provide maximum flexibility for your customer. These strategies are:

1. The Fixed-Term Strategy
2. Point-to-Point, Cap Focus Index Strategy
3. Point-to-Point, Participation Rate Focus Index Strategy
4. Point-to-Point, No Cap Index Strategy
5. Point-to-Average Index Strategy

Fixed-Term Strategy

Each transfer to the Fixed-Term Crediting Strategy creates a distinct fixed-term segment.

Each fixed-term segment will have a crediting period of one year. A rate of interest declared by the company is credited to the account daily. The minimum rate of interest credited is 2.5%. At the end of each fixed-term crediting period, the funds will be transferred back to the basic strategy.

Index Strategies

Each transfer to an Index Strategy creates a distinct Index Segment. Each Index Segment will have a crediting period of one year. Index Earnings are credited to each Index Segment at the end of the crediting period. Each Index Segment will have a Participation Rate and a Cap, which is determined in advance for each crediting period.

The Index for the strategies is the S&P 500® excluding dividends. On each anniversary of an Index Segment, the Index Growth for that segment will be calculated as a function of the changes in the Index over the crediting period.

Interest Earnings for each Index Segment are calculated at the end of the crediting period of such segment as follows:

1. Index Growth multiplied by the segment's Participation Rate, adjusted so that the rate is no greater than the segment's Cap, and no less than 0%; multiplied by
2. The account value in the applicable Index Segment.

SecurePlus Advantage 79 has three Point-to-Point Index Strategies and a Point-to-Average Index Strategy.

The Point-to-Point method measures the change in the index value from the start of the segment (Starting Index Value) to the value of the Index 12 months later (Ending Index Value). The change in the index value is divided by the Starting Index Value to determine the Index Growth.

The Index Growth is then multiplied by the Participation Rate (the resulting value will never be less than zero). The Participation Rate is the rate that the policyholder shares in the Index Growth. Once the Participation Rate is applied to the Index Growth, the result is compared to the Cap. In no instance will the earnings for the segment exceed the Cap.

For example, let's assume an Index Segment has a Participation Rate of 100% and a Cap of 12%. If the Index Growth is 10%, the Index Segment would be credited 10% (10% increase multiplied by a 100% Participation Rate falls below the 12% Cap).

The Point-to-Average method measures the change in index value from the Starting Index Value to the Daily Average of the Index over the next 12-month period. The difference between the Daily Average of the Index and the Starting Index Value is divided by the Starting Index Value to determine the Index Growth.

The Index Growth is then multiplied by the Participation Rate (the resulting value will never be less than zero). There is no Cap for this strategy.

For example, assume an Index Segment has a Participation Rate of 110%. If the Index Growth, comparing the Starting Index Value to the Daily Average of the Index, is 10%, that Index Segment would be credited 11% (10% increase multiplied by 110% Participation Rate with no Cap).

Annual Reset

At the end of each index crediting period, the funds, including any interest credits, will be transferred back to the basic strategy for reallocation.

The Starting Index Values are reset after each reallocation. This ensures that decreases in the S&P 500® Index do not have to be made up before additional interest can be earned.

Available Index Strategies

Point-to-Point, Cap Focus Index Strategy

The Cap Focus Index Strategy guarantees that the Participation Rate will always be greater than or equal to 100%. This strategy will always provide a higher Cap than the Participation Rate focused Index strategy. The guaranteed minimum Cap is 3.1%.

Point-to-Point, Participation Rate Focus Index Strategy

The Participation Rate Focus Index strategy guarantees that the Participation Rate will be at least 110%. Since this strategy is designed to provide a higher Participation Rate, it will have a lower Cap. The guaranteed minimum Cap is 3%.

Point-to-Point, No Cap Index Strategy

The No Cap Index strategy applies no Cap and is, therefore, balanced by a lower Participation Rate. The guaranteed minimum Participation Rate is 25%.

The Point-to-Average Index Strategy

The Point-to-Average Index Strategy is guaranteed to have no Cap. The guaranteed minimum Participation Rate is 30%.

Interest Crediting – Glossary of Terms

Annual Reset: means that at the end of each Index Segment Year, the Starting Index Value for that Policy Segment will be reset to the Ending Index Value from the prior year.

Basic Strategy: the account where all premiums are initially deposited. Charges are taken from the Basic Strategy. If value in the Basic Strategy is not enough to cover the charges, charges will be allocated to the Fixed-Term Strategy and then the Index Strategies.

Basic Strategy Sweep Date: the 21st of the month. This is the date that funds in the Basic Strategy, in excess of the minimum value, will be allocated to the chosen Interest Crediting Strategies, subject to a $50.00 minimum value.

Cap: the maximum annual effective interest rate that can be credited to an Index Segment.

Daily Average of the Index: the arithmetic average of all the published daily ending values of the Index for a 12-month period.

Ending Index Value: the Index Value on the one year anniversary of an Index Segment.

Fixed-Term Strategy: a rate of interest declared by the company will be credited to the account daily.

Index: for SecurePlus Advantage 79, the Index is defined as the S&P 500® Index, excluding dividends.

Indexed Interest: the interest credited to an Index Segment using either the Point-to-Point or Point-to-Average strategy.

Interest Crediting Strategy: one of the five available methods used to calculate how interest is credited to the Policy. The five choices are Fixed-Term, Point-to-Average, and three Point-to-Point strategies.

Participation Rate: the percentage applied to the Index Growth used in the formula to calculate the Indexed Interest for an Index Segment.

Point-to-Average Strategy: compares the Starting Value of the Index to the Daily Average of the Index to determine the Index Growth.

Point-to-Point Strategy: compares the Starting Value of the Index to the Ending Value of the Index to determine the Index Growth.

Index Segment: each time account value is transferred from the Basic Strategy into an Index Strategy a new Index Segment is created.

Index Value: the Index Value for any date is the published value of the Index at the close of business on that date. If no value is published on that date, the most recently published value will be used.

Starting Index Value: the Index Value on the inception date of an Index Segment.

Product Specifications

Policy Protection Period

The Policy Protection Period helps protect the policy against lapse during the first 5 policy years. During this period, the policy will not enter a grace period, even if the cash surrender value is not sufficient to cover the monthly deductions, as long as:

- the sum of premiums paid, less all withdrawals made and less any policy debt, is greater than or equal to the cumulative minimum monthly premiums in effect since the date of issue, and
- the accumulated value less any policy debt is sufficient to cover the monthly deductions

The Policy Protection Period applies to the first 5 policy years only and does not restart after an increase in face amount.

Monthly Cost of Insurance

Each month the cost of insurance (COI) is deducted from the accumulated value. Guaranteed maximum COI rates shown in the policy are based on the 2001 CSO mortality tables and are higher than what we currently charge. Current COI rates are select and ultimate and vary by issue age, gender, rate class, and policy duration.

Surrender Charges

Surrender charges apply during the first five years following the effective date of the policy or any increase in face amount. The surrender charge is expressed as a dollar amount per thousand of face amount that varies based on issue age, gender and policy duration.

Expense Charges

Monthly expense charge based on issue age, gender, rate class, and face amount.

Policy fee: $20.00 per month

Premium load: 6% of premium

Premiums

This universal life policy has both minimum and commissionable target premiums. A premium equal to one minimum monthly payment is due on the date of issue. The commissionable target premium (CTP) is the maximum premium on which the higher compensation rate will apply. The minimum monthly and commissionable target premiums will be based on the face amount of the policy and the issue age, rate class, and gender.

Unscheduled premiums may be paid into the policy at any time.

Insurance Premium Test

Under Section 7702 of the Internal Revenue Code, a contract will generally be treated as life insurance for federal income tax purposes if, at all times, it meets either the:

- "Guideline Premium Test (GPT)" -otherwise referred to as the DEFRA Limit or
- "Cash Value Accumulation Test (CVAT)".

Both tests require a set of corridor factors which are used to define the minimum amount of death benefit above the contract's accumulated value which must be maintained.

The GPT also places limits on the amount of premium that can be paid into a given contract. These limitations can have an effect on your ability to pay premiums and/or make changes to your policy such as taking a withdrawal or changing your death benefit option.

The CVAT places no limits on the amount of premium that can be paid into a given contract, but the CVAT corridor factors are generally higher than those required under the GPT.

The policyholder may choose between using the GPT or the CVAT to demonstrate compliance with IRC Section 7702. The choice is made by the policyholder at issue and is irrevocable.

Death Benefit Options

The policyholder may elect an Option A (level) or Option B (increasing) death benefit options.

Option A – the death benefit is equal to the greater of

1. the face amount, or
2. the accumulated value multiplied by the applicable corridor factor

Option B – The death benefit is equal to the greater of

1. the face amount plus the accumulated value, or
2. the accumulated value multiplied by the applicable corridor factor

Death benefit is reduced by the amount of any outstanding debt and monthly deductions due.

Change in Death Benefit Option

The policy's death benefit option can be changed from Option A to B, or B to A, once each policy year after the first policy anniversary. If a change would cause the contract to no longer qualify as life insurance for federal income tax purposes, or would result in a total face amount less than $100,000, the change will not be allowed.

Changing from Option A (level) to Option B (increasing): The face amount of the policy will be reduced by an amount equal to the accumulated value just prior to the effective date of the change.

Change from Option B to A: The face amount will increase by an amount equal to the accumulated value just prior to the effective date of the change.

In both cases listed above, the death benefit is the same before and after the change.

Changes in Face Amount

Increase in Face Amount: After the first policy anniversary the policyholder may apply for an increase in coverage subject to the following terms:

- There is a satisfactory proof of insurability.
- The requested increase meets or exceeds $25,000.
- The change will be effective on the monthly date on or following the approval of the application.

Each increase will have its own set of surrender charges and monthly expense charges.

Decreases in Face Amount: After the first policy anniversary the policyholder may request a decrease in face amount in coverage subject to the following terms:

- The decrease becomes effective on the monthly policy date on or after the receipt of the request at the home office.
- Decreases cannot result in a total face amount less than $100,000.
- Decreases will not be permitted if the decrease causes the policy to no longer qualify as life insurance for federal income tax purposes.
- For the first seven years of the policy, the total face amount of the policy plus any additional riders may be no less than 75% of the largest total face amount in force at any time in the twelve months prior to the request.
- Decreases do not affect the level of surrender charges or monthly expense charges.

Each change in coverage will cause the Commissionable Target Premium (CTP) and Minimum Monthly Premium (MMP) to be adjusted for each new segment of coverage.

Product Specifications

Loans

Loans are available at any time after the first policy year. The policy will serve as the sole collateral for the loan.

The amount available for loan on any day will be the surrender value, less three times the monthly deductions due on the last monthly policy date.

The interest rate charged on the loan will be a variable rate that is based on the Moody's Corporate Bond Yield Average – Monthly Corporates, subject to a minimum rate of 3%. It is our intention to set the interest crediting rate for loan collateral under the fixed net cost loans equal to the loan rate in all policy years; however, this is not guaranteed.

SecurePlus Advantage 79 offers two loan options:

1. Variable Net Cost Loan (no direct recognition)
2. Fixed Net Cost Loan (direct recognition)

Both options will be available at the start of policy year 2 (at issue for loans resulting from 1035 exchanges).

The loan option is selected by the policyholder at the time a loan is first taken. All outstanding loans must use the same option. The policyholder may switch all existing loans from one option to the other on the policy anniversary.

Interest credited on loaned funds

1. Variable Net Cost Loans – loaned values continue to earn interest/index earnings as if no loan had been taken from the policy.

2. Fixed Net Cost Loans – loaned values are removed from the crediting strategies and segregated in a Loan Collateral Fund, and they are credited with:

    a. The Variable Loan Rate (VLR) minus 1.25% in year 1-10; and

    b. The Variable Loan Rate (VLR) in years 11+ ("Wash Loan").

Loans reduce cash surrender value and death benefit and may result in a taxable event if the policy is not kept in force.

All or any loan amount may be repaid at any time prior to the death of the insured or the surrender of the policy. The exception is if the policy is in the grace period. Unless specified otherwise, any payment to us shall be deemed a premium payment and not a repayment of debt.

Overloan Protection Rider

This rider protects the policy from lapsing in situations where loan balances threaten the contract's ability to stay in force.

Policy loans from SecurePlus Advantage 79 are received income-tax free. If the policy lapses with outstanding policy loans, there could be taxable income to the policyholder. In the event loan balances threaten the contract's ability to stay in force, and if the terms of the rider are met, the Overloan Protection Rider will restructure the policy so that it will not lapse.

Limitations apply to exercising the Overloan Protection Rider, including that the policy has been in force at least 15 years and the insured having attained the age of 75. See the rider section for other requirements.

Withdrawals

At any time after the first policy year, the policyholder may make a withdrawal of the policy's cash surrender value subject to the following terms:

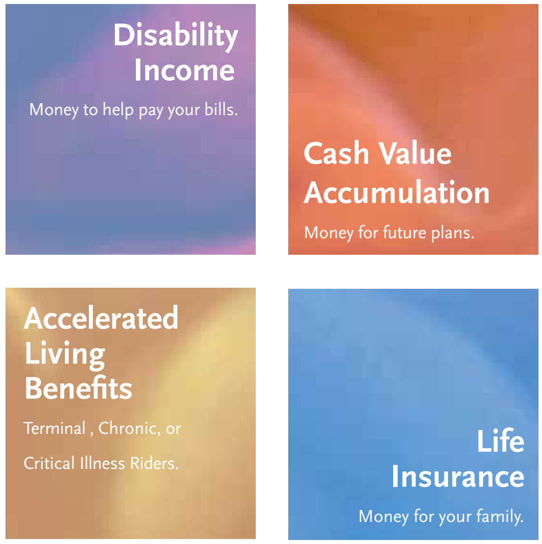
- The amount of withdrawal may not exceed the cash surrender value minus three monthly deductions due on the last monthly policy date.
- The accumulated value will be reduced by the amount of the withdrawal.
- The face amount will be reduced by an amount equal to the withdrawal, for option A (level) contracts.
- The Company will charge a $25 fee for each withdrawal made.
- Withdrawals that result in a total face amount less than $100,000, or that cause the policy to fail to meet the definition of life insurance, will not be permitted.

1035 Exchanges

The effective date of 1035 exchanges will be the date the funds are received into the home office. 1035 Exchanges with loans will be permitted, as long as the loan transferred does not exceed 50% of the total policy value transferred.

Available Riders

LIFE INSURANCE YOU DON'T HAVE TO DIE TO USE



Accelerated Benefits Riders[5]

The Accelerated Benefits Riders 1, 2, and 3 all allow accelerated payment of up to 100% of the policy death benefit. We currently limit the amount of death benefit that may be accelerated under all accelerated benefit riders applying to the same insured to $1,000,000. We reserve the right to change the limit in the future; however, the limit will never be less than $500,000. Accelerated Benefits Rider 1 (ABR 1) is available in case of a terminal illness; Accelerated Benefits Rider 2 (ABR 2) is available in case of chronic illness; Accelerated Benefits Rider 3 (ABR 3) is available in case of critical illness.

The actual payment amount under any of the riders is discounted (the benefit payment is the actuarially discounted value of the death benefit being accelerated less a pro rata portion of any policy debt).[5]

- There is no limit on how the funds can be used.
- There is no additional premium for any of the Accelerated Benefits Riders.
- Riders stay in force as long as the base policy remains in force.

ABR 1

Gives the policy owner the option of receiving the death benefit early if the insured is terminally ill. Terminal illness is expected to result in death within two years (one year in PA, CT, or VT). All or part of the death benefit may be requested early (lump sum).

ABR 2

Available when the insured is diagnosed as chronically ill:

- Unable to perform two of the six activities of daily living
  – bathing, continence, dressing, eating, toileting, and transferring without assistance, or
- With deterioration or loss in intellectual capacity (cognitive impairment).

The death benefit is received in periodic payments after a 90-day waiting period.

The maximum monthly amount that can be accelerated is 2% of the death benefit.

ABR 2 must be in force for two years before benefits are available. Premium remains due on the net Death Benefit during an ABR 2 claim/acceleration.

For more information about Rider availability in Qualified Plans, see Retirement Services Newsletter "Product Availability Pension: Profit Sharing Plans."

5 Payment of Accelerated Benefits will reduce the cash value and death benefit otherwise payable under the policy. Receipt of Accelerated Benefits may be a taxable event and may affect your eligibility for public assistance programs. Please have your clients consult with their personal tax advisor to determine the tax status of any benefits paid under this rider and with social service agencies concerning how receipt of such a payment will affect them, their spouse's and their family's eligibility for public assistance.

Available Riders

ABR 3

Available when the insured experiences one of the following qualifying events:

- Heart attack
- Major organ transplant
- Stroke
- Diagnosis of ALS (amyotrophic lateral sclerosis or Lou Gehrig's Disease)
- Diagnosis of cancer
- Diagnosis of end stage renal failure
- Blindness (corrected vision of no better than 20/200 in both eyes)

All qualifying events may not be available in all states. All or part of the death benefit may be requested early (lump sum). The actual payment will vary due to the severity of the disease. If the insured also meets the definition of a terminal illness it will likely be more beneficial to the policy owner to accept benefits under ABR 1 rather than ABR 3. ABR 3 is not available for substandard SecurePlus Advantage 79 policies.

Any qualifying event occurring during the first 30 days the rider is in force is not covered, unless it is the result of an accident.[6]

Accidental Death Benefit Rider (ADB)

The ADB pays an additional death benefit if the insured's death results from an accident.

- Issue ages 20–60 (age nearest birthday)
- ADB is available to the Primary Other Insured (see the Other Insured Rider description) as well as to the primary insured under the policy
- Rider stays in force until the policy anniversary following the insured's 70th birthday, as long as the insured's life insurance coverage and the base policy remain in force
- Minimum rider amount is $10,000
- Maximum rider amount is the lesser of $250,000 or the insured's life insurance face amount including ADB face amount
- Charges are a level amount per thousand, based on issue age, and are deducted on a monthly basis
- Not available with a table rating greater than 200% or on policies with a flat extra greater than $5.00 per thousand for two or more years
- Not available with certain hazardous occupations

Additional Protection Benefit Rider (APB)

The APB Rider provides additional permanent coverage on the insured. The APB rider is used to provide greater future potential cash value accumulation in exchange for a higher current tax liability (i.e., future cash value accumulation focus). The APB rider will have a face amount that is equal to nine times the base policy face amount.

6 These restrictions may not apply in all states. Please see the ABR disclosure forms for more information.

Children's Term Rider (CTR)

(Only available for Section 79 use)

The Children's Term Rider provides term life insurance on all of the insured's children until they reach age 23. Each child is covered for the same selected benefit amount. Children born or adopted after issue (after they reach the age of 15 days), and dependent stepchildren living in the insured's home will be covered as well. The children's coverage is convertible without underwriting at any time while the rider is in force for an individual whole life or universal life policy with the same face amount. The children's coverage is convertible for double the rider face amount when the child reaches age 23, marries, or at the death of the primary insured.

- Issue ages 15 days–16 years
- Rider stays in force until the policy anniversary following the last covered child's 23rd birthday, as long as the base policy remains in force
- Minimum rider amount is $5,000
- Maximum rider amount is $25,000
- Charges are a level amount per $1,000 regardless of the number of children covered and are deducted on a monthly basis.

Disability Income Rider (DIR)

(Only available for Section 79 use)

Two different DIRs are available, distinguished by a two-year or a five-year benefit period. Both options provide for a fixed monthly benefit if the insured is totally disabled and unable to work. Both provide coverage for disabilities due to either sickness or accident. DIR coverage is not available on rated classes. Certain occupations are not eligible for coverage. Policy premiums are not automatically waived under the DIR; the Waiver of Specified Premium Rider must be in force to waive policy premiums.

- Issue ages 18–55 (age nearest birthday)
- DIR is available to the Primary Other Insured (see the Other Insured Rider description) as well as to the insured under the policy
- Coverage stays in force until the policy anniversary following the insured's 65th birthday, as long as the insured's life insurance coverage and the base policy remain in force
- Minimum benefit amount is $300/month
- Maximum benefit amount is $2,000/month, subject to underwriting and any state limitations. The DIR benefit amount cannot exceed 60% of gross monthly income (40% in California) or $20 per $1,000 of life insurance. (For example, a $2,000 DIR must be attached to a base policy of at least $100,000.)
- Charges vary with issue age and remain level for the term of the rider and are deducted on a monthly basis.
- Rider benefit amounts cannot be increased or decreased after issue. However, an additional DIR may be added after issue, subject to underwriting and the maximum benefit limits

The DIR with the two-year maximum benefit period has a 3-month waiting period. Benefits are paid retroactively after the waiting period, from the date of disability. "Disability" is defined as the insured being unable to perform the duties of his or her own occupation.[7]

---

7 In South Carolina, "Disability" is defined as the insured's inability to perform the duties of his or her own occupation during the first year of disability and the inability to perform the duties of any occupation for which he or she is suited thereafter.

Available Riders

The DIR with the five-year maximum benefit period has a six-month elimination period with no retroactive payment. "Disability" is defined as the insured being unable to perform the duties of his or her own occupation for a period of two years and as unable to perform the duties of any occupation for which he or she is suited for the remaining three years.

After-issue changes between the two-year and five-year riders are not permitted.

If the insured is receiving benefits under the DIR when he or she reaches age 65, the benefit payments will continue until the end of the disability or the end of the benefit period.

Occupations ineligible for DIR

Actor/Actress	Housewife
Air Traffic Controller	Immigration Officer
Amusement Park Employee	Life Guard
Armed Forces or Coast Guard	Logging Employee
Artist/Musician	Migrant Worker
Asbestos Worker	Mine Worker
Athletic Coach or Instructor	Movie Industry Employee
Auto Body Repair	Nature/Adventure Guide
Blaster	Nurse
Bowling Alley Employee	Peddler
Bridge or Dam Worker	Piano Mover/Safe Mover
Bus Boy	Pilot
Bus Driver	Policeman
Cab Driver	Prison Employee
Carpet/Floor Installer	Professional Athlete
Casino Employee	Racing Employee (Dog or Horse)
Chauffeur/Limo Driver	Rodeo Rider or Clown
Circus Employee	Roofer
Delivery Person	School Teacher[9] (Public or Private)
Dishwasher	Security Guard (Armed)
Diver	Self Employed (call with specific info)
Domestic Servant (Maid, Butler, etc.)	Skating Rink Employee
Exotic Dancer	Steeplejack (Billboard Worker)
FBI Agent	Structural Iron Worker
Federal or Municipal Employee[8]	Subway or Tunnel Construction Worker
Fireman	Theater Industry Employee
Fisherman/Seaman	Truck Driver
Flight Attendant	Vending Machine Worker
Forest Ranger	
Game Warden	
Golf Pro	

Note: An Attending Physician's Statement of Disability from a licensed medical physician will be required for all claims.

8 May purchase DIR up to monthly home mortgage amount.

9 Only DIR 5 available.

Extension of Benefits Rider[10] (EBR)

(Only available for Section 79 use)

This is an optional rider that provides the policy owner benefits to help cover expenses incurred for qualified long-term care services once a chronically ill[11] insured's death benefit under the policy has been depleted due to payments made under the Long-Term Care Rider or the Accelerated Benefits Rider 2. Once benefits begin accruing under this rider, they will continue during the lifetime of the insured as long as the insured remains eligible for benefits. The rider pays benefits equal to the actual expenses for covered services, subject to a maximum monthly limit (up to 1% of the policy face amount for nursing home or home health care – up to 0.5% for adult day care). Coverage under this rider may be purchased with or without Inflation Protection. This rider provides an optional non-forfeiture benefit. The cost per unit of coverage under this rider is level and is guaranteed not to change.

Issue Guidelines

The Long-Term Care Rider and Extension of Benefits Rider are subject to the following issue guidelines:

- Issue ages: 0–70 (age nearest birthday).
- Available on the primary insured as well as the primary other insured (covered under an Other Insured Rider).
- Coverage under an Extension of Benefits Rider is only available to an insured under the base policy or Primary Other Insured who also has coverage under either a Long-Term Care Rider or Accelerated Benefits Rider 2.
- Total life insurance coverage applied for under the policy may not exceed $1,000,000.
- Not ratable and not available on rated policies

Please refer to the *Agent Guide for LSW Long-Term Care Rider and LSW Extension of Benefits Rider*, MK2582(0901), Catalog No. 63181, for more in-depth information about the rider benefits, suitability, and disclosure requirements.

10 Rider names may vary by state.

11 An insured is chronically ill if a licensed health care practitioner has certified the insured as: (1) being unable to perform (without substantial assistance from another person) at least two activities of daily living for a period of at least 90 consecutive days due to a loss of functional capacity; or (2) requiring substantial supervision for a period of at least 90 consecutive days by another person to protect oneself from threat to health and safety due to severe cognitive impairment. The activities of daily living are defined as bathing, continence, dressing, eating, toileting, and transferring.

Guaranteed Insurability Rider (GIR)

(Only available for Section 79 use)

The GIR allows the insured to increase insurance coverage without evidence of insurability, during specified option periods. Regular option periods run from the 60th day before to the 31st day after the policy anniversary on which the insured reaches age 25, 28, 31, 34, 37, or 40. Additional option periods are available based on marriage, the birth/adoption of a child, or purchase or refinancing of a home; there is a limit of two additional options. The GIR is not available on rated cases.

- Issue ages 0–37 (age nearest birthday)
- GIR is available to the Primary Other Insured (see the Other Insured Rider description) as well as to the primary insured under the policy.
- Rider stays in force until the policy anniversary following the insured's 40th birthday, as long as the base policy remains in force.
- Minimum option amount is $5,000.
- Maximum option amount is the lesser of $50,000 or two times the insured's life insurance amount.
- Charges are a level amount per thousand of option amount, based on issue age, and are deducted on a monthly basis.

Long-Term Care Rider(LTC)[12]

(Only available for Section 79 use)

This is an optional rider that allows the policy owner to receive a chronically ill insured's death benefit in periodic payments, while such insured is still living, to help cover such insured's expenses for qualified long-term care services. Benefits under this rider begin accruing after a 90-day elimination period and will continue, as long as the insured remains eligible, until the insured's death benefit under the policy has been exhausted. Insured will qualify for benefits if they are:

- Unable to perform two of the six activities of daily living – bathing, continence, dressing, eating, toileting, and transferring without assistance, or
- With deterioration or loss in intellectual capacity (cognitive impairment).

The rider pays benefits equal to the actual expenses for covered services, subject to a maximum monthly limit (up to 2% of the policy death benefit for nursing home or home health care – up to 1% for adult day care). Each benefit payment will reduce the insured's death benefit by the same amount. While benefits are being paid under this rider, monthly deductions will be waived.

Overloan Protection Rider

(Only available for Section 79 use)

This rider protects client's policy from lapsing in situations where loan balances threaten the contract's ability to stay in force.

If the following terms of the rider are met, the Overloan Protection Rider will restructure the contract as a "paid-up" policy so that it will not lapse:

- Policy must be in corridor.
- Loans must equal 95% of policy's accumulated value.
- Insured is age 75 or older.
- Policy must be in force for at least 15 years.

The policyholder will be notified when eligibility requirements are met. There is no additional cost until rider is exercised. Not available with Cash Value Accumulation Test (CVAT).

Other Insured Rider (OIR)

The OIR provides low-cost annual renewable term insurance on an individual. The other insured may have any of the following relationships to the insured under the base policy:

- Self insured under the base policy
- Spouse
- Child
- Business partner

Ineligible relationships for OIR coverage include parents, grandparents, siblings and grandchildren. Up to five OIR may be added to the same base policy. One of these OIRs (spouse or business partner only) may be designated as a "Primary OIR"; additional riders are available to the Primary OIR (see chart on page 20 for rider availability).

12 The use of the Long-Term Care Rider reduces the death benefit and cash surrender value of the life insurance policy. Benefit payments will be used to pay off any outstanding policy loans first, reducing the amount of money the policyholder would normally collect as a benefit. These insurance riders have exclusions, limitations, reductions or benefits, and/or terms under which the rider may be continued in force or discontinued.

Available Riders

Other Insured Rider (OIR) (continued)

The OIR is convertible to a permanent policy without evidence of insurability at any time while the rider is in force, or upon the death of the primary insured.

- Issue ages 0–75 (age nearest birthday).
- Rider stays in force until the other insured's age 100, as long as the base policy remains in force.
- Minimum OIR amount is $25,000.
- Maximum OIR amount is the base policy face amount.
- Charges are based on gender, rate class and age; the same rate classes are available as for the base policy.

Benefits Available by Rider on Other Insureds

	Primary Other Insured Rider	Non-primary Other Insured Rider
Accelerated Benefits Rider 1	Yes	Yes
Accelerated Benefits Rider 2	Yes	Yes
Accelerated Benefits Rider 3	Yes	Yes
Accidental Death Benefit	Yes	No
Children's Term Rider	No	No
Disability Income Rider	Yes	No
Guaranteed Insurability Rider	Yes	No
Unemployment Rider	No	No
Waiver of Target Premium Rider	No	No
Long-Term Care Rider	Yes	No
Extension of Benefits	Yes	No

Qualified Plan Exchange Privilege (QPEP) Rider

For Qualified Pension and Profit Sharing Plan trust owned life insurance, the QPEP rider allows the policy to be surrendered while owned under the qualified plan and elect to have a new policy written outside of the qualified retirement. The face amount of the new Policy cannot be more than the face amount, less the policy's cash value, of the policy being surrendered on the date of exchange. The maximum face amount under the new policy cannot exceed $2,000,000 and must be at least $25,000.

No evidence of insurability will be required and the new policy will be issued based on the age the insured has attained on the date of the exchange. The class of risk under the new Policy will be the same as under the pension policy. The new policy date will be the date of the exchange. The new Policy will be issued on a policy form and at a premium rate for the insured's attained age in use by the Company on the New Policy Date.

Waiver of Specified Premium (WSP) Rider

The Waiver of Specified Premium Rider allows your client to determine how much of their premium will be waived in the event they become totally disabled. The WSP Rider will pay the specified premium into the policy following a six-month waiting period.

- Issue Ages: 20 - 55 (age nearest birthday)
- Minimum annual benefit is $300.
- Maximum annual benefit is the lesser of the annualized planned periodic premium and the guideline level premium for the policy less the guideline level premium for the waiver of specified premium rider.
- The charge for this rider will be the specified rate multiplied by the waiver of premium benefit amount, and deducted on a monthly basis.
- This rider stays in force until the policy anniversary following the date the insured reaches age 60.
- Not available with a table rating greater than 200% or on policies with a flat extra greater than $5.00 per thousand for two or more years..
- Not available with certain hazardous occupations.


SecurePlus Advantage 79
Experience
the Advantage

Experience Life®

National Life Group®

LSW Home Office: 1300 West Mockingbird Lane, Dallas, Texas 75247 • (800)906-3310 • www.lifeofsouthwest.com.

LSW SecurePlus Advantage 79, form series 8593/8594/8593ID(0708)/8594ID(0708), Indexed Universal Life Insurance and applicable riders are underwritten by Life Insurance Company of the Southwest, Dallas, Texas. An additional premium is charged for some riders. Product is not available in all states. Riders are optional and may not be available in all states. Benefits and terms may vary by state.

The S&P Composite Index of 500 stocks (S&P 500®) is a group of unmanaged securities widely regarded by investors to be representative of large-company stocks in general. An investment cannot be made directly into an index.

For Agent Use Only – Not For Use With The Public