



# Keystone

Whole Life Insurance

## Agent Guide



Effective October 26, 2015 for new sales.

## at a glance

Minimum Specified Amounts	\$10,000 Low Band (Not available in WA or WI) \$25,000 Standard Nontobacco, Standard Tobacco, Rated \$100,000 Preferred Plus Nontobacco, Preferred Nontobacco, Select Nontobacco, Preferred Tobacco No maximum face amount															
Issue Ages and Rate Classifications age nearest	18-75 Preferred Plus Nontobacco, Preferred Nontobacco, Select Nontobacco, Preferred Tobacco 18-85 Standard Tobacco, Standard Nontobacco 0-17: Juvenile (Switches to Standard Tobacco at 18. Not available in NY) Low Band: 0-85 Juvenile, Tobacco and Standard Nontobacco															
Guaranteed Interest Rate	Based on 2001 CSO Mortality Table with 4% interest rate.															
Maturity Date	No set maturity date. It endows at age 121, and is paid up at age 98.															
Modal Premium Factors and Policy Fee	<table border="1"> <thead> <tr> <th></th> <th>Policy Fee*</th> <th>Premium Factor</th> </tr> </thead> <tbody> <tr> <td>Annual</td> <td>\$75.00</td> <td>1.00</td> </tr> <tr> <td>Semiannual</td> <td>\$38.50</td> <td>0.51</td> </tr> <tr> <td>Quarterly</td> <td>\$19.50</td> <td>0.26</td> </tr> <tr> <td>Monthly</td> <td>\$ 6.50</td> <td>0.086</td> </tr> </tbody> </table>		Policy Fee*	Premium Factor	Annual	\$75.00	1.00	Semiannual	\$38.50	0.51	Quarterly	\$19.50	0.26	Monthly	\$ 6.50	0.086
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Annual	\$75.00	1.00														
Semiannual	\$38.50	0.51														
Quarterly	\$19.50	0.26														
Monthly	\$ 6.50	0.086														

\*Pension fees: \$125.00, \$64.00, \$32.50 and \$10.50

## policy information

- Dividends Dividends are not guaranteed. They are paid when the company experiences favorable results with respect to interest, mortality and expenses. Any such dividends are paid starting at the end of the second policy year. A pro-rata dividend is not paid if a policy is surrendered or lapsed, but is paid upon the death of the insured for in force policies. A single dividend reflects experience on both the base policy and participating riders. Dividends may be paid in cash, or the policyowner can elect one of the following options:
- Dividend payments may be used to purchase paid-up additional insurance. Paid-up additions earn dividends.
  - Dividend payments may be used to reduce payment of premium if the mode is annual, semiannual or quarterly. This option is not available with list bill or monthly billing options.
  - Dividends may be left with the company to accumulate interest. A current rate will be declared from time to time, always guaranteed to be no less than one percent. Generally, interest on dividend accumulations is subject to current income tax.
  - Dividends may be used to purchase participating one-year term insurance.

The full amount of the dividend is used for the purchase.

- Dividends may be used to purchase one-year term insurance equal to the cash value of the base policy. If the current dividend is more than the amount needed to purchase the one-year term addition, the balance may be applied to any other dividend option. If the dividend is less than the amount needed, it will purchase as much one-year term insurance as it can.
- Dividends may be used to reduce an outstanding loan.

#### Guaranteed Level Premiums

Keystone Whole Life premiums are level, guaranteed and payable every year during the insured's lifetime or until age 98, when the policy is paid up. This policy is defined as a "scheduled premium" policy. Regardless of the company's investment, expense or mortality experience, these premiums are guaranteed never to increase during the insured's lifetime.

Policyowners can pay these level premium payments on a quarterly, semiannual or annual basis at the time of application. They can also pay these premiums on a monthly basis under a pre-authorized payment arrangement. If a policyowner decides to change the premium payment interval, written notice is required.

#### Policy Lapse

The policy will lapse if a premium is not paid by the end of the grace period (31 days) and the Automatic Premium Loan does not apply. If the cash surrender value is not withdrawn, it is used to continue the policy either as **extended term insurance** or **reduced paid-up insurance**. Unless the insured elects otherwise, the automatic option is extended term on standard policies.

##### **Extended Term Insurance**

Extended Term Insurance is paid-up term insurance for a limited time. The amount of extended term insurance provided as a lapse benefit is equal to: the face amount of the base policy (excluding the term rider), plus any paid-up additions, plus any dividend accumulation, minus the amount of any loans or loan interest. The cash surrender value of the policy is applied as a net single premium based on the attained age of the insured.

##### **Reduced Paid-Up Insurance**

Reduced Paid-Up (RPU) insurance is insurance for the insured's life offered as a lapse benefit/non-forfeiture option. Under this option, the policyowner uses the policy's net cash surrender value as a single premium to purchase paid up whole life insurance at the attained age of the insured for a reduced amount. The amount of the RPU insurance will be based on the due date of the unpaid premium and the net single premium for the insured's gender and then current age, adjusted for any loan or dividend transaction on or after that date. Net single premium is based on the 2001 CSO Mortality Tables and 4% percent interest

When a policy is in a RPU status:

- The policyowner can surrender the policy for its cash value.
- The policyowner can take policy loans at the same rates as were available on the base policy.
- The RPU policy is entitled to receive dividends if declared.
- The policyowner can reinstate the policy.
- The only payment accepted is a loan repayment.

Adverse tax consequences can occur when this option is elected because existing loans are extinguished at that time. A policyowner should be advised to seek competent legal tax counsel before exercising this option.

Election of this option can cause a contract to become a Modified Endowment Contract (MEC). For more information on MECs, see "Information about Income Tax Considerations" on page 18.

If the policy is rated, this Reduced Paid-Up (RPU) insurance is the automatic option on lapse.

Reinstatement	Within five years of the lapse date, provided the insured is living, the policy may be reinstated subject to: proof of insurability, payment of all overdue premiums with interest, and reinstatement of any loan and loan interest as of the lapse date.
Grace Period	The grace period is 31 days. During the grace period insurance will continue; however, if the insured dies during that time, the premium due will be subtracted from the proceeds.
Election of Paid-Up Policy (or Mature as Endowment)	The policyowner may request the policy to be endorsed as paid-up whenever the cash value equals or exceeds the net single premium for a paid-up policy. Similarly, the owner may request payment of the amount of insurance in force whenever the cash value equals that amount. Income tax consequences must be considered.
Termination	Policies may be terminated at any time by sending written notice to the company. The policyowner may withdraw the cash surrender value or elect to use the cash surrender value to provide extended term insurance or reduced paid-up insurance. The amount that the company will refund is the cash value of the policy including riders, plus the cash value of any paid-up additions, plus any dividend accumulations, plus any due and unpaid dividends, minus any policy debt as of the date of the surrender. (Policy debts include loans and loan interest.)
Incontestability	Except for accidental death and disability benefits, the policy is incontestable after it has been in force, while the insured is alive, for two years from the issue date.
Suicide	If the insured commits suicide (while sane or insane) <sup>3</sup> during the first two full years from the issue date, no death benefit payment will be made. Premiums paid, less any loan, loan interest and any partial surrender, will be returned. The definition of suicide may vary by state.
Misstatement of Age and Gender	If the insured's age or gender has been misstated, policy benefits and values will be adjusted to those that the premium paid would have purchased at the correct age or gender.

## loan information

Loans	The net loan value may be borrowed any time except during the grace period. Loans in the first year can only occur if the Paid-Up Additions rider was purchased. Any policy debt will be deducted from the death benefit.
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Net Loan Value	The net loan value, or maximum loan amount, is equal to the cash value of the policy including riders, plus the cash value of any paid-up additions, minus any premiums that are due or unpaid, minus the amount of any existing loan, minus loan interest from the date of the loan to the next policy anniversary.
Loan Interest Rates	<p>Policy loan rates are variable. The company will not change the loan rate more frequently than once per year. The maximum loan interest rate is limited by Moody's Monthly Corporate Bond Yield Average. The rate for the policy year may not exceed the published monthly average for the calendar month ending two months before the policy anniversary at the beginning of the policy year. We can only change the loan rate on policy anniversaries, and we will notify policyowners at least 30 days in advance of any increase in the rate for an existing loan.</p> <p>When the Moody's Average is at least 0.5 percent lower than the policy loan interest rate in effect from the previous year, we must reduce the rate to no higher than the Moody's Average. We cannot increase the rate until the Moody's Average exceeds the rate in effect from the previous year by at least 0.5 percent. Decreases in the policy loan rate are required. Increases in the loan rate are optional.</p>
Loan Repayments	A loan may be repaid in full or part any time during the life of the policy.
Automatic Premium Loan	Any premium not paid before the end of the grace period will be paid by charging it as a loan against the policy, provided there is sufficient net loan value. The policyowner can choose this option at the time of application, or at any time, provided there is no premium in default.
Direct Recognition	Policy loans impact dividends. This is referred to as "direct recognition." Direct recognition allows greater flexibility in adjusting for the effect of policy loans on company earnings in a fair manner. The amount of the downward or upward adjustment of dividends depends on the loan interest rate and the total amount of the cash value that has been borrowed.

## policy riders

Note: Riders are not available on policies with face amounts between \$10,000 and \$24,999.

Accelerated Benefit Rider for Terminal Illness (form AABR01, in New York form FABR01 NY)	<p>This is an accelerated death benefit rider available in states where approved and the Care4Life Rider or Terminal Illness Acceleration Rider is not approved. New and existing policyowners can add this rider, which enables them to receive an advance of up to 50 percent of the policy's death benefit (up to \$500,000) if they become terminally ill.</p>
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Advanced payment plus accrued interest (maximum 4% ) are treated as a lien against death proceeds; the balance of the death benefit (less the advanced payment and accrued interest) is paid out to the beneficiary upon the insured's death. To exercise, insured must have a life expectancy of less than 12 months, certified by a physician. This option is not a long-term care policy. Benefits may be taxable, and may affect Medicaid eligibility. A policyowner should be advised to seek competent legal or tax counsel before exercising this benefit.

There is no additional charge for this rider.

Accidental  
Death Benefit  
(form ADBR 11-10,  
in New York form  
FA 8663 NY)

The policyowner selects an amount to be paid (in addition to the policy death benefit) in the event of death of the insured under the base policy resulting from accidental bodily injury occurring within 120 days of the injury while the rider is in force. If death results from the insured's travel as a fare-paying passenger on a public conveyance operated by a licensed common carrier for passenger service, the rider benefit is doubled.

This rider is available to insured's up to age 65 and will remain on the policy to age 70.

Rider amount cannot exceed base specified amount or the following limits \$50,000 for ages 0–20; \$100,000 for ages 21–25; \$150,000 for ages 26-55 and \$100,000 for ages 56–65. Maximum from all companies is \$250,000.

There are certain conditions under which the rider is not payable. These include suicide, self-inflicted injury, and acts of declared or undeclared war. (Please refer to the rider itself for a complete listing of risks not assumed.)

The rider will terminate when the policy terminates or lapses (including exercising extended term or reduced paid-up options) or on the first monthly date after the policyowner gives written notice or on the annual date nearest the insured's 70th birthday.

The premium for this rider is shown on the policy schedule. It is level and payable to the insured's age 70. Premiums are based on the insured's age and sex. They are payable at the same time and interval as the base policy.

Care4Life  
(form DBAR WL, in New York  
form CRIAR WL 3-15 NY,  
CHIAR 3-15 WL NY,  
TIAR 3015 WL NY)  
Available in approved states  
on policies issued after  
September 30, 2013 and in  
New York on policies issued  
after October 25, 2015.

Provides an accelerated death benefit if the insured faces a serious medical hardships such as a critical, chronic or terminal illness. The eligible amount is the base policy specified amount (and any paid-up insurance) at the time of the first accelerated benefit request, and will be reduced by any subsequent partial surrenders. Any surrender of paid-up additions or election of paid-up status will cause the eligible amount to be re-determined.

The advanced payment plus a \$150 administrative fee plus accrued interest (maximum 8%) is treated as a lien against death benefit proceeds; the balance of the death benefit (less the lien) is paid to the beneficiary upon the insured's death.

**In the event of a critical illness** up to 25% of the eligible amount with a maximum of \$125,000 can be accelerated as a one-time payment if insured experiences open heart surgery, angioplasty or myocardial infarction, life threatening cancer, stroke, major transplant or end-stage renal failure. One claim maximum. A \$150 administrative fee will be added to the lien. In New York, up to 25% of the eligible amount with a maximum of \$50,000 can be accelerated. Also in New York, this option cannot be exercised if the policy is a modified endowment contract at the time of the acceleration request.

**In the event of a chronic illness** where the insured is unable to perform two of the six activities of daily living (dressing, toileting, transferring, continence, eating, bathing) for 90 days or is diagnosed with a severe cognitive impairment up to 50% of the eligible amount up to \$1 million can be advanced. Choose from annual payments up to HIPAA limits or monthly 2% installments paid over 50 months or monthly 1% installments paid over 100 months. The chronic illness payment option is elected at the time of the first chronic illness acceleration request and may not be changed. Certification of the chronic illness is required every 12 months to receive benefit payments. A \$150 administrative fee will be added to the lien.

**In the event of a terminal illness:** receive up to 75% of eligible amount with a maximum of \$1 million as one-time payment if the insured has a life expectancy of 12 months or less. One claim maximum. A \$150 administrative fee will be added to the lien.

The maximum lifetime accelerated benefit payments on the insured across all policies may not exceed 75% of the eligible amount with a maximum of \$1 million.

After the Care4Life rider is exercised, the death benefit will be reduced by the lien. In New York and Pennsylvania, this may cause the policy to eventually be paid in full. In other approved states, a residual death benefit of at least 10% of the eligible amount up to \$100,000, reduced by any loans and partial surrenders, will be paid as a death benefit upon the death of the insured. Any surrender of paid-up additions or election of paid-up status will cause the residual death benefit to be re-determined.

This rider subject to underwriting and is not available on policies issued with a table rating greater than Table B or a temporary or permanent flat extra. The rider is not available on facultative cases and is not available to foreign nationals. If the insured does not qualify for the Care4Life rider or lives in a state that has not approved it, the Accelerated Benefit Rider for Terminal Illness or Terminal Illness Acceleration rider may be available to provide an advance of the policy's death benefit if the insured is diagnosed with a terminal illness.

There is no elimination period for a critical and terminal illness. The definition of a chronic illness requires an elimination period of 90 days for a chronic illness. In New York, benefits will be paid retroactively for the 90 day elimination period. There is no waiting period for a critical, chronic or terminal illness.

There is no additional cost for the rider until an accelerated benefit is paid. Cost of insurance and monthly charges continue to be assessed after an accelerated benefit has been paid. The policy owner must continue to pay the minimum amount to keep the base policy and all riders in force. No policy changes are permitted after an accelerated benefit has been paid.

Rider expires at age 110 and will terminate upon election of the extended term settlement option. In New York, the Chronic Illness Acceleration rider terminates upon election of the extended term settlement option. In New York, the Critical Illness Acceleration and the Terminal Illness Acceleration riders may continue on the policy if the extended term option is elected, the term period is at least one year and the face amount is at least \$25,000.

Children's  
Insurance Rider  
(form CIRWL 11-10)  
Not available in New York.

Provides \$25,000 of coverage for the insured's children named on the application or added to the policy if born after the date of the application. If child is adopted, the date of the adoption must be before the child's 18th birthday. Does not insure any child less than 15 days old or after the anniversary date nearest the child's 25th birthday.

This rider can be issued only when the parent/insured is Age 18 – 55 and the child is age 15 days - 18 years.

Policyowner may convert the insurance on each insured child to permanent insurance without evidence of insurability with a written application. The policyholder may convert the amount of insurance on each child until age 25. At age 25, conversion may be as much as five times the rider amount. Conversion may take place no later than 31 days after the insured child's 25th birthday if no premium is in default.

The amount of the new policy must be at least \$25,000 (or the minimum face amount for the product to which it converted). The risk classification of the conversion policy will be the most comparable class available.

The rider will terminate when the policy terminates or lapses (including exercising extended term or reduced paid-up options) for any reason other than the death of the primary insured or on the first monthly date after the policyowner gives written notice or on the anniversary nearest the insured's 65th birthday. If the primary insured dies, the rider remains in force until the youngest child covered by the rider reaches age 25 unless the death of the insured occurs by suicide within two years from the issue date of this rider.

The monthly cost for this rider is \$0.48 per \$1,000 and all of the insured's children fitting the description above can be included on one rider.

Guaranteed  
Insurability Rider  
(form GIRWL 11-10,  
in New York form  
FA 8665) also called  
Future Purchase  
Option Rider

Allows the policyholder to increase the face amount on scheduled dates without submitting proof of insurability. This rider is issued to age 37 but not on substandard (rated) policies. This rider will remain on the policy to age 40.

On any option date, the face amount can be increased up to the option rider amount as shown on the policy schedule. Minimum option amount is \$25,000. Maximum option amount is \$50,000. The premium rate for the new policy will be based on the age of the insured on the birthday nearest the policy date.

The dates when the policyholder can exercise this option are the policy anniversary dates nearest his/her 25th, 28th, 31st, 34th, 37th and 40th birthdays. Alternate dates may be substituted for the regularly scheduled option dates in the event of the insured's marriage, or the birth or legal adoption of a child. When an alternate date is exercised, it replaces the next option date. The following lists the maximum number of option dates by issue age.

<b>Issue Age</b>	<b>Maximum Option Dates</b>
0-24	6
24-27	5
28-30	4
31-33	3
34-36	2
37	1

An option period begins 60 days before an option date and ends 31 days after that date. An alternate option period begins on the date of the insured's marriage or birth of a child of the insured's marriage or legal adoption of a child under age 18 and ends 91 days after that date.

The rider will terminate when the policy terminates or lapses (including exercising extended term or reduced paid-up options), on the first monthly date after the policyowner gives notice, if the face amount of the policy is reduced to less than \$25,000 or on the anniversary the insured is age 40.

The rider may be reinstated within five years of lapse, if the policy is in force. Evidence of insurability will be required. Payment of all overdue premiums and interest is required.

Level Term Rider  
(LTRWL 11-10 or  
FLTR 01 in New York)

Provides the policyowner with the opportunity to purchase additional coverage for the base insured for 10, 15, 20, or 30 years. The coverage has a lower cost than whole life base coverage during the level period but has no cash value.

There are two bands for minimum initial face amount. Band 1 is \$100,000 to \$499,999. Band 2 is: \$500,000 and greater. The maximum face amount is subject to underwriting. There are no restrictions based on rider/ base insurance coverage ratio.

Minimum issue age is 18 for all plans and all premium classifications. Maximum issue age varies as shown below. Age nearest birthday for all states. Not available after issue. Renewable to age 98 in all states.

Maximum Issue Ages — All States Except CA, IN, OR, PA, NY & WA												
	Preferred Plus		Preferred		Select Non Tobacco		Non Tobacco		Preferred Tobacco		Tobacco	
	M	F	M	F	M	F	M	F	M	F	M	F
10-Year	75	75	75	75	75	75	80	80	75	75	80	80
15-Year	75	75	75	75	75	75	75	75	75	75	75	75
20-Year	70	70	70	70	70	70	69	70	67	70	66	68
30-Year	50	50	50	50	50	50	50	50	47	50	44	50
Maximum Issue Ages — CA, IN, OR and PA												
	M	F	M	F	M	F	M	F	M	F	M	F
10-Year	75	75	75	75	75	75	80	80	75	75	80	80
15-Year	75	75	74	75	74	75	75	75	73	75	73	75
20-Year	69	70	67	70	67	70	67	70	66	70	66	70
30-Year	50	50	50	50	50	50	50	50	45	49	44	48
Maximum Issue Ages — NY												
	M	F	M	F	M	F	M	F	M	F	M	F
10-Year	70	70	70	70	70	70	70	70	70	70	70	70
15-Year	65	65	65	65	65	65	65	65	65	65	65	65
20-Year	60	60	60	60	60	60	60	60	60	60	60	60
30-Year	50	50	50	50	50	50	50	50	50	50	50	50

The premium for the rider duration is shown on the policy schedule. The premium for subsequent years is shown in the table of maximum annual premiums for the Level Term Rider on the policy schedule. Rider premiums are payable at the same time and interval as the base policy. There is no fee on the Level Term Rider.

Increases in coverage are not allowed. Decreases in coverage are allowed on policy anniversary only. Coverage cannot go below \$50,000 of face amount.

Coverage is convertible to age 75 and to the same risk class. It may be converted to any individual permanent life insurance product made available at the time of conversion. No conversion credits.

The rider will terminate under any of the following circumstances: when the policy terminates or lapses (including exercising extended term or reduced paid up options), on the first monthly date after the policyowner gives notice, when the rider is converted to a new policy and on the anniversary the insured is insurance-age 98.

The rider may be voluntarily terminated at any time and the company will refund the unused premium. The rider may be reinstated upon reinstatement of the base policy.

One-Year Term Rider  
(Form OYTRWL 11-10/  
FA 8669 NY)

Provides the policyowner with the opportunity to purchase coverage for temporary needs. The company will pay the beneficiary the amount of term insurance in force at the time of the insured's death. The minimum face amount is \$25,000. The maximum amount of one-year term that can be issued is ten times the face amount of the base policy. This 10:1 ratio applies in all years the rider is purchased. The rider is issued at the following ages and underwriting risk classes and is renewable to age 98:

- 18 - 75 Preferred Plus
- 18 - 80 Preferred
- 18 - 80 Select Nontobacco
- 18 - 85 Standard Nontobacco
- 18 - 80 Preferred Tobacco
- 18 - 85 Tobacco
- 0 - 17 Juvenile

The rider may be issued at the same time as the base policy or at a later date. If the rider is issued after the policy, a supplemental policy schedule is issued reflecting the rider specifications. As applied to the rider, the contestable and suicide periods will be measured from the rider date of issue.

The company will determine the rider's share annually, if any, and include it in the policy dividend. Dividends are expected to be paid starting at the end of the second policy year.

The premium for the first rider year is shown on the policy schedule. The premium for subsequent years is shown on a per \$1,000 basis and is based on the insured's attained age. Rider premiums are payable at the same time and interval as the base policy.

The policyowner can make changes on any rider anniversary after the first anniversary. Term insurance under this rider may be added or renewed for additional term periods. The amount of coverage may be increased or decreased; however, increases or additions in rider coverage may require proof of insurability.

The rider may be converted to any permanent plan of insurance made available by us for such purpose at the time of conversion. The new policy will be in the same risk class and the amount of the new policy may not be greater than the coverage on the rider. Conversion is available, without proof of insurability, under the following circumstances:

- No premium is in default and this rider is in force on the conversion date.
- The amount of the new policy is at least \$25,000 (or the minimum face amount for the product to which it converted).
- A written application is received before the end of the conversion period as shown on the schedule.
- The insured is not disabled and eligible for benefits under a Total Disability

Benefit Rider attached to this policy.

Conversion can be extended in special situations when disability begins before age 60 and extends beyond the conversion period.

The rider will terminate when the policy terminates or lapses (including exercising extended term or reduced paid-up options), on the first monthly date after the policyowner gives notice, when the rider is converted to a new policy with the payment of an accelerated benefit, or on the anniversary the insured is insurance-age 98. The rider may be voluntarily terminated at any time and unused premium will be refunded. The rider may be reinstated upon reinstatement of the base policy.

Flexible Paid-Up Rider  
(Form FPURWL or  
FPURWL NY)

The Flexible Paid-Up Rider adds value to a whole life insurance policy by providing additional death benefit protection and quickly building the policy's cash value. It recognizes real life conditions and doesn't lock your clients in to annual premiums for paid-up insurance. It enables clients to choose when they want to purchase paid-up insurance, to pay more or less than their scheduled premium and even to skip premiums if necessary.

The Flexible Paid-Up Rider is available only at issue and is subject to underwriting. The Flex Paid-Up Rider scheduled premium amount is determined at the time of policy issue and clients must pay that amount in year one. In year one, the maximum Flexible Paid-Up Rider premium is ten times the standard base premium plus the policy fee. After year one, the maximum Flexible Paid-Up Rider premium is four times the standard base premium plus the policy fee.

After year one, clients have the flexibility to pay more or less than the scheduled premium or even skip a premium. They can also decide when they want to pay the premium. Premiums for the Flexible Paid-Up Rider can be billed on a mode that is different from the base policy premium mode.

The minimum Flexible Paid-Up Rider premium is 70% of the Flexible Paid-Up Rider scheduled premium. The maximum Flexible Paid-Up Rider premium is 120% of Flexible Paid-Up Rider scheduled premium.

Clients may skip scheduled Flexible Paid-Up Rider premium two times in any three-year period. They can make unscheduled Flexible Paid-Up Rider premiums at any time as long as the total annual premium for Flexible Paid-Up Rider does not exceed 120% of Flexible Paid-Up Rider scheduled premium.

If a client chooses to pay less than 70% of the Flexible Paid-Up Rider scheduled premium for three consecutive years, the Flexible Paid-Up Rider scheduled premium is adjusted to the largest amount paid in the last three years.

There is no charge for the Flexible Paid-Up Rider. Clients are charged an expense charge only if the premium for purchase of paid-up insurance exceeds 150% of the annual base policy premium. The expense charge is 0% up to 150% of the annual base policy premium and 8% above 150% of the annual base policy premium. Charges are guaranteed at time of issue. Maximum charge allowed under this rider is 10%.

Total Disability Benefit  
(form TDBRWL 11-10  
or FA 8670 NY  
in New York)

Pays the monthly benefit amount as premium payment during continued covered disability. Benefits are determined on an annual premium basis, but are credited at the interval of payment in effect when the total disability began.

This rider is available to insured's up to age 55 and will remain on the policy to age 65.

Benefits begin on the monthly date after the six month waiting period. For disabilities that occur prior to age 60, the benefit will be credited during that disability. For disabilities occurring on or after age 60, but before age 63, the benefit will be credited only toward premium due before age 65 and during disability. For disabilities occurring on or after age 63, but before age 65, the benefit will be credited only during the two year period after that disability begins and while it continues. As used in this rider, "age 60", "age 63" and "age 65" means the annual date that is nearest the insured's 60th, 63rd and 65th birthdays, respectively.

Total disability is defined as that which results from bodily injury or disease, lasts for at least six months, begins before age 65, and continuously prevents the insured from engaging in "an occupation for pay or profit." After the first 24 months of disability, "an occupation" means any occupation for which the insured is or becomes reasonably suited by education, training or experience. "Occupation for pay or profit" includes being a full-time student or a homemaker, if that was the insured's regular occupation at the time disability began. Total disability also includes the total and irrevocable loss of sight and the use of limbs as provided in the rider.

The Total Disability Benefit Rider amount may be for the amount of the total premium for the policy or it may be for less. The minimum rider amount will be equal to the base policy annual premium plus the annual policy fee. The maximum amount that may be issued under this rider is \$4,000 per month. (For persons who are not self-supporting from earned income, the limit is \$400 per month.)

The benefit provided by the rider will be credited toward payment of the premium for the policy and any riders. If the One-Year Term Rider is the only rider attached to the policy, the benefit applies toward payment of premium for term insurance at the same level of coverage provided by the rider during the policy year immediately preceding the disability. Any remaining premium for the term insurance will be paid in cash. If the Paid-Up Additions Rider is the only rider attached to the policy, the benefit applies toward the purchase of paid-up insurance.

Premiums are payable in full until we have approved a claim for total disability. We will refund any premium paid, or portion thereof, which is later credited under the rider.

Notice and proof of the insured's total disability must be given to the company, during the life of the insured, within one year after disability begins and while the insured is totally disabled. Proof of continuance of total disability must be provided as reasonably required.

No benefit is payable on account of intentionally self-inflicted injuries or an act of declared or undeclared war while the insured is a member of the armed forces. If the benefit amount would disqualify the policy as life insurance, or if the policy has been terminated, the benefit will be paid directly to the policyholder.

The rider will terminate when the policy terminates (including exercising extended term or reduced paid-up options) or on the first monthly date after the policyowner gives written notice or at age 65 of the insured. This rider is available to insured's up to age 55.

Waiver of Premium  
(form WPR 11-10,  
in New York form  
FA 8664 NY)

Waives the premium on the base policy and all riders except the Paid-Up Insurance riders, and the policy to remain in force during continued disability. Premiums will be waived at the payment interval in effect when disability began.

This rider is available to insured's up to age 55 and will remain on the policy to age 65.

Benefits begin on the monthly date after the six month waiting period. For disabilities that occur prior to age 60, premium will be waived during that disability. For disabilities occurring on or after age 60, but before age 63, premium will be waived only before age 65 and during disability. For disabilities occurring on or after age 63, but before age 65, premium will be waived only during the two year period after that disability begins and while it continues. As used in this rider, "age 60", "age 63" and "age 65" means the annual date that is nearest the insured's 60th, 63rd and 65th birthdays, respectively. Total disability is defined as that which results from bodily injury or disease, lasts for at least six months, begins before age 65, and continuously prevents the insured from engaging in "an occupation for pay or profit." After the first 24 months of disability, "an occupation" means any occupation for which the insured is or becomes reasonably suited by education, training or experience. "Occupation for pay or profit" includes being a full-time student or a homemaker, if that was the insured's regular occupation at the time disability began. Total disability also includes the total and irrevocable loss of sight and the use of limbs as provided in the rider.

The amount of premium waived will be equal to the annualized premium on the policy, except for the premium for any Paid-Up Insurance Riders.

Premiums are payable in full until we have approved a claim for total disability. We will refund any premium paid, or portion thereof, which is later credited under the rider.

Notice and proof of the insured's total disability must be given to the company, during the life of the insured, within one year after disability begins and while the insured is totally disabled. Proof of continuance of total disability must be provided as reasonably required.

The rider will terminate when the policy terminates (including exercising extended term or reduced paid-up options) or on the first monthly date after the policyowner gives written notice or at age 65 of the insured. This rider is available to insured's up to age 55. The monthly charges for this rider are based on the insured's attained age, sex and underwriting classification. The rider may be reinstated upon reinstatement of the policy.

## issuing business

Application	<p>The application requests the information needed to issue the policy and is the basis upon which a policy is issued. Be sure to use the correct state variation and indicate on the application what product the client is applying for.</p> <p>Use the short form application (UN 92) for face amounts between \$10,000 and \$24,999. This application can be accessed on Producer Workbench and via eApply.</p> <p>All forms necessary for these policies are available on the Document Locator under the Forms and Applications tab. Delays and withholding or reversal of commission can be avoided by giving attention to detail when completing the application. Approximately 60 percent of amendments are due to: unanswered questions, incomplete information about the plan, incomplete information about the amount of insurance and lack of detail regarding consultations with attending physicians.</p>
Risk amendments	<p>Used when there is no risk to the company until the amendment is signed. For example, risk amendments are needed for rated policies and benefit amounts different from that shown on the application. Commissions may be restricted until the amendment is signed and received in the company. To facilitate this process, please return the amendment through the Secure Messaging System, fax or mail.</p>
Nonrisk amendments	<p>Used for such things as clarification of beneficiary or date of birth. Commissions will be paid on nonrisk amendments. However, it is important the agent have the amendment: (1) signed at the time of delivery and (2) promptly returned to the company. Remember, signing the amendment completes the contract.</p>

Illustrations	All applications (including for face amounts from \$10,000 to \$24,999) must be accompanied by an illustration signed by the client. The signed illustration must reflect values consistent with those in the policy for which the client has applied. When a signed illustration agreeing to the policy applied for is not available, an unsigned illustration must be submitted with the Policy Illustration Certification UN 0008 (not available in MI and NY). This certification does not replace a signed sales illustration. At time of policy delivery, you must present to and have the client sign an illustration consistent with the policy being delivered. The signed illustration must then be returned to the company within 30 days to complete the underwriting process and to avoid commission being withheld or reversed. This requirement also applies in the case of rated policies. Illustrations should be prepared using the same premium mode as the policy.
Underwriting	A complete set of underwriting guidelines may be requested from the Underwriting Department but this information about deviations from standard ratings may help you.
Rating Classifications	Preferred Plus Nontobacco, Preferred Nontobacco and Select Nontobacco rating classifications are available and based on mortality that is anticipated to be better than standard mortality. To qualify the insured must not only be a standard risk, but must also meet additional selection criteria designed to achieve the improved mortality.
Rated Policies	You will be informed when a policy is approved with a rating and the policy will not be issued until you approve it. You are uniquely equipped, through contact with the prospective owner, to redesign the presentation in light of the rating. The illustration program includes the ability to reflect ratings.
Delivery of the Policy	Policy delivery should take place immediately after you receive the policy.
Delivery Receipt	Delivery receipt is included with each policy. It must be completed and returned to the company. This is important because the delivery receipt establishes the date on which the free-look period begins.
Change of Insurability	A policy should not be delivered if the proposed insured's insurability changes after the date of the application, even if the premium has been collected and a conditional receipt has been given. Hold the policy and immediately contact the underwriter.

## client communication and rights

Annual Report	We will send the policyowner an annual report shortly after each policy anniversary. The report will show the current cash value of the policy, the premium and the death benefit for the base policy and riders; the dividend, death benefit and cash value of any paid-up additions purchased with dividends; and the amount of any loans.
Free Look Period	If policyowner is not satisfied with a policy, it may be canceled during the freelook period, which expires 20 days after the policyowner receives the policy. Depending on the issue state, if the policy is a replacement, the free-look period may expire in 30 days. If the policyowner cancels the policy, any premiums paid minus any partial withdrawals will be refunded within 10 calendar days. The policyowner must return the policy to the company or its representative, and the policy will be deemed void from the beginning.
Suitability Guidelines	You must have reasonable grounds for believing that this product is suitable for your client based on the facts disclosed by your client about the client's investments, other insurance products, financial situation and needs. You shall make reasonable efforts to obtain information concerning: (1) the client's financial status, (2) the client's tax status, (3) the client's investment objectives and (4) such other information used or considered to be reasonable by an agent in making recommendations to the client.

## income tax considerations

Generally, life insurance death proceeds are free of federal income tax. When a policy is surrendered, the gain (usually the difference between the cash value and premiums as reduced by dividends) is subject to income tax. When the policy values are annuitized, the gain is spread over the annuity period. When values are removed from an in force policy through surrenders of paid-up insurance, surrenders of dividend additions, reductions in the face amount of the base policy and the like, such distributions may be subject to income tax to the extent of the gain involved. The rules for determining any applicable tax are complex and depend on how long the policy has been in force. The principal exception to these statements occurs if a policy dividend is paid annually in cash. Dividends paid out annually are not subject to income tax until they exceed the premiums paid.

Certain sales illustrations call for surrenders of policy values at various times. In some cases, some portion of the surrender is subject to tax. While this possibility usually is a minor consideration in these illustrations, it should not be ignored. A policyowner should be advised to seek competent legal or tax counsel.

A Modified Endowment Contract (MEC) is a life insurance policy issued on or after June 22, 1988, which fails the seven-pay premium test. The test period starts at issue and lasts seven years; a new test period starts whenever the life policy incurs a material change. A policy can also be a MEC if the policy was issued on or before June 20, 1988, if it has had a material change (i.e. increased or exchanged) and fails the seven-pay test, within seven years after the date of the change. Once a policy becomes a MEC it will always remain a MEC.

Under a MEC, distributions are included in taxable income up to the amount of gain in the contract. Any gain is deemed to be distributed before the investment in the contract. Gain is the difference between the cash surrender value before reduction by any surrender charge and the policyowner's investment in the contract. Investment in the contract basically equals the premiums paid less any prior distribution received tax-free.

Policy loans from a MEC would also be considered a taxable distribution unlike a policy which is not a MEC.

In addition, there is a 10% IRS tax penalty applied to the amount of any pre-death distribution from a MEC that is includable in gross income. There are three exceptions to this additional tax: 1) The taxpayer is at least age 59½; the taxpayer has become disabled or 3) the distribution is part of a series of substantially equal periodic payments, such as an annuity, over the lifetime of the taxpayer.

Section 7702A(b) defines the seven-pay test as follows: "A contract fails to meet the seven-pay test of this subsection if the accumulated amount paid under the contract at any time during the first seven contract years exceeds the sum of the net level premiums which would have been paid on or before such time if the contract provided for paid-up future benefits after the payment of seven level annual premiums.

*The information presented here is not intended as tax or other legal advice. For application of this information to your client's specific situation, your client should consult an attorney.*



In approved states, Keystone Whole Life (form 3013) is issued by Ameritas Life Insurance Corp. located at 5900 O Street, Lincoln, NE 68510. In New York, Keystone Whole Life (form FA 8612 NY is issued by Ameritas Life Insurance Corp. of New York located at 1350 Broadway, Suite 2201, New York, NY 10018.

Policy and riders may vary and may not be available in all states.

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