

# CUSTOM ACCUMULATOR<sup>®</sup>

North American Company

## Universal life insurance for financial protection and cash accumulation

Marketing Guide



**North American Company**  
for Life and Health Insurance  
Since 1886

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SOLICITATION PURPOSES.**

PR-1084 R3 9/11





## Marketing Custom Accumulator

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Universal life insurance offers death benefit protection and may be used as an estate planning tool for many clients who are conscious of the tax ramifications for their accumulated assets, particularly as they head toward retirement. Typical concerns these clients express are protection of assets, tax-deferred growth, accessibility of assets in an emergency to supplement income, and tax advantages upon distribution of assets.<sup>1</sup>

Custom Accumulator® universal life insurance provides lifetime death benefit protection and addresses these concerns. Plus it offers additional advantages:

- Return of premium
- Low net cost loans
- Strong cash value accumulations

With these advantages, Custom Accumulator may be the ideal fit for your clients considering:

- Asset reallocation
- An annuity transfer when there are no plans for annuitization
- College funding<sup>2</sup>

1. Neither North American nor its agents give legal or tax advice. Please advise your customers to consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements.
2. College Funding: The primary purpose of life insurance is to provide a death benefit to beneficiaries. Because of the uncertainty surrounding all funding options except savings, it is critical to encourage your clients to make personal savings the cornerstone of your clients' college funding program. However, even a well-conceived savings plan can be vulnerable. Should your clients die prematurely, their savings plan could come to an abrupt end. To protect against this unexpected event, life insurance may be the only vehicle that can help assure the completion of a funding plan. In addition to the financial protection aspect of insurance, the tax-deferred buildup of cash values can be part of clients' college savings plan. Generally, if the policy is not a Modified Endowment Contract then tax-free withdrawals can be made up to the contract's cost basis. Moreover, if the policy is not a Modified Endowment Contract then loans in excess of the cost basis are also tax free as long as the policy remains inforce.

## Asset Protection and Reallocation

Custom Accumulator can provide the policyowner a guaranteed return of premium (available as policy cash surrender value) throughout the first 10 policy years (seven years for issue age 65+). This is an attractive benefit especially for your clients who have assets available to them in a lump sum that they wish to reposition, such as an annuity transfer when there are no plans for annuitization, or a 1035 transfer.

The return of premium feature can be beneficial for your clients who wish to leverage currently taxed savings and investment vehicles into one option that provides an immediate estate value increase.<sup>1</sup>

## Special Market Niche

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### College and Near-Term Planning

Prospects planning to borrow funds for college or near-term needs will appreciate Custom Accumulator's low net cost loans in the first 10 policy years and 0% net cost loans in years 11 and beyond. See page five for loan details.

Custom Accumulator also features the Chronic Illness Accelerated Benefit Rider, which is automatically included.<sup>2</sup> Your clients will appreciate this value-added benefit as a means to help maintain their quality of life and financial security, should they be diagnosed with a chronic illness.<sup>3</sup> They'll also appreciate that the Chronic Illness Accelerated Benefit Rider is included as part of their coverage at no additional premium at issue! See page eight for more information.

Illustrate a case today to see how Custom Accumulator performs for your clients!

1. Neither North American nor its agents give legal or tax advice. Please advise your customers to consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements.
2. Subject to issue age and underwriting requirements.
3. Physician certification required to exercise this benefit.



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## Custom Accumulator Product Specifications

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The following product details are highlights of Custom Accumulator. You may also visit our distributor Website, the Producer's InfoNet® at [www.producersinfonet.com](http://www.producersinfonet.com).

Also, be sure to consult our illustration software—you'll find helpful tools that are designed to provide answers quickly and easily!

### Minimum Face Amount

- \$50,000

### Issue Ages

- 15 days- 75 years (age nearest)

### Minimum Premium

- For clients ages 64 and younger at issue, coverage is guaranteed for ten years provided the no lapse guarantee minimum premium is paid during the first ten policy years (coverage guaranteed for five years for issue ages 65-75).
- On a current and guaranteed basis, the policyholder is allowed to "catch up" on the no lapse guarantee minimum premium.

Please consult our illustration software for premium rates.

### Target Premium

- Target Premiums are based upon age, gender, specified amount, death benefit option, underwriting class, riders and ratings.

Please consult our illustration software for Target Premium rates.

## Return of Premium

The premium paid within six months of the policy issue date is measured against a tabular formula based on age, gender, specified amount, underwriting class, riders and ratings. Meeting the Return of Premium threshold requirement guarantees the policy surrender value amount will never be less than the sum of the premiums paid to the surrender date multiplied by the Return of Premium percentage (as noted in the table below) less the cost of riders, any loan balance, and partial surrenders. The Return of Premium percentage varies by policy year and issue ages:

Return of Premium %	Policy Year
95%	first 5 policy years
100%	policy years 6-10 (through issue age 64), policy years 6-7 (issue ages 65+)

### Example: How Return of Premium Works

Assume that a 50-year old, Super Preferred Non-Tobacco male purchasing a \$500,000 level death benefit Custom Accumulator policy (with no riders) pays a \$130,000 premium within the first six months of the policy issue date and makes no loans or withdrawals during the first year. According to an illustration from North American's Illustration Software, the premium is sufficient to meet the Return of Premium requirements. The amount available for surrender during the first policy year is then guaranteed to be \$123,500. Any premiums paid in the first six months of the policy's effective date apply toward the premium needed to qualify.



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## Interest Rate

- 2.5% guaranteed in all years is credited to the account value.
- 1.0% bonus in year 6+ on a non-guaranteed basis (bonus interest not applied to loaned funds).

## Withdrawals

- Partial withdrawals are available starting in the second policy year.
- The maximum cumulative withdrawal in policy year two is equal to 25% of the cumulative premium paid to date less the cumulative annual minimum premium requirement, less all prior withdrawals.
- In each successive policy year, the withdrawal availability increases by 25%, capped at 100% starting in policy year five through the end of the Return of Premium period. Note, however, that during the Return of Premium period any withdrawal amount cannot exceed the greater of the surrender value or the Return of Premium Benefit, if applicable.
- Payment of at least the minimum annual premium preserves the maximum withdrawal availability.

## Surrenders

- Surrender charges decrease on a monthly basis for policy years 1 through 15.
- Surrender charges vary by age, gender, issue class and amount of coverage.
- Consult illustration software for surrender charges for all ages and durations.

## Loans

- Loans are available. Please refer to the illustration software for the current loan interest rate. The policy loan interest rate is guaranteed not exceed 8% in the first 10 policy years and 2.5% thereafter.

In some situations loans and withdrawals may be subject to federal taxes. North American Company for Life and Health Insurance does not give tax or legal advice. Clients should be instructed to consult with and rely on their own tax advisor or attorney for advice on their specific situation.

- During the first 10 policy years, loaned policy values are credited the same current rate, excluding the interest bonus, as un-loaned policy values.
- Beginning in the 11th policy year both the loan interest rate and the crediting rate on loaned policy values is set to 2.5%, which results in a 0% net loan cost.

## Death Benefits

There are two Death Benefit options with Custom Accumulator:

- Level Death Benefit, where the death benefit is at least the Specified Amount.
- Increasing Death Benefit, where the death benefit is at least the Specified Amount plus the Account Value in the policy.

## Maturity Date

- To age 120, age nearest birthday

## Specified Amount Changes

Increases

- Available after the first policy year with satisfactory evidence of insurability
- Minimum increase amount is \$25,000

Decreases

- Available after the second policy year
- Minimum decrease amount is \$5,000-  
specified amount may not be decreased below \$50,000
- Subject to surrender charges



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# Riders and Endorsements

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## Accelerated Benefit Endorsement

The owner can request an advance of up to 75% of the policy's specified amount (up to \$250,000) upon a physician's certification that the insured is suffering from a terminal illness, which would likely result in death within two years. The endorsement is not available to insureds rated over Table 4 or on policies that contain a flat extra due to medical reasons. There is no additional cost for this benefit. May not be exercised at the same time as the Chronic Illness Accelerated Benefit Rider.



## Chronic Illness Accelerated Benefit Rider<sup>1</sup>

This accelerated benefit rider advances a portion of the death benefit if the insured is chronically ill, which is defined as permanently unable to perform at least two of the six Activities of Daily Living or has a severe cognitive impairment. The rider is not available to insureds over issue age 75, or on insureds rated higher than Table 4 or on policies that contain medical flat extras. An administrative fee is required at the time of election. There is no additional premium required for this benefit. Since the payment is made prior to death, the death benefit will be reduced by more than the actual amount received. The exact discount will depend on the age at election, as well as the specifics of the policy at that time. Additional exclusions and limitations apply. May not be exercised at the same time as the Accelerated Benefit Endorsement. Refer to the Chronic Illness Accelerated Benefit Rider guide (PR-1080) for complete details.



1. Chronically ill is defined as permanently unable to perform at least two of the six Activities of Daily Living (bathing, continence, dressing, eating, toileting and transferring) without substantial assistance from another person. Chronic illness also includes severe cognitive impairment, which means the insured requires substantial supervision by another person to protect him or herself from threats to health and safety due to a severe cognitive impairment. (In MN, chronically ill is defined as an insured having a condition that requires Continuous Confinement in an Eligible Institution and expected to remain there for the rest of his or her life.



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## Additional Riders

Additional riders available for Custom Accumulator are:

- Accidental Death Benefit Rider
- Children's Term Insurance Rider
- Guaranteed Insurability Rider
- Waiver of Monthly Deductions Rider

North American's illustration software can illustrate cases that include these riders.

## Policy Costs

- Monthly administrative fee is \$7.50.
- Guaranteed premium load assessed is a maximum of 7% in all years.
- Current target premium load is 7% in policy years one through 10, however this charge is waived on premium in excess of the target premium received within the first six months of policy issue. Current target premium load is 3% in policy years 11+.
- Excess premium load is 7% in policy month seven through policy year ten. A 3% excess premium load is applied in policy years 11+.
- Guaranteed cost of insurance charges based on 2001 CSO Ultimate, ANB, gender distinct, smoker distinct tables.

## Underwriting

Detailed underwriting requirements can be found in the Underwriting Guidelines brochure, PR-1147.

<b>Issue Ages (Age Nearest)</b>	<b>Specified Amount: \$50,000 to Mamimum*</b>
<b>15 days- 17 years</b>	Standard NT
<b>18 years- 75 years</b>	Super Preferred NT Preferred NT Standard NT
<b>18 years- 70 years</b>	Preferred TB Standard TB

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

### Substandard

Table ratings are available for both medical and non-medical reasons for issue ages 18-75, and are applied under the following guidelines:

- Table ratings are 25% per table for COI rates and minimum premiums
- Table ratings are 10% per table for target premiums
- Table ratings are applied to the Standard Non-Tobacco or Standard Tobacco rates

Flat extras may be applicable for issue ages 18-75, and are applied under the following guidelines.

- Non-medical flat extras are applied to all rate classes except Super Preferred NT, Preferred NT ages 71+, and Preferred TB ages 71+
- Medical flat extras may be applied to the Standard Non-Tobacco and Standard Tobacco rates
- Temporary flat extras are non-commissionable



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Custom Accumulator is issued on policy form series LS165B, Accelerated Benefit Endorsement is issued on form series LR352A, Accidental Death Benefit Rider is issued on form series LR370A, Children's Term Insurance Rider is issued on form series LR458, Chronic Illness Accelerated Benefit Rider (Accelerated Benefit Rider for Continuous Confinement in MN) is issued on form series LR450A, Guaranteed Insurability Rider is issued on form series LR373A, Waiver of Monthly Deductions Rider is issued on form series LR416B or state variations by North American Company for Life and Health Insurance, Administrative Office, Sioux Falls, SD 57193.

Products, features, riders, endorsements or issue ages may not be available in all jurisdictions. Limitations and restrictions may apply.



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**We're Here for Life®**  
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