



EXCLUSIVELY DISTRIBUTED BY



# Living Life by Design

INDEXED UNIVERSAL LIFE  
BUYER'S GUIDE

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## Financial Strength Ratings

For Life Insurance Company of the Southwest  
as of July 1, 2019

### **A (EXCELLENT)**

A.M. Best

Third highest of 16 rankings

### **A+ (STRONG)**

Standard & Poor's

Fifth highest of 21 rankings

### **A2 (GOOD)**

Moody's

Sixth highest of 21 rankings

Ratings are subject to change

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# Introduction

Whether you are growing your career, family or business, nearing retirement or already enjoying your retirement years, financial security is always a high priority. And while everyone's personal finances and goals differ, we all share the same concerns.

- What would happen to my children if I were to die?
- How can I maintain my lifestyle, meet obligations, set money aside for emergencies and still save for retirement?
- If anything happened to me, would my family be able to stay in our home?
- Would there be enough money for my family to maintain their lifestyle?
- Will I be able to afford to send my kids to college?
- How do I save enough towards retirement?
- Will I outlive my retirement savings?
- How much of my savings will go to health care expenses?
- How can I leave the greatest legacy and protect my estate from significant taxes and settlement costs at death?

Living Life by Design Indexed Universal Life (IUL) insurance helps to provide the opportunity and flexibility to meet the challenges of creating a secure financial future in a single contract:

- Income tax-free<sup>1</sup> death benefit for your beneficiaries.
- Potential for tax-deferred accumulation of cash value.
- Option to earn a guaranteed<sup>2</sup> fixed interest rate
- Tax-free distribution of cash value through loans and withdrawals.<sup>3</sup>
- Potential to guarantee a stream of lifetime income at retirement through the Lifetime Income Benefit Rider (LIBR)<sup>4</sup> once qualifications are met and the rider is exercised.

## Required for all Applicants in the state of Arkansas

This Buyer's Guide reviews important points to consider when purchasing Living Life by Design Indexed Universal Life (IUL). Please read this document carefully. There are many different types of life insurance to choose from and we want to make sure you understand how your IUL product will work along with what benefits you can expect. After you have read this Buyer's Guide, and should you decide to buy, please initial each page then sign and date the last page to acknowledge that you understand this product. Your signature also confirms your agent has explained how Living Life by Design works and has answered any questions you may have.

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# Flexibility Highlights

- Premium flexibility
- Death benefit flexibility
- Flexible interest crediting strategies
- Easy access to policy values
- Living benefits

Living Life by Design gives you the flexibility to adjust both premium payments and the amount of insurance coverage you need.

Life insurance is the only financial tool that creates an immediate reservoir of funds that, at the death of the insured, can be used to pay off debt, replace lost income, and allow your loved ones to continue to maintain their lifestyles.

Indexed Universal Life Insurance is considered to be one of the most flexible types of life insurance available in the marketplace today. Living Life by Design allows you to adjust the amount of insurance coverage and the premiums paid to meet your changing financial situation.<sup>5</sup> You also have the potential to build tax-deferred cash value in your policy that can be accessed during your lifetime to meet unexpected emergencies, take advantage of opportunities, or to supplement retirement income.

## Premium Payments

Living Life by Design offers a flexible premium payment structure. You can make regular, level payments; change payment amounts; or you can skip payments altogether. It is important to remember, however, that you need to make premium payments sufficient to keep the contract in force. **Paying higher premiums than are necessary (or required) can result in significant tax-deferred cash value growth and ultimately, greater premium payment flexibility down the road.**

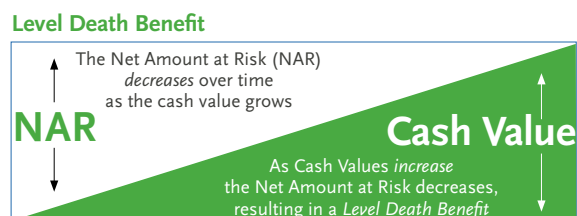
## Death Benefit Options

As your death benefit needs change over time, your policy's death benefit can be adjusted to meet those needs. Living Life by Design provides the flexibility to increase your death benefit within your policy, thereby eliminating the need for multiple policies. Additionally, as your focus shifts towards accumulating assets for retirement, you may decrease your death benefit and direct your premiums more toward cash value build-up.

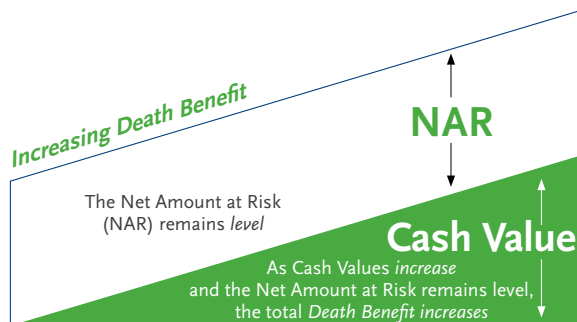
Living Life by Design offers two death benefit options; Level Death Benefit, where the death benefit remains level throughout the contract, and Increasing Death Benefit, an option that allows the death benefit to increase as the accumulated cash value increases.

Should your needs change after you've selected a death benefit option, you may switch options.

## IUL offers two death benefit options:



**Option A: Level Death Benefit** - Under Option A, your death benefit remains level for the life of the contract.



**Option B: Increasing Death Benefit** - Under Option B, your death benefit increases as your accumulated cash value increases.

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# Upside Potential with Downside Protection

Living Life by Design is a permanent life insurance product which combines pure insurance protection with cash value accumulation. Premiums paid in excess of the insurance cost accumulate interest, tax-deferred. These values can be accessed during your lifetime through withdrawals or loans.

With Living Life by Design you have options regarding how interest is credited to your cash value. You can choose to have a fixed interest rate applied or have interest credited based in part on changes in a market index. This kind of interest crediting strategy allows you to take advantage of changes in the market index without the risk of stock market losses. Minimum interest guarantees built into your contract ensure that your cash value will not decline due to decreases in the index.<sup>6</sup> It's a concept we call "upside potential with downside protection."

With Living Life by Design, you have the option of choosing to allocate the net premium (premium after insurance and administrative charges have been deducted) among five index crediting strategies based on the S&P<sup>®</sup> 500 index, Credit Suisse index and Hang Seng index.

Purchasing a Living Life by Design policy is not equivalent to investing directly in the stock market. The insuring company invests the premiums received in the following manner:

- A large portion is directed to a portfolio of government bonds, corporate bonds and mortgages. This portion of the investment of premium dollars is used to provide policy guarantees.

- A smaller portion purchases stock options. It is this portion of the investment of premium dollars that provides crediting potential.

Based on the options purchased, the company establishes the Cap and Participation Rate that will be applied to the changes of the S&P 500<sup>®</sup> index, the Credit Suisse index and the Hang Seng index. For information about Cap and Participation Rates see 'Calculating Earnings' on page 4.

## The S&P 500<sup>®</sup> Index

The S&P 500<sup>®</sup> is widely regarded as the best single gauge of the U.S. equities market. This world-renowned index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the S&P 500<sup>®</sup> focuses on the large-cap segment of the market it is also an ideal representative for the total market.

## Credit Suisse Balanced Trends 5% Index

This is a volatility-controlled Indexed Crediting Strategy whose returns are based on an index of a global multi-asset investment universe comprised of equities, bonds, real estate, commodities and cash. The Index is rebalanced daily to limit up or down volatility to 5%.

## Hang Seng Index

The Hang Seng Index is a market capitalization-weighted benchmark that tracks the 50 largest companies traded on the Hong Kong stock exchange.

### Historical Values\*

Dec. 14th of Year	S&P 500 <sup>®</sup> Index	1 Year Change	Credit Suisse Index	1 Year Change	Hang Seng Index	1 Year Change
2013	1,775.32	25.59%	189.70	7.57%	23,245.96	2.83%
2014	2,002.33	12.79%	214.55	13.10%	23,249.20	0.01%
2015	2,021.94	0.98%	213.65	-0.42%	21,309.85	-8.34%
2016	2,253.28	11.44%	221.09	3.48%	22,456.62	5.38%
2017	2,652.01	17.70%	242.93	9.88%	29,166.38	29.88%
2018	2,599.95	-1.96%	236.67	-2.58%	26,094.79	-10.53%

\* Historical performance is not indicative of future results.

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# Upside Potential with Downside Protection *continued*

## Interest Crediting (Upside Potential)

### Basic Strategy

All premiums are first paid into the Basic Strategy account. Once enough premium has been paid to cover the monthly insurance deductions for the coming year, all additional premium dollars will be allocated to the interest crediting strategy allocation of your choice. Premiums are allocated to the interest crediting strategies on the 14th of each month. The interest crediting rate for the Basic Strategy is guaranteed to be not less than 0.1% per annum.

Your Living Life by Design policy offers six choices of interest crediting options. They include a Fixed-Interest crediting strategy and five indexed crediting strategies.

### Interest Crediting Strategies

1. Fixed-Interest Strategy
2. Point-to-Point, Cap Focus
3. Point-to-Point, Participation Focus
4. Point-to-Point 1% Floor Option
5. Point-to-Point Credit Suisse Balanced Trend 5%
6. Point-to-Point Hang Seng

### Fixed-Interest Strategy

Premiums earn an interest rate declared by the company, credited on a daily basis, and guaranteed for one year. The minimum annual interest rate credited to funds in the Fixed-Interest Strategy is 0.1%.

### Indexed Crediting Strategies

Premiums allocated to the Index Interest Strategies have interest credited based on changes in the S&P 500 index, the Credit Suisse index and the Hang Seng index. Interest Credits will be based on the Index Growth, Cap and Participation Rates, for your strategy. Your Living Life by Design policy offers five Point-to-Point Strategies.

## Calculating Index Growth

### Point-to-Point Strategy

Index Growth equals the difference between the Index beginning value and Index ending value, such difference divided by the Index beginning value.

**For example:** Index beginning value = 1000, Index ending value (on the same date one year later) = 1150, Index Growth = 15%  $[(1150 - 1000) / 1000 = 15\%]$ .

This example is hypothetical only and does not represent actual index changes, or Cap and Participation Rates.

## Calculating Earnings

Once the Index Growth Percentage has been calculated, a Cap and Participation Rate may be applied to determine how much will actually be credited to account values.

### Participation Rate

The Participation Rate is the maximum percentage of the Index Growth that may be credited. For example if the Index Growth is 10% and the Participation Rate is 100%, the full 10% may be used to determine interest earned.

### Cap

The Cap is the maximum earnings percent that will be credited. For example, if the Index Growth is 10% and the Participation Rate is 100%, but the Cap is set at 6%, 6% is credited.

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## Accumulated Value Enhancement

For policies of less than \$1 million in face amount at issue, a bonus of 10% of the indexed interest credit may be credited to the policy starting in year 6. This bonus is applied to the policy when any indexed interest is credited and will be applied up to a maximum interest bonus of 0.75% of the accumulated value of the indexed segment.

### For example:

An indexed segment with an accumulated value of \$10,000 that receives a 9% indexed credit would be credited an indexed interest amount of \$900. This amount would then be used to calculate the bonus: the bonus amount of 10% is applied to the indexed interest credit of \$900 for a bonus of \$90. However, this bonus cannot be more than the maximum bonus, which is 0.75% of the indexed segment accumulated value:  $0.75\% \times \$10,000 = \$75$ . Since the maximum bonus (\$75) is less than the calculated bonus credit (\$90), a \$75 bonus is credited to the policy.

## Enhancer

For policies of \$1 million or more in face amount at issue, we offer three bonuses to choose from. These bonuses work similarly to the Accumulated Value Enhancement shown previously, but with a higher bonus percentage and maximum bonus amount. All of these bonuses are credited based on the amount of any indexed interest credit.

- **Enhancer:** a bonus of 15% of the indexed interest credit may be credited to the policy starting in the second policy year. This bonus will not exceed 1% of the accumulated value (there is no charge for this option).
- **Enhancer Plus:** a bonus of 35% of the indexed interest credit may be credited to the policy starting in the second policy year. This bonus will not exceed 3% of the accumulated value (there is a 1% charge for this option).
- **Enhancer Max:** this bonus will vary during the policy years in order to maintain costs. The bonus will be credited as follows:
  - **In Years 2 – 20:** a bonus of 85% of the indexed interest credit may be credited to the policy. This bonus will not exceed 7% of the accumulated value (there is a 3% charge for this period).
  - **In Years 21 – 30:** a bonus of 60% of the indexed interest credit may be credited to the policy. This bonus will not exceed 5% of the accumulated value (there is a 2% charge for this period).
  - **In Years 31 and beyond:** a bonus of 35% of the indexed interest credit may be credited to the policy. This bonus will not exceed 3% of the accumulated value (there is a 1% charge for this period).

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# Upside Potential with Downside Protection *continued*

## Interest Guarantee (Downside Protection)

If the index value declines, each index strategy provides at least a 0% Floor. This means that you have downside protection because the interest crediting rate will never be negative.

Living Life by Design also offers a Point-to-Point 1% Floor Option, if you seek additional downside protection. This means you will be credited 1% guaranteed, regardless of how much the index loses. At death or full surrender of your policy, the accumulated value will be equal to the greater of the current accumulated value or the guaranteed accumulated value. The guaranteed accumulated value is calculated based on a minimum guaranteed annual interest rate of 0.1%.

Projected values given in the illustrations for this product are not guaranteed. This contract complies with the minimum non-forfeiture requirements of your state.

## Which Index and Strategy Should You Choose?

The performance of the interest crediting strategies will vary over time, and by strategy. It cannot be determined in advance which strategy or index will perform best.

You may decide that you want to allocate your premium across multiple strategies in order to mitigate risk of zero or 1% returns. By doing this, you may be able to capture gains in one strategy even if another is performing poorly at the time.

## Systematic Allocation Rider<sup>7</sup>

The Systematic Allocation Rider, available at no additional charge, allows you to use your net premium (premiums after insurance and administrative costs have been deducted) from new premium or 1035 exchange and spread the money out over a 12-month period. Once elected, the money will be allocated from a fixed interest account to the different interest crediting strategies according to your wishes.

Systematic Allocation allows you to spread out your net annual premium over the year to help capitalize on more potential interest rate crediting dates and reduce risk associated with one annual crediting anniversary. It also gives you an efficient way to allocate a lump sum by allowing you to create one allocation schedule for the year without the monthly maintenance. Systematic allocation does not, however, guarantee an advantage over the annual crediting method.

## Policy Cash Values and Death Benefit

Another feature that Living Life by Design offers is the tax-deferred build-up of policy cash value and the ability to access that value during your lifetime, income tax-free, through policy loans and withdrawals. You can borrow or withdraw from the policy values to achieve your unique and personal objectives, including:

- Helping your children pay for college,
- Supplementing your retirement income,
- Taking advantage of opportunities,
- Meeting unexpected emergencies, or
- Reducing or eliminating out-of-pocket premium payments.

Withdrawals of policy values up to your basis in the policy (sum of your premiums) are received income tax-free.

Loans against your cash value are also received income tax-free. Additionally, policy loans do not have to be paid back within any specific time frame. Loan interest is charged on all outstanding loans and may be paid back or accrue into the loaned amount.

Living Life by Design is designed to be held for a long period of time. Surrendering your policy within 10 years of issue or after a face amount increase will result in surrender charges and the surrender value may be less than your original premium. However, face amount increases due to the Gap Protector Rider will not create a new surrender period.

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## Your Living Life by Design Policy features three loan options:

### 1. Participating Variable Loan

With a Participating Variable Loan, loaned Accumulated Value remains in the Interest Crediting Strategies and earns the same interest it would have earned in the absence of any loan. The “net cost” of the loan will depend on the interest credited in the Interest Crediting Strategies.

#### For Example:

Interest credited on the index account =	8.7%
Variable loan rate charged on loan =	5.7%
Net =	+3%
<b>or</b> Interest credited on the index account =	4%
Loan rate charged on loan =	5.7%
Net =	-1.7%

While the Participating Variable Loan method allows for potentially higher earnings, the net cost is not known in advance. To provide more predictable results, you may decide to use the Standard Loans method.

### 2. Participating Fixed Loan

A Participating Fixed Loan allows you to access your policy's cash value, while still potentially getting the benefits of an indexed crediting strategy. When an indexed loan is taken via participating fixed loans, loan collateral is charged a fixed rate and it will be placed in a separate indexed strategy known as the Indexed Loan Account, where it earns indexed credits.

On the 14th day of each calendar month any indexed loan holding account value will be swept to the Indexed Loan Account. The movement of loaned money out of the existing strategies will follow the deduction hierarchy. Capitalized loan interest will not be transferred to the Indexed Loan Holding Account. Interest will be credited to the indexed loan holding account value on a daily basis at a rate declared by the Company, subject to the annual guaranteed minimum crediting rate applicable for each product.

#### For Example:

Interest credited on the index account =	8.7%
Variable loan rate charged on loan =	5.0%
Net =	+3.7%
<b>or</b> Interest credited on the index account =	4.0%
Loan rate charged on loan =	5.0%
Net =	-1.0%

While the Participating Fixed Loan method allows for

potentially higher earnings, the net cost is not known in advance. To provide more predictable results, you may decide to use a Standard Loan.

### 3. Standard Loans

With a Standard Loan, loaned Accumulated Value is segregated from the interest crediting strategies and credited an interest rate. The interest rate credited to the segregated account will never be less than 0.1%. We are currently crediting interest to the segregated account at the Variable Loan Rate minus 0.50% in years 1-10 and at the Variable Loan Rate in years 11+.

#### For Example:

Interest credited on the segregated account =	5.20% years 1-10 5.70% year 11+
Loan rate charge on loan =	5.70%
Net =	-0.50% years 1-10; 0.0% years 11+

As long as the policy stays in-force until the death of the insured, and is not a Modified Endowment Contract, policy loans remain tax-free income. (A modified endowment contract happens when a policy is overfunded and, per tax code, loses some of the tax advantages of the policy. Your agent will help you design your policy to avoid this status.) If the policy were to lapse prior to death, a portion of the loaned amount may be taxed as income to the policy holder.

*Note: Loans and withdrawals will reduce the policy's death benefit and cash value. It may also become necessary for you to resume premium payments if the policy's cash value is not sufficient to cover the monthly fees and cost of insurance charges.*

### Overloan Protection

A powerful feature of your Living Life by Design policy is the Overloan Protection Rider.<sup>7</sup> This rider prevents the policy from lapsing when the loan amount exceeds the accumulated value and other requirements of the rider are met therefore preventing any reportable taxable gain to you. Exercising the rider results in a paid-up policy.

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# Helping to Meet Lifetime Needs

## Our Accelerated Benefit Rider (ABR)

Accelerated Benefits Riders<sup>9</sup> are optional, no-additional cost riders that can allow you to access all or part of your death benefit, while living, if you experience a qualifying terminal, chronic, or critical illness, or critical injury. The use of the benefit is unrestricted with the exception that ABR proceeds for chronic illness in the state of Massachusetts can only be used to pay for expenses incurred for Qualified Long-Term Care services.\*

Since the benefit is unrestricted, once you qualify, you can use the benefit for any expense. Expenses might include, but are not limited to:

- Household expenses
- Adult Day Care
- Home modifications
- Quality of life expenditures
- Nursing home care
- Regular bills

The terminal and critical illness riders and the critical injury rider pay a lump sum distribution; the chronic illness rider accelerates up to 2% of the death benefit each month (or 24% per year). Actual payments under the ABR riders are discounted and critical illness and critical injury benefits vary depending upon the severity of the disease.

## Lifetime Income Benefit Rider™ (LIBR)<sup>10</sup>

Outliving retirement income no longer has to be a fear. Once exercised, the Lifetime Income Benefit Rider guarantees you a stream of income for life at retirement once certain qualifications are met. This rider is automatically added to the policy at issue if approved in your state.

The benefit payments are deducted from the accumulated value through policy loans. Once the minimum threshold is met, the following events occur: the benefit payments will continue to be paid for the life of the insured; a one time charge will be deducted from the cash surrender value; all other monthly deductions will be terminated; and the death benefit and cash surrender value will continue to be reduced by the benefit payments until they reach respective minimum floors. Please consult the rider form for more details.

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\* Qualified Long-Term Care services are defined as: The necessary diagnostic, preventative, therapeutic, curing, treating, mitigating and rehabilitative services, and maintenance or personal care services that are required by a chronically ill individual and are provided pursuant to a plan of care prescribed by a licensed health care practitioner.

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- 1 Internal Revenue Code § 101(a)(1). There are some exceptions to this rule. Please consult a qualified tax professional for advice concerning your individual situation.
- 2 Guarantees are dependent upon the claims-paying ability of the insurer.
- 3 The ability of a life insurance contract to accumulate sufficient cash value to help meet accumulation goals will be dependent upon the amount of extra premium paid into the policy, and the performance of the policy, and is not guaranteed. Policy loans and withdrawals reduce the policy's cash value and death benefit and may result in a taxable event. Withdrawals up to the basis paid into the contract and loans thereafter will not create an immediate taxable event, but substantial tax ramifications could result upon contract lapse or surrender. Surrender charges may reduce the policy's cash value in early years.
- 4 Assuming necessary parameters are met. See page 13 for parameters. Receipt of rider benefits will reduce the policy's cash value and death benefit, may result in a taxable event and may reduce or eliminate other policy features and benefits.
- 5 It is possible that coverage will expire when either no premiums are paid following the initial premium, or subsequent premiums are insufficient to continue coverage. Increasing the death benefit will require additional underwriting approval.
- 6 Monthly deductions continue to be taken from the account value, including a monthly policy fee, monthly expense charge, cost of insurance charge, and applicable rider charges, regardless of interest crediting. Index universal life insurance policies do not directly participate in any stock or equity investments.
- 7 The Systematic Allocation Rider, form series ICC16/204431(0616), available at no additional charge, allows you to allocate your net premium (premiums after insurance and administrative costs have been deducted) from a lump sum or a 1035 exchange and spread the money out over a 12 month period. Once elected, your lump sum premium is placed into the Basic Account where policy costs will be deducted. From there, funds are swept from the Basic Account to the SA Account where each month, 1/12 is allocated to the chosen strategies. The remaining premium stays in the SA Account where it earns a fixed interest rate. Systematic Allocation allows you to spread out your lump sum over the 12 month period to capitalize on potential interest rate crediting dates and reduce interest rate risk associated with one annual crediting anniversary.
- 8 The Overloan Protection Rider, form series ICC19 / 20631(0119) is an optional benefit. There is no cost for the rider, however, there is a fee when the rider is exercised. Substantial limitations apply to exercising the Overloan Protection Rider, including that the policy be in force at least 15 years and the insured having attained the age of 75. This rider is not available in all states.
- 9 Accelerated Benefits Riders: form series 8052/8095/8165/8766/ICC10-8844/20287, ICC15-20287/20288, ICC15-20288. Riders are optional, may be subject to underwriting, exclusions and/or limitations and may not be available in all states or on all products. Receipt of accelerated benefits will reduce the cash value and death benefit, may be a taxable event and may affect a family's eligibility for public assistance programs. Please consult your 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 you, your spouse and your family's eligibility for public assistance. This rider is intended for favorable tax treatment under Section 101(g) of the Internal Revenue Code (26 U.S.C. Sec. 101(g)). Whether such benefits qualify depends on factors such as your life expectancy at the time benefits are accelerated or how the benefits are used.

There is no restriction placed on the use of the accelerated benefit with the exception that ABR proceeds for chronic illness in the state of Massachusetts can only be used to pay for expenses incurred for Qualified Long-Term Care services, which are defined as: The necessary diagnostic, preventative, therapeutic, curing, treating, mitigating and rehabilitative services, and maintenance or personal care services that are required by a chronically ill individual and are provided pursuant to a plan of care prescribed by a licensed health care practitioner.

The actual payment you receive will be less than the portion of the death benefit accelerated because the benefits are paid prior to death. Values are based on a current interest rate and mortality rates. There is an initial administrative fee at the time the rider is exercised. We currently limit the amount of death benefit that may be accelerated under all contracts made over the entire lifetime of the insured to \$1,500,000 for terminal illness and chronic illness, and \$1,000,000 for critical illness or critical injury. We reserve the right to change this limit in the future; however the limit will never be less than \$500,000. Other restrictions, limitations and waiting periods may apply.

Our Terminal Illness rider allows for the payment of a portion of an insured's death benefit, on a discounted basis, if the insured has an illness or chronic condition which can reasonably be expected to result in death in 24 months or less (12 months for CT, PA and VT). There is no additional premium for this rider.

Our Chronic Illness rider allows for the payment of a portion of an insured's death benefit, on a discounted basis, if the insured is Chronically Ill. A chronic illness is defined as one that leaves you unable to perform, without substantial assistance, two of the six normal activities of daily living for a period of at least 90 consecutive days due to a loss of functional capacity or requires substantial supervision to protect oneself from threats to health and safety due to severe cognitive impairment. The six activities of daily living include bathing, continence, dressing, eating, toileting, and transferring. There is no additional premium for this rider.

Our Critical Illness or Critical Injury riders allow for the payment of a portion of an insured's death benefit, on a discounted basis, if the insured is critically ill or critically injured. Covered critical illnesses are: ALS (Lou Gehrig's disease), Aorta Graft Surgery, Aplastic Anemia, Blindness, Cancer, Cystic Fibrosis, End Stage Renal Failure, Heart Attack, Heart Valve Replacement, Major Organ Transplant, Motor Neuron Disease, Stroke, and Sudden Cardiac Arrest. Covered critical injuries are: Coma, Paralysis, Severe Burns, and Traumatic Brain Injury. Covered critical illness or critical injury conditions may vary by state.

There is no additional premium for this rider.

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## Accelerated Benefits Riders (ABR) vs. Long-term Care (LTC) Insurance

Certain states require advertising for ABRs to provide a comparison to the benefits provided by LTC insurance. However, Accelerated Benefits provided by the ABR riders are not long-term care insurance, and are not intended to be the same as, or an alternative to, long-term care insurance.

ABR Riders are supplemental benefits that can be added to a life insurance policy and are not suitable unless you also have a need for life insurance. Receipt of benefits may reduce or eliminate the availability of other policy riders and benefits. Benefits available are calculated at time of claim based on the age of the policy and our expectation of your future mortality. The amount of Accelerated Benefit available will depend on your life policy's death benefit value when ABR benefits are claimed. For policies in good standing, if ABR benefits are not used, policy death benefits and other rider benefits are still available.

Long-term care (LTC) insurance is not life insurance, and as such, has no death benefit or cash value. LTC insurance benefits are specified at the time of the contract. LTC benefits are paid as a form of expense reimbursement for qualified long-term care expenses. By comparison, since there is no restriction placed on the use of ABR benefits, they are paid once qualifications are met, and do not require you to provide receipt of specific expenses to qualify for the benefit. LTC premiums vary based on the level and length of benefit chosen by the policyholder. Premiums are paid on a recurring basis, and failure to pay premiums will generally lapse the policy. If LTC benefits are not claimed, they are typically forfeited. LTC insurance policies may offer non-forfeiture benefits for additional premium.

This is a solicitation of insurance. An insurance agent may contact you.

10 The Lifetime Income Benefit Rider, form series 20266(0614), provides a benefit for the life of the insured if certain conditions are met, including but not limited to the insured's attained age being between age 60 and 85, and that the policy has been in force at least 10 years. Insufficient policy values, outstanding policy loans and other considerations may also restrict exercising the rider. Receipt of income benefits will reduce the policy's cash value and death benefit and may terminate other riders or reduce their benefits. There is a monthly charge from the accumulated value during the income payment period. Guarantees are dependent upon the claims-paying ability of the issuing company.

The Lifetime Income Benefit Rider is optional and available at policy issue. Benefit payments are funded via policy loans, which will reduce the policy's cash value and death benefit. The policyholder cannot make additional premium payments or request additional withdrawals or policy loans during the benefit payment period or the rider will terminate. Terminating the rider may result in a lapsed policy and substantial tax consequences.

Living Life by Design Indexed Universal Life (IUL), form series 20608 / ICC19-20608(0119) is underwritten by Life Insurance Company of the Southwest, Addison, Texas. Riders are optional, may require additional premium and may not be available in all states. The Participation Rate is the maximum percentage of the annual increase in the Index that will be credited. The Cap is the maximum earnings percent that will be credited. Participation Rates and Caps are subject to change annually for a given indexed segment. The minimum Guaranteed Participation and Cap rates are; Strategy 1, S&P 500, Point-to-Point, Cap Focus, PR = 100%, Cap = 3.1%; Strategy 2, S&P 500, Point-to-Point, Participation Focus, PR = 110%, Cap = 3.0%; Strategy 3, S&P 500, Point-to-Point, 1% Floor, PR=100%, Cap=2.1%; Strategy 4, Credit Suisse Point-to-Point, PR=50%, no cap limit; Strategy 5, Hang Seng Point-to-Point, PR=100%, Cap=3%.

Monthly deductions from the account value include a monthly policy fee, monthly expense charge, cost of insurance charge, monthly account value charge, and applicable rider charges. In addition there is a surrender charge if the policy is lapsed or surrendered in the first 10 years from issue or following an increase. Surrender charges vary based on gender, rate classification, issue age, and policy year.

Excess Interest Formula: Index earnings for each indexed segment are calculated at the end of the crediting period as follows: index growth is multiplied by the segment's participation rate, adjusted so that this rate is no greater than the segment's index earnings cap, and no less than The Floor; multiplied by the value in the indexed segment value. Failure to maintain the index segment to maturity (the next crediting date for the index strategy segment) will result in no participation in the index for that crediting period. Index earnings are not direct participation in any stock or equity investment.

There are two death benefit options from which to choose: Option A: Level Death Benefit = Face Amount; Option B: Increasing Death Benefit = Face Amount + Account Value. Upon death of the insured, a death benefit equivalent to the death benefit at the time of the insured's death less any policy debt and less other amounts owed to the insurance company will be paid to the beneficiary. The policy will then be terminated and all rights including access to the cash surrender value shall cease.

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I have read and the agent has explained the information presented on this page. \_\_\_\_\_ (initial)

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I have read and the agent has explained the information presented on this page. \_\_\_\_\_ (initial)

# Living Life by Design Indexed Universal Life Insurance

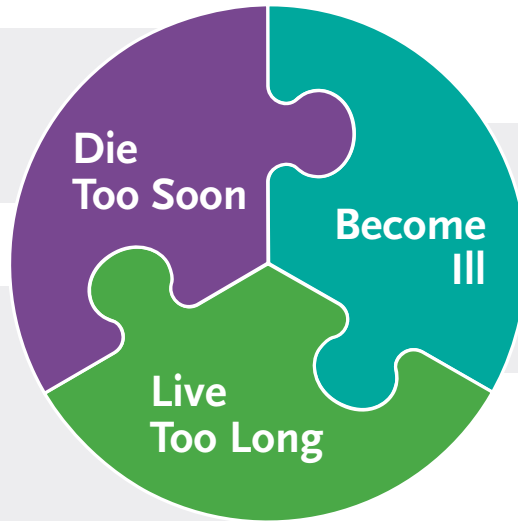
A financial solution in case you...

## Lifetime Protection

Protecting who and what you love is a top priority.

## Potential for Income for Life Guaranteed

Helping you make the most of your retirement.\*



## Living Benefits

Helping you and your budget survive a qualifying illness or injury.\*\*

## Required for all Applicants in the state of Arkansas

### Understanding

My signature as Applicant acknowledges that I have read and the agent has explained the contents of this Buyer's Guide. I understand that I am applying for an indexed universal life insurance policy that credits interest based on a formula that considers the change in the value of an external equity index but does not participate directly in the equity market. I understand that this original Buyer's Guide will be enclosed with my application and a copy of it will be sent with my Policy.

Print Applicant Name \_\_\_\_\_

Applicant Signature \_\_\_\_\_

Date \_\_\_\_\_

Print Agent Name \_\_\_\_\_

Agent Signature \_\_\_\_\_

Agent No. \_\_\_\_\_ Date \_\_\_\_\_

\* Provided by the optional Lifetime Income Benefit Rider once qualifications are met to exercise the rider. There is an additional premium for this rider.

\*\*Provided by the optional Accelerated Benefit Riders and may not be available in all states.

Centralized Mailing Address: One National Life Drive, Montpelier, VT 05604 | 1-800-732-8939 | [www.NationalLife.com](http://www.NationalLife.com)

No bank or credit union guarantee | Not a deposit | Not FDIC/NCUA insured | May lose value | Not insured by any federal or state government agency

Guarantees are dependent upon the claims-paying ability of the issuing company.