Life

Understanding indexed universal life

Single life consumer brochure

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Overview

In this guide you'll discover how indexed universal life (IUL) insurance works. You'll be provided with an overview, key terms, and specifics on how the policy gets credited interest. You'll also learn how to access the potential cash value through partial withdrawals, variable interest rate policy loans, and standard policy loans.

Whether you're considering life insurance for personal or business needs, North American has an IUL product to meet your coverage requirements. Your North American representative can help you determine which product is right for you.

Our indexed universal life insurance portfolio includes the following products.

Product	Description
Smart Builder IUL	For death benefit protection along with the potential to build early cash value, consider Smart Builder. For more information, see the consumer brochure.
Protection Builder IUL	If you're looking for a death benefit that's guaranteed* for the desired length of time, even up to age 120, along with the opportunity to build cash value, take a look at Protection Builder. For more information, see the consumer brochure.
Builder Plus IUL® 2	For death benefit protection along with the potential to build strong cash value, Builder Plus IUL 2 may be your answer. For more information, see the consumer brochure.

*The death benefit guarantee is provided through the Premium Guarantee Rider, and is subject to premium payment requirements. For information regarding this rider, please refer to the policy.

Indexed Universal Life Insurance

What is Indexed Universal Life Insurance?

Indexed universal life insurance (IUL) is permanent life insurance that offers death benefit protection when death occurs. Like other forms of permanent life insurance, your premium payments may earn interest and grow the cash value of your policy.

What differentiates IUL from other permanent life insurance is the way interest is credited to the policy. In addition to offering a traditional declared interest rate, IUL also offers the ability to earn interest that is linked to the movement of a selected stock market index over a specific period of time.

Even if the index goes down, your credited interest rate is never less than 0%. Guaranteed.

The manner in which interest is credited to your IUL policy gives you the potential for strong cash value accumulation. A key benefit to remember is that it offers protection from market risk. With IUL, you don't participate directly in the stock market and the credited interest rate is never less than zero percent, guaranteed.

Key Points

- The interest rate credited to the policy's index account value is based on the performance of the index or indices chosen and will never be less than zero percent.
- The premiums are not invested in any stocks, bonds, or equity investments.
- The index performance does not include dividends on the stocks that make up each index.
- The premium allocation to an Index Selection does not represent an investment in any index or market.

How North American's Indexed Universal Life Insurance Works

Indexed universal life insurance gives you the opportunity to earn tax-deferred interest[1] based in part on the performance of your **Index Selections** and/or **Fixed Account** selection. Remember, you are protected from market risk because you don't participate directly in the stock market.

- You can direct premiums to an account that offers a fixed rate of interest (the Fixed Account), to one or more Index Selections, or to a combination of both, depending on what is right for you.
- The Fixed Account earns interest at the company's declared rate. The interest rate for the Fixed Account is guaranteed never to be less than 1.5%.

When premium is allocated to a particular Index Selection, an **Index Segment** (or "bucket") is created and an **Index Period** begins. The Index Period is the length of time over which the index change is measured. Each premium has its own bucket.

Each Index Segment receives its own **Index Credit** (if any) on the **Index Crediting Date** (the first business day on or after the end of the Index Period).

The index credit is affected by partial withdrawals, and it is subject to the index participation rate, the index cap rate, the index floor rate, and the index spread rate. The index credit will never be less than zero.

- Index Segments automatically renew for another Index Period unless you request a transfer. If premiums are received on the same day as the beginning of an Index Period, they will be rolled into the same Index Segment.
- Transfers out of an index selection can only occur at the end of an index period.

Terms appearing in bold print are defined in the Glossary on page 15.

How Your Premium is Allocated: Understanding Premium Buckets

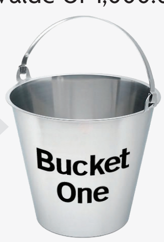
Premium may be received at different times, so North American's IUL products use Index Segments or "buckets." Each premium payment is handled as a separate bucket. A policy with monthly premiums could have a minimum of 12 different buckets— that's 12 different index starting points, 12 different possible credited interest rates, and 12 different annual reset points to start the next Index Period.

Example: Semi-annual premium payment

Bucket One

- Beginning Index Period January 1
  Beginning Index Value of 1,000.00
- End Index Period January 1 (12 months later)
  End Index Value of 1,070.00

$



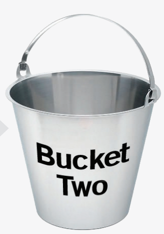
7.00%

Bucket One Index Change = 7.00%

Bucket Two

- Beginning Index Period June 1
  Beginning Index Value of 1,050.00
- End Index Period June 1 (12 months later)
  End Index Value of 1,102.50

$



5.00%

Bucket Two Index Change = 5.00%

This is a hypothetical example intended to illustrate how index change applies to Index Segments, and is not intended to predict the performance of any Index Selection.

1. The tax-deferred feature of the indexed universal life policy is not necessary for a tax-qualified plan. In such instances, you should consider whether other features, such as the death benefit and optional riders make the policy appropriate for your needs. Before purchasing this policy, you should obtain competent tax advice both as to the tax treatment of the policy and the suitability of the product.

Index period start and end dates

- An index segment is created on the date a premium is allocated or a transfer is made to an index selection.
- The start date of the first index period for an index segment is the date the index segment is created.
- The end date of an index period is 12 consecutive months after its start date, regardless of whether the end date is on a business day. If the start date was February 29, the end date will be March 1.

Example: Premium received 9/1/18 has a start date of 9/1/18. The start of the next index period is the end date of the previous index period. In this example, after interest is credited, the next index period has a start date of 9/1/19 and an end date of 9/1/20.

A Look at Index Credit

The Index Credit, if any, is added to the Index Segment(s) on the Index Crediting Date, which is the business day that falls on or immediately follows the Index Period's end date.*

At the end of an Index Period, a new Index Period will begin and any values in an Index Segment will remain in the same Index Segment, unless you decide to make changes. The index value used for the start date of the new Index Period will be the same as the index value used for the previous Index Period's end date.

It is possible to have an Index Period's end date and a new Index Period's start date fall on a weekend or business holiday. However, the index value used in the calculation of the Index Credit will be the index value on the close of the next business day.

Beyond Interest Credit—Account Interest Multiplier and Interest Bonus

Builder Plus IUL 2 offers the Account Interest Multiplier, a special feature that is designed to provide strong, long-term cash value accumulation. The Account Interest Multiplier adds a guaranteed additional interest rate of 10% to be credited to your index account in policy year 1. The Account Interest Multiplier is not applied to the Interest Bonus or any portion of the Account Value that is Policy Debt or the Minimum Account Value.

In addition to the index and crediting options, Builder Plus IUL 2 also offers bonuses on both the fixed account[2] and the index account. Both the fixed account's and the indexed account's current interest rate is increased by a 1.0% bonus in policy years 11+. The interest bonus on the index account is applied after the participation rate, cap, floor, spread, and Account Interest Multiplier. The current interest bonus percentage is not guaranteed and subject to change; however, once a policy is issued, the percentage will not change. For Standard Policy Loans, the interest bonus is not applied to any loaned amount.

What is Annual Reset?

North American's IULs contain an annual reset design. This means that each year's credited interest is locked in on the Index Crediting Date and a new starting point is determined, which is called the "annual reset." The interest credited can not be taken away due to negative index performance and it will participate in future growth, giving you the advantage of compounding interest in future years.

Available Index Options

All IUL products offer index options that allow you to customize a plan that's right for you. While you don't invest directly in an index, you may choose an index that will be used to calculate the credited interest rate for your policy. Below are the indices available.

- The Standard & Poor's 500® Composite Stock Price Index (S&P 500®).
- The Standard & Poor's MidCap 400® Composite Index (S&P 400®).
- The NASDAQ-100® Stock Price Index (NASDAQ-100®).
- The EURO STOXX 50®.
- The Russell 2000® Index.
- Multi-Index—An index option based on the performance of the S&P 500®, Russell 2000®, and the EURO STOXX 50®. The index growth is measured by 50% of the growth of the best performing index, 30% of the growth of the second best performing index, plus 20% of the growth of the third best performing index. The Index Credit, if any, is credited and locked in on an annual basis.

You can choose to allocate premiums to the indices listed above (subject to availability) in any combination. You may also allocate premiums to the Fixed Account.

* Failure to meet premium requirements may result in a lapse in the policy and participation in the Index Accounts. The Index Accounts are subject to caps and participation rates. In no case will the interest credited be less than zero percent. Please refer to the customized illustration provided by your agent for additional detail.

2. Conditionally Guaranteed Interest Bonus on Fixed Account -- If we are crediting interest in excess of the guaranteed interest rate and your policy is in effect after the 10th policy anniversary, your policy will receive an Interest Bonus. The interest Bonus is 1.0% above the then current interest rate. The Account Interest Multiplier is not applied to the Interest Bonus or any portion of the Account Value that is Policy Debt or the Minimum Account Value.

Transfers

- Money can be transferred out of an Index Segment only at the end of an Index Period (any Index Credit will be applied before the transfer takes place).
- The request must be received and processed before the end of the Index Period.
- Transfer requests can be future-dated to coincide with the Index Period end date.
- The minimum transfer amount is the lesser of $100 or the total amount of an Index Segment.
- You may transfer money from the Fixed Account to an Index Selection at any time.

How the Index Cap, Index Participation, and Index Floor Rates Affect Your Policy

Any Index Credit applied to your policy equals the Index Segment value at the beginning of each Index Period, less any partial surrenders or transfers, multiplied by a credited interest rate based in part on any index change. The credited interest rate may differ from the actual index change because of four features: 1) Index Cap Rate; 2) Index Participation Rate; and 3) Index Floor Rate and 4) Index Spread Rate.

1. An **Index Cap Rate** is the maximum interest rate that is used in the calculation of the Index Credit. The Index Cap Rate will be declared for each Index Segment in advance of each Index Period. It will never be less than the Minimum Index Cap Rate shown in the policy. (Some index selections are available without any cap, which means there is no maximum limit on the interest rate.)
2. An **Index Participation Rate** is the portion of the index change that is used in the calculation of the Index Credit. The Index Participation Rate will be declared for each Index Segment in advance of each Index Period, but it will never be less than the Minimum Index Participation Rate shown in the policy.
3. An **Index Floor Rate** is the minimum interest rate that is used in the calculation of the Index Credit. The Index Floor Rate is declared for each Index Segment in advance of each Index Period, and is guaranteed to never be less than 0%.
4. An **Index Spread Rate** is the rate that is subtracted from the index growth. The index spread rate will be declared for each index segment in advance of each index period, and it will never be greater than the maximum index spread rate shown in the policy. The index spread rate only applies to the S&P 500® annual point-to-point with spread.

Index Change (if any)	**X**	**Index Participation Rate**	**=**	**Credited interest rate (subject to index cap rate, index floor rate, and index spread rate.)**

A feature of North American's IULs is that the Index Credit is calculated using the beginning value of the Index Segment. Even though the policy's monthly deductions will decrease the value in the Index Segment, the Index Credit is based on the amount in the Index Segment at the beginning of the Index Period.[3]

For example, if the Index Segment starts with $2,000 and a Monthly Deduction of $100 is allocated to the Index Segment each month, then the value in the Index Segment at the end of the Index Period would be $800 ($2,000 less the $1,200 of deductions). However, the credited interest rate is applied to the value of $2,000, which is the value in the Index Segment at the beginning of the Index Period.

Current Index Cap, Floor, and Participation Rates

The current Index Cap rate, Index Floor rate, and Index Participation rates can be found on our website at www.NorthAmericanCompany.com, or you can ask your North American representative.

3. Index Credits will only be given if the Index Segment still exists at the end of the Index Period. Withdrawals and transfers made before the end of the Index Period will reduce the Index Credit.

Index Crediting Methods

The Index Crediting Method refers to the way that the change in the index value is calculated for each Index Period. Crediting Methods vary by product and may include Annual Point-to-Point, Annual Point-to-Point w/ Spread, Monthly Point-to-Point, and Multi-index Point-to-Point.

Index Crediting Method Examples

No one crediting method is guaranteed to perform better from one year to the next. The best option may be to use more than one, taking advantage of the possibility that one may yield a greater return than the other.

The following examples are hypothetical and are not intended to predict or project future performance of any Index Selection. Please discuss with your North American representative the available index crediting methods specific to your policy.

1. Annual Point-to-Point

When using the annual point-to-point method, the index change is determined by comparing the index value on the last day of the index period (ending index value) to the index value on the first day of the index period (beginning index value). Index credits, if any, are credited and locked in at the end of the index period. The resulting interest crediting rate can never be less than the Index Floor Rate (0%) and can never be more than the annual Index Cap Rate. Annual Point-to-Point is available on all six index options.

Hypothetical Example	**Capped**	**Uncapped**
Beginning Index Value:	1,000.00	1,000.00
Ending Index Value:	1,200.00	1,200.00
Index Change:	20.00%	20.00%
Index Cap Rate:	8.00%	N/A
Index Participation Rate:	100.00%	50.00%
Interest Crediting Rate:	**8.00%**	**10.00%**

2. Annual Point-to-Point with Spread

When using the annual point-to-point with spread method, the index change is determined by comparing the index value on the last day of the index period (ending index value) to the index value on the first day of the Index period (beginning index value). The index spread rate is subtracted, and then the floor rate is applied to determine the final index credit. Index credits, if any, are credited and locked in at the end of the index period. The resulting interest crediting rate can never be less than zero. Annual Point-to-Point with spread is available on the S&P 500® only.

Hypothetical Example	
Beginning Index Value	1,000.00
Average Index Value	1,200.00
Index Growth	20.00%
Spread Rate	6.25%
Cap Rate	N/A
Participation Rate	100.00%
Interest Crediting Rate	**13.75%**

3. Monthly Point-to-Point

The monthly point-to-point crediting method will apply the index credit after the end of the 12-month index period. The growth in the index for each month within that 12-month index period is measured subject to a monthly cap. These 12 monthly values are added together and then an annual floor rate is applied in order to determine the final index credit value. Earnings, if any, are credited and locked in on an annual basis. The interest crediting rate can never be less than the Index Floor Rate (0%). Monthly Point-to-Point is available with the S&P 500® only.

Hypothetical Example

Monthly Index Cap Rate: 4.00%
Index Participation Rate: 100.00%

Interest Crediting Rate: 10.00%

Monthly Date	Index Value	Index Growth	Growth Used in Crediting Rate
January 1	100.00		
February 1	102.00	2.00%	2.00%
March 1	103.00	0.98%	0.98%
April 1	104.29	1.25%	1.25%
May 1	110.00	5.48%	4.00%
June 1	115.00	4.55%	4.00%
July 1	108.57	-5.59%	-5.59%
August 1	115.00	5.92%	4.00%
September 1	105.00	-8.70%	-8.70%
October 1	106.00	0.95%	0.95%
November 1	112.00	5.66%	4.00%
December 1	111.00	-0.89%	-0.89%
January 1	116.00	4.50%	4.00%

Interest Crediting Rate (Sum of Monthly Rates)

This is a hypothetical example intended to illustrate how the Monthly Point-to-Point crediting method 10.00% is calculated, and is not intended to predict exact or future performance.

For actual historical index performance, visit NorthAmericanCompany.com.

4. Multi-Index Point-to-Point

When using the multi-index point-to-point method, the movement of three different indices is measured from the beginning to the end of the 12-month index period. The three indices are S&P 500®, Russell 2000® and the EURO STOXX 50®. Index growth is measured by 50% of the growth of the best performing index, plus 30% of the growth of the second best performing index, plus 20% of the growth of the third best performing index. Index credits, if any, are credited and locked in at the end of the index period. The resulting interest crediting rate can never be less than the Index Floor Rate (0%) and can never be more than the annual Index Cap Rate. This strategy is only available with the three indices noted above.

Hypothetical Example

S&P 500® Start Value:	1,000.00
S&P 500® End Value:	925.00
Index Change:	**-7.50%**
Russell 2000® Start Value:	1,000.00
Russell 2000® End Value:	1,200.00
Index Change:	**20.00%**
EURO STOXX 50® Start Value:	2,000.00
EURO STOXX 50® End Value:	2,100.00
Index Change:	**5.00%**
Best performing index:	50% of 20.00%
2nd best performing index:	30% of 5.00%
3rd best performing index:	20% of -7.50%
Index Change for Multi-Index:	**10.00%**
Cap Rate:	8.00%
Participation Rate:	100.00%
Interest Crediting Rate:	**8.00%**

These are hypothetical examples intended to illustrate how the Index Participation Rate, Index Cap Rate, and Index Floor Rate apply to the calculation of the interest rate credited to Index Segments, and are not intended to predict the performance of any Index Selection.

Any index credit applied to your policy equals the index segment value at the beginning of each index period, less any partial surrenders or transfers, multiplied by a credited interest rate based on any index change. The credited interest rate may differ from the actual index change because of four features: 1) index cap rate; 2) index participation rate; 3) index floor rate; and 4) index spread rate.

Policy illustrations typically use a level interest rate assumption in all years. This interest rate may be based on a historical average return. As noted above, the actual credited rate can vary significantly and cannot be known in advance. You may want to request an illustration using a different interest rate assumption to understand how this assumption may impact your policy performance.

Deciding on Index Selections

You can put premium into a single index selection or any combination of the available indices based on your preferences. Remember, you can always change your premium allocations at any time and you can transfer money between different index selections at the end of the index period for each Index Segment.

When deciding where to allocate your premium, you may want to consider using more than one index selection. When you allocate to more than one index selection, you can benefit if one index performs well while others perform poorly.

When choosing index selections, you should consider the index participation rate, spread rate, and the index cap rate (if applicable). These items will determine how much of the index growth you will receive, and the possible limit to the upside potential of the index.

Accessing Your Policy's Cash Value[4]

In case of future financial emergencies, temporary financial setbacks, or to help supplement retirement income, you have access to the cash surrender value that may accumulate in your policy through partial withdrawals, variable interest rate loans, and standard loans.

Partial Withdrawals

North American's IUL policies come with an option to partially withdraw cash value. By taking a partial withdrawal, you will permanently lower the death benefit of your policy.

Depending on the tax status of your policy, it is possible to take a partial withdrawal that is generally tax free.[5]

Partial withdrawals of the net cash surrender value are limited to up to 50% in policy year one and to up to 90% each year thereafter. Only one withdrawal is allowed during the first policy year. The first withdrawal in each year will not be assessed a withdrawal fee. After that, each subsequent withdrawal is subject to a withdrawal charge and a $25 withdrawal fee. Minimum withdrawal amount is $500. The specifics differ by product. Please see your policy for more details.

Variable Interest Rate Loans[6]

Variable interest rate loans are loans you can take against your policy's cash value with an interest rate charged that is tied to a published monthly average. This monthly average is the Moody's Corporate Bond Yield Average as published by Moody's Investors Services, Inc.

The interest rate charged will never be more than the maximum variable loan interest rate shown in the policy (see the Product Variable Interest Rate Loan chart on page 12 for details). The interest rate charged can change on each policy anniversary based on the current published monthly average.

With variable interest rate loans, the loaned portion of your cash value will continue to earn interest based on how the money is allocated to the Index Selections or the Fixed Account. In other words, the loaned amount continues to earn interest as if no loan has been taken.[7]

Since the loaned amount continues to earn interest, the credits could be more or less than the interest charged on the policy loan.

- When credits are more than the interest charged: The net cost of a variable interest rate loan would be negative.
- When credits are less than the interest charged: The net cost of the loan could be larger than under our standard policy loans. As an extreme example, the amount credited could be zero and the net cost of the loan would equal the interest rate charged on variable interest rate loans (which has a maximum of 6%).

4. Policy loans from life insurance policies generally are not subject to income tax, provided the contract is not a Modified Endowment Contract (MEC), as defined by Section 7702A of the Internal Revenue Code. A policy loan or withdrawal from a life insurance policy that is a MEC is taxable upon receipt to the extent cash value of the contract exceeds premium paid. Distributions from MECs are subject to federal income tax to the extent of the gain in the policy and taxable distributions are subject to a 10% additional tax prior to age 59½, with certain exceptions. Policy loans and withdrawals will reduce cash value and death benefit. Policy loans are subject to interest charges. Consult with and rely on your tax advisor or attorney on your specific situation.
5. Income and growth on accumulated cash values is generally taxable only upon withdrawal. Adverse tax consequences may result if withdrawals exceed premiums paid into the policy. Withdrawals or surrenders made during a Surrender Charge period will be subject to surrender charges and may reduce the ultimate death benefit and cash value. Surrender charges vary by product, issue age, sex, underwriting class, and policy year. Neither North American Company nor its agents give legal or tax advice. Please consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements.
6. The net cost of a variable interest loan could be negative if the credits earned are greater than the interest charged. The net cost of the loan could also be larger than under standard policy loans if the amount credited is less than the interest charged. In the extreme example, the amount credited could be zero and the net cost of the loan would equal the maximum interest rate charged on variable interest loans. In brief, variable Interest Rate Loans have more uncertainty than Standard Policy Loans in both the interest rate charged and the interest rate credited.
7. For Builder Plus IUL 2, the Account Interest Multiplier does not apply to loaned monies. This means the loaned portion of the Account Value will continue to earn interest and the Index Credits including any applicable bonuses, but excluding the Account Interest Multiplier.

General Guidelines

- Loan interest is charged in arrears, and any unpaid interest is added to the loan balance and will bear interest at the same rate.
- Variable interest rate loans may not be taken at the same time as standard policy loans.

Variable interest rate loans have more uncertainty in both the interest rate charged and the interest rate credited. This means that the total net cost of the loan is unpredictable.

Variable Interest Rate Loan Chart

	Protection Builder, Builder Plus IUL 2, and Smart Builder
Availability	Policy year one
Maximum Rate Charged	6%
Minimum Rate Charged	3.5%
When the Rate is Determined	Quarterly
Changes to the Variable Loan Interest Rate	Any changes to the loan interest rate will take place on the policy anniversary and will apply for the entire policy year.
Interest Rate Increases	If the interest rate increases while any policy debt exists, a notice will be sent to you at least 30 days prior to the effective date of the increase.

Standard Loans

For standard policy loans, the interest rate charged is declared by North American Company. The rate charged will never be more than the maximum standard policy loan interest rate shown in your policy (typically 6% per year). Please refer to the Product Standard Loan Chart for details on page 13.

The interest rate credited to the loaned portion of your cash value will equal the guaranteed interest rate shown in your policy (typically 1.5% per year).

- The net cost of a loan is the difference between the interest rate charged and the interest rate credited.
- The maximum net cost of the loan for standard loans is the difference between the maximum standard policy loan interest rate and the guaranteed interest rate for the Fixed Account.

Net Zero Cost Loans

Net zero cost loans are loans in which we guarantee that the interest rate we charge is the same amount as the interest rate we credit to the portion of loaned funds. The result is a net zero cost.

Net zero cost loans typically begin in policy year six, where the interest rate charged on the standard policy loan will be the same as the interest rate credited on the loaned portion of your Policy Account Value.

Standard policy loans are fairly predictable since the net cost of the loan falls in a very narrow range. Additionally, the net cost is guaranteed for net zero cost loans.

Product Standard Loan Chart

	Protection Builder, Builder Plus IUL 2, and Smart Builder
Availability	Policy year one
Standard Loan Interest Rate	Please consult your North American representative for the current rate. The standard loan interest rate is guaranteed not to exceed 6%.
Maximum Loan Interest Rate	6.0%
Net Zero Cost Loans	Starting in policy year six, net zero cost loans will be available on 100% of the loan value. Net-zero cost loans are charged and credited at 1.5% for a net zero cost in years six and thereafter. This feature does not apply to variable interest rate loans.

General standard loan guidelines:

- On the date that the loan is processed, if the amount in the Fixed Account is less than the requested standard loan amount plus any outstanding policy debt, funds will automatically be transferred from the Index Selections to the Fixed Account before the loan is processed.
- The policyowner may specify the amount to be transferred from each Index Selection to the Fixed Account. If not specified, the transfer will be made using a pro rata method based on the account value, starting with the most recently dated Index Segments in each Index Selection.
- If any transfer from the Index Selections due to a standard loan request occurs before the end of the Index Period, the transferred amount will not receive any Index Credit.
- Standard policy loans may not be taken in conjunction with variable interest rate loans.

If desired you may pay the loan interest. If the loan interest is not paid, the loan balance will increase resulting in less net death benefit. If the loan balance becomes greater than or equal to the cash surrender value, the policy will go into the grace period, unless Overloan Protection or protected death benefit have been elected. See the policy for the amount available for loans and for other details.

Switching Between Loan Types

You have great flexibility if you take a loan from a North American policy. If current market conditions change or your expectations change, you may switch your loan type. So, if you want to move from a variable interest rate loan to a standard policy loan, you can! The remaining balance will be transferred to the new loan with the condition that only one loan type is available at a time and that any changes are made on a monthly anniversary. Additionally, there is no cost for this change, which gives you flexibility to meet your needs.

Overloan Protection Benefit[8]

The Overloan Protection Benefit will keep your policy in effect when extensive loans are taken. This means that your policy will continue to provide death benefit coverage. If elected, the guarantee provided by this benefit may help you avoid tax consequences of a policy lapse due to excessive loans or withdrawals. You may want to consider electing this benefit if you plan to use your policy to help supplement your income.

8. The policy will remain in effect when extensive loans are taken provided the policy is not terminated due to surrender and the policyowner does not take policy loans or withdrawals during the Overloan Protection period. This benefit may reduce the specified amount and will terminate the protected death benefit.

In some circumstances, electing the Overloan Protection Benefit may cause your policy to become a modified endowment contract as defined by Section 7702 of the Internal Revenue Code. You may wish to contact a tax advisor prior to making policy changes, taking loans or withdrawals to help You avoid situations that may result in Your Policy becoming a modified endowment contract.

GLOSSARY

Account Value
The Account Value is the sum of the Fixed Account Value plus the Index Account Value.

Fixed Account
An account that offers a fixed rate of interest.

Fixed Account Value
The Fixed Account Value is equal to the total premiums and/or transfers allocated to the Fixed Account, minus policy charges and expenses, minus the cost of any additional insurance or benefits, minus any partial surrenders. The Fixed Account Value is credited with the company's currently declared, non-guaranteed interest rate.

Index Account Value
The Index Account Value is the total value of all individual Index Segments for all Index Selections. It is equal to the total premiums and/or transfers allocated to the Index Selections, minus policy charges and expenses, minus the cost of any additional insurance or benefits, minus any partial surrenders, plus any Index Credits. The Index Credit is based on the performance of the index or indices selected.

Index Cap Rate
The Index Cap Rate is the maximum interest rate that is used in the calculation of the Index Credit. The Index Cap Rate will be declared for each Index Segment in advance of each Index Period. It will never be less than the Minimum Index Cap Rate shown in the policy.

Index Credit
The amount credited to an Index Segment. The Index Credit is calculated and added to an Index Segment at the end of an Index Period. No Index Credit will be given if an Index Segment ends before the end of the Index Period.

Index Crediting Date
The Index Crediting Date is the first business day that falls on or after the end of the Index Period, when we apply the Index Credit to the Index Segment.

Index Spread Rate
An index spread rate is the rate that is subtracted from the index growth. The index spread rate will be declared for each index segment in advance of each index period, and it will never be greater than the maximum index spread rate shown in the policy. The index spread rate only applies to the S&P 500® annual point-to-point with spread.

Index Crediting Method
The method used to calculate the index change. Index Crediting Methods: 1) Annual Point-to-Point, 2) Multi-Index Point-to-Point, 3) Monthly Point-to-Point, and 4) Annual Point-to-Point with Spread. For each method, the change in index value, if any, is subject to the Index Participation Rate, Index Cap Rate, Spread Rate, and Index Floor Rate. Crediting Methods vary by product.

Index Floor Rate
The Index Floor Rate is the minimum interest rate that is used in the calculation of the Index Credit. The Index Floor Rate is declared for each Index Segment in advance of each Index Period, and is guaranteed to never be less than 0%.

Index Participation Rate
The portion of the index change that is used in the calculation of the Index Credit. The Index Participation Rate will be declared for each Index Segment in advance of each Index Period, but it will never be less than the Minimum Index Participation Rate shown in the policy.

Index Period
The period of time during which an Index Credit is calculated. An Index Period begins on the date an Index Segment is created. This policy uses a 12 consecutive month period. At the end of an Index Period, a new Index Period will begin, and any values in the Index Segment will remain in the same Index Segment, unless changed by the policyowner.

Index Segment
An account that earns an Index Credit based on an Index Selection. An Index Segment is created on each date when a premium payment or transfer is allocated to an Index Selection. An Index Segment will end when its value cannot cover the policy costs. The policy may contain multiple Index Segments at one time. (Also referred to as a "Bucket.")

Index Selection
A combination of an index and an Index Crediting Method (Example: NASDAQ-100® Annual Point-to-Point).

Permanent life insurance requires monthly deductions to pay the policy's charges and expenses, some of which will increase as the insured gets older. These deductions may reduce the cash value of the policy. Life insurance policies have terms under which the policy may be continued in force or discontinued. Current cost of insurance rates and interest rates are not guaranteed. Therefore, the planned periodic premium may not be sufficient to carry the contract to maturity. The Index Accounts are subject to caps and participation rates. In no case will the interest credited be less than 0 percent. Please refer to the customized illustration provided by your agent for additional detail. The policy's death benefit is paid upon the death of the insured. The policy does not continue to accumulate cash value and excess interest after the insured's death. For costs and complete details, call or write North American Company, Administrative Office, One Sammons Plaza, Sioux Falls, SD 57193. Telephone (877) 872-0757.

Indexed universal life insurance products are not an investment in the "market" or in the applicable index and are subject to all policy fees and charges normally associated with most universal life insurance.

THE STANDARD & POOR'S 500® COMPOSITE STOCK PRICE INDEX

THE STANDARD & POOR'S MIDCAP 400® COMPOSITE STOCK PRICE INDEX

These Indices do not include dividends paid by the underlying companies.

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