The purpose of this calculation is to demonstrate the effective "rate of return" or the "interest rate" that you would have to earn in order to duplicate the benefits provided by the Return of Premium feature offered in the level term insurance policy.

The assumption made by this analysis is that you have two options:

1. Purchase a basic level term policy which provides no Return of Premiums if you cancel the policy.

2. Pay more in order to obtain a Return of Premium product which will refund premiums at the end of the initial level period.

| | | |
|---|---|---|
| Premium including Return of Premium feature | $840.00 | ** |
| Basic policy Premium | $235.00 | |
| Difference in annual cost for 15 years | $605.00 | |
| | | |
| Return of Premium in 15 Years | $12,600.00 | ** |

To determine the effective rate of return we will assume that the $605.00 per year is placed into an outside investment with the objective of generating $12,600.00 **. In order to do that, the outside investment would need to hypothetically provide you with a 4.00% annually compounded rate of return. The following will show the year by year results which confirm the rate of return.

| Year | Age | Actual Deposit | Interest | Outside Investment Value |
|---|---|---|---|---|
| 1 | 30 | 605.00 | 24.21 | 629.21 |
| 2 | 31 | 605.00 | 49.38 | 1,283.59 |
| 3 | 32 | 605.00 | 75.56 | 1,964.15 |
| 4 | 33 | 605.00 | 102.79 | 2,671.95 |
| 5 | 34 | 605.00 | 131.11 | 3,408.06 |
| 6 | 35 | 605.00 | 160.57 | 4,173.63 |
| 7 | 36 | 605.00 | 191.20 | 4,969.82 |
| 8 | 37 | 605.00 | 223.05 | 5,797.88 |
| 9 | 38 | 605.00 | 256.19 | 6,659.06 |
| 10 | 39 | 605.00 | 290.64 | 7,554.71 |
| 11 | 40 | 605.00 | 326.48 | 8,486.18 |
| 12 | 41 | 605.00 | 363.75 | 9,454.93 |
| 13 | 42 | 605.00 | 402.51 | 10,462.44 |
| 14 | 43 | 605.00 | 442.82 | 11,510.26 |
| 15 | 44 | 605.00 | 484.74 | 12,600.00 |

**IMPORTANT NOTE:** THIS IS NOT AN ILLUSTRATION OF INSURANCE POLICY VALUES.

This hypothetical report is not indicative of any security's performance and is based on information believed reliable. Future performance cannot be guaranteed and investment yields will fluctuate with market conditions
** It is highly recommended that you obtain a company generated Return of Premium policy illustration in order to confirm the contractual values that are in your Return of Premium policy.

When examining a Return of Premium feature there are other issues which you need to explore. For example:

1. If you die before the end of the level payment period your beneficiary will receive the death benefit, but what happens to the additional money that you were paying for the Return of Premium feature? ** Many policies pay nothing additional on death despite the fact that you paid extra money for the feature. If that is the case you would have been further ahead with the basic policy.

2. If you quit the policy before the end of the level period, there may be NO return of premium whatsoever. Some policies offer interim Return of Premium values; others do not. **

3. Taxation. Part or all of the amount of your Return of Premium MAY BE tax-free. If so, in order to replicate a tax-free result outside the Return of Premium policy you would need an "after-tax" rate of return of 4.00%. To achieve this, you would need an even higher "before-tax" rate of return. The amount of that return would be based upon your personal income tax rate and the type of outside investment selected.