



You and your clients know that purchasing life insurance is one of life's important decisions which can help shape the future for their loved ones while also ensuring their specific needs are met.

But have your clients considered how that life insurance death benefit would actually be used when the time comes?

At Protective Life Insurance Company, we understand the concern for helping your clients' loved ones maintain a source of income. That's why we're proud to offer the **Income Provider Option**, an optional endorsement that lets your clients choose how their life insurance policy's death benefit is paid.

**Protect Tomorrow.
Embrace Today.™**

About the Income Provider Option

The Income Provider Option is an optional, no-cost life insurance endorsement available with certain Protective Life policies. When added to a policy, this endorsement allows the insured to create a lasting legacy by predetermining how his or her death benefit will be paid. The policy owner can build a structured schedule of death benefit payments that suits their intentions and meets the specific needs of their beneficiaries—whether that be recurring income payments lasting up to 30 years, or a combination of an initial lump sum and recurring income payments.

Specifications

- **Availability:** Only at policy issue
- **Benefit Payment Period:** 1 – 30 years
- **Benefit Payment Frequency:** Available monthly, annually or on a specific day each year (e.g. birthday, holiday)
- **Issue Ages & Face Amount:** Vary depending on UL policy selected

Frequently Asked Questions

Q: Does the Income Provider Option offer premium savings over a traditional lump-sum death benefit payout?

A: Yes. Adding the Income Provider Option to a policy can save your clients money. When selecting this option, a discount factor is used to calculate the initial policy face amount. This discounted face amount is used to determine all policy rates and values. Please see the calculation example on the next page demonstrating the potential premium savings.

Q: Are different discount factors used for determining the policy face amount when choosing annual payments versus monthly payments?

A: No. The payout discount factors are used for both monthly and annual payments. The discount factor is applied to the overall sum of the installment payments.

Q: What is the tax impact of the Income Provider Option?

A: A certain percentage of each annual death benefit payment will be classified as taxable. The taxable amount is one minus the payout discount factor used to calculate the policy face amount.

Q: How does the policy owner indicate their choice of income stream death benefit?

A: Your client can select the payout options on the “Pre-Determined Death Benefit Payout Endorsement” Supplemental Application (P-U-437R 8/10), which must be completed and submitted with the main application.

Q: Are there minimum and maximum amounts to the income stream payments?

A: There is a \$10 monthly minimum. The maximum amount is based on the underlying policy’s death benefit amount.

Calculation Examples

The chart below shows a standard Protective Custom Choice UL policy compared to a Protective Custom Choice UL policy with the Income Provider Option and how the discounted policy face amount calculation works. In both scenarios, you'll notice total benefit payments equal \$1 million.

	PROTECTIVE CUSTOM CHOICE UL	PROTECTIVE CUSTOM CHOICE UL WITH INCOME PROVIDER OPTION
Risk Class	Male, 35, Preferred Non-Tobacco	Male, 35, Preferred Non-Tobacco
Total Benefit Payments	\$1 million lump-sum payout	\$100,000 initial lump-sum and \$90,000 annually for 10 years (\$1 million total)
Payout Discount Factor	Not available	0.88
Amount Used to Calculate Premium	\$1 million	\$892,000 (discounted face amount)
Annual Premium	\$979.27	\$973.28

Effective as of June 2016; based on a 30-year initial level premium period

To determine the discounted face amount for the Protective Custom Choice UL policy with the Income Provider Option, multiply the sum of the installment death benefit payments by the discount factor shown in column B on the next page. Then add the initial \$100,000 lump-sum payment.

TOTAL OF INSTALLMENT PAYMENTS

$$\$90,000 \times 10 \text{ YEARS} = \$900,000$$

$$\$900,000 \times 0.88 = \$792,000$$

$$+ \$100,000$$

$$\$892,000^*$$

* Face amount used to determine all policy rates and values.

Q: Can additional death benefit proceeds from other optional riders be included in the Income Provider Option payments?

A: No. The Income Provider Option applies only to the base policy death benefit. Any extra death benefit proceeds provided by optional riders are not included.

Q: Is the Income Provider Option death benefit commutable?

A: No. With the Income Provider Option, the death benefit is non-commutable. This means the beneficiary may not make changes to the payment schedule either before or after the death of the policy owner. The Income Provider Option is designed as an income replacement tool where the policy owner can be sure his or her beneficiary will receive the death benefit payment according to the exact schedule selected at policy issue.

Q: Are policy loans or withdrawals available with the Income Provider Option?

A: Yes. Provisions for the policy loans and withdrawals are governed by the base product selected. Any initial lump-sum death benefit payment and subsequent installment payments will be adjusted pro-rata when automatic changes to the death benefit result from loans or withdrawals.

Q: When the Income Provider Option is elected, can the policy owner increase and/or decrease the policy face amount?

A: Yes. Changes to the policy face amount are allowed based on the product selected. The amount and/or duration of the initial lump sum and installment payments will be adjusted if the owner voluntarily requests a change to the policy face amount.

Taxable Benefit Calculation

The percentage of each annual death benefit payment that is classified as taxable is exactly one minus the payout discount factor (see table to the right). The following example describes how the taxable benefit calculation is performed.

- 1 Determine the annual taxable amount by multiplying the annual death benefit by the taxable benefit factor shown in column C in the table to the right.

ANNUAL TAXABLE AMOUNT

$$\$90,000 \times 0.12 = \$10,800$$

- 2 Assuming a 28% tax rate, less than 3.5% of the death benefit will be paid in taxes each year.

DEATH BENEFIT PAID IN TAXES EACH YEAR

$$\$10,800 \times 0.28 = \$3,024$$

For the total death benefit payout of \$1 million, the beneficiary would receive a net of \$969,760 over 10 years. Only \$30,240 would be paid in taxes.

¹ Applies only to base policy amount.

² The percentage of each death benefit payment that is classified as taxable is exactly $(1 - \text{payout discount factor})$.

Factor Tables

(A) PAYOUT PERIOD YEARS	(B) PAYOUT DISCOUNT FACTOR ¹	(C) TAXABLE BENEFIT FACTOR ²
1	1.00	0.00
2	0.99	0.01
3	0.98	0.02
4	0.97	0.03
5	0.95	0.05
6	0.94	0.06
7	0.92	0.08
8	0.91	0.09
9	0.89	0.11
10	0.88	0.12
11	0.86	0.14
12	0.85	0.15
13	0.83	0.17
14	0.81	0.19
15	0.79	0.21
16	0.78	0.22
17	0.76	0.24
18	0.74	0.26
19	0.72	0.28
20	0.71	0.29
21	0.69	0.31
22	0.68	0.32
23	0.67	0.33
24	0.66	0.34
25	0.65	0.35
26	0.64	0.36
27	0.63	0.37
28	0.62	0.38
29	0.61	0.39
30	0.60	0.40

Income Provider Option (UL-E35) is an endorsement available only at issue on certain UL products issued by Protective Life Insurance Company. Actual terms and conditions contained in the product policy and the endorsement govern benefits provided. A portion of periodic payments may be reported as taxable income to the beneficiary. Consumers should consult their attorney or tax advisor regarding their individual situations. Please see the endorsement for more detailed information. May not be available in all states or on all currently-marketed UL products. State variations may apply.

Neither Protective Life Insurance Company nor its representatives offer legal or tax advice. The tax treatment of life insurance is subject to change. A portion of each annual payment will be reported as taxable income to the beneficiary, based on our understanding of current Federal income tax law. Consumers should consult their legal or tax advisor before making any tax-related decisions. Rates effective as of 6/2016.

All policies issued by Protective Life Insurance Company, 2801 Highway 280 South, Birmingham, AL 35223. Product features and availability may vary by state. Consult policies for benefits, riders, limitations and exclusions. Subject to underwriting. Up to a two-year contestable and suicide period. Benefits adjusted for misstatements of age or sex. In Montana, unisex rates apply.



www.myprotective.com

Not a Deposit	Not Insured By Any Federal Government Agency		
No Bank or Credit Union Guarantee	Not FDIC/NCUA Insured	May Lose Value	