

IMPORTANT - PLEASE READ

The Special Election Options described in this document will only be made available if they are approved by the Court that is supervising this class action settlement.

Additionally, the Special Election Options described in this document also are subject to review by state insurance regulators and any limitations imposed by state Partnership Plan requirements.

Even if the Special Election Options are approved by the Court and permitted by your state's insurance regulator, the availability of particular Special Election Options also will depend on each policyholder's individual circumstances, including specific policy terms, benefits, and premiums.

Each of the Special Election Options described in this document will not necessarily be available to every settlement class member.

APPENDIX C

SPECIAL ELECTION OPTIONS

Below are Special Election Options pursuant to paragraph 42 of the Settlement Agreement. Pursuant to paragraph 42(i) of the Settlement Agreement, Special Election Options are only available to Class Members whose policies are in force when the Special Election Option is elected. With the exception of Options I.B.3 and I.B.4, Class Members will not be eligible to receive and/or elect Special Election Options where the level of benefits that would be made available by the Special Election Option would exceed the Class Member's current level of benefits.

I. Special Election Options for Class Members with Policies That Are Not in Non-Forfeiture Status or Fully Paid-Up Status²

Class Members who have policies that are **not** in Non-Forfeiture Status or Fully Paid-Up Status, excluding Class Members whose level of benefits are below the level of benefits required for the any of the below Options with the exception of Options I.B.3 and I.B.4, will receive the following Special Election Options:

A. Paid-Up Benefit Options

1. A settlement option consisting of two components: **(a)** a paid-up benefit equivalent to 100% of the Class Member's paid-in premiums through December 31, 2016 plus the Class Member's paid-in premiums paid on or after January 1, 2021, if any, less any claims paid over the lifetime of the policy, and **(b)** a

² "Non-Forfeiture Status" means a policy status where the Policyholder has exercised a "Non-Forfeiture Option." "Non-Forfeiture Options" include, but are not limited to, benefits that may have been made available pursuant to: an optional Non-Forfeiture Benefit Rider; the Limited Benefits Upon Lapse Due to a Substantial Premium Increase (also called a Contingent Non-forfeiture Benefit); the Limited Non-Forfeiture Option; the Optional Limited Benefit Endorsement; or the Limited Benefit with Payment for Partial Policy Disposition.

"Fully Paid-Up Status" means a status whereby a Class Policy is continued in full force and effect and no further premiums are owed. A Class Policy in Fully Paid-Up Status does not include a Class Policy that is in a Non-Forfeiture Status.

damages payment equivalent to premiums paid during the time period beginning January 1, 2017 through December 31, 2020. The total paid-up benefit available under this option shall not exceed the Class Member's current actual lifetime benefit at the time his or her election is processed less the Class Member's damages payment under this option.

2. A settlement option consisting of a paid-up benefit option equivalent to **two times** the difference between the Class Member's paid-in premiums to date less claims paid to the Class Member to date. The total paid-up benefit amount available under this option is capped at the Class Member's current actual lifetime benefit at the time his or her election is processed. This option will **not** include any damages payment.

B. Reduced Benefit Options (“RBOs”) for Class Members Who Currently Do Not Have Stable Premium Option (“SPO”) or Lifetime Stable Premium Option (“LSPO”) Policies

Class Members who currently have in force policies, *excluding* (1) Class Members who previously elected a SPO or LSPO, (2) Class Members whose level of benefits are below the level of benefits required for any of the below Options with the exception of Options I.B.3 and I.B.4, and/or (3) Class Members with Partnership Status whose election of a defined option would cause them to lose Partnership Status, will have the following options:

1. For Class Members with policies with a Benefit Inflation Option (“BIO”), a settlement option consisting of two components: **(a)** a change in the Class Member's policy benefits that removes BIO with a reduction of their Daily Benefit Amount (“DBA”) to their original DBA (*i.e.*, the DBA that he or she had

prior to any BIO increases)³ for a reduced annual premium, and **(b)** a damages payment equal to four times the differential between the Class Member's current (as billed) annual premium for his or her existing policy and the current annual premium for the new reduced level of benefits.

2. For Class Members with lifetime benefit period policies and/or who have Partnership Plan policies, a settlement option consisting of two components: **(a)** a reduction of the Class Member's existing benefit period to the next lowest benefit option available (in the case for Class Members with lifetime benefit period policies, a 6-year benefit period) and a reduction to his or her current DBA (after benefit inflation) by 25%, for a reduced annual premium, and **(b)** a damages payment equal to four times the differential between the Class Member's current (as billed) annual premium for his or her existing policy and the current annual premium for the new reduced level of benefits.
3. For Class Members whose policies are regulated by States that have approved the LSPO, a LSPO with an extended elimination period that will maintain the Class Member's premiums at a stable rate for the life of his or her policy and consist of two additional components: **(a)** a change to his or her existing benefits reducing his or her DBA by 30%, and **(b)** a damages payment equal to four times the differential between the Class Member's current (as billed) annual premium and the current annual premium for the new LSPO, or \$1,000, whichever is higher.⁴
4. For Class Members whose policies are regulated by States that have approved the SPO *but not* the LSPO, a SPO with an extended elimination period that will

³ In some cases, Class Members may have made changes to their Class Policies resulting in a recalculated original DBA, in which case, the recalculated DBA will be used in connection with this Special Election Option.

⁴ In some circumstances, the premiums associated with this LSPO may be higher than the Class Member's current premiums.

maintain the Class Member's premiums at a stable rate until at least January 1, 2028 and consist of two additional components: **(a)** a reduction of the Class Member's DBA by 30%, and **(b)** a damages payment equal to four times the differential between the Class Member's current (as billed) annual premium and the current annual premium for the new SPO with the reduced level of benefits, or \$1,000, whichever is higher.⁵

C. Reduced Benefit Options ("RBOs") for Class Members Who Currently Have Lifetime Stable Premium Option ("LSPO") or Stable Premium Option ("SPO") Policies

1. Class Members who currently have LSPO or SPO Policies will have an option that maintains their LSPO or SPO status and consists of two additional components: **(a)** a reduction of the Class Member's DBA by 40%, and **(b)** a damages payment equal to four times the differential between the Class Member's current (as billed) annual premium and the current annual premium for the new LSPO or SPO with the reduced level of benefits.

II. Special Election Options for Class Members in Fully Paid-Up Status

Class Members in a Fully Paid-Up Status will receive the following Special Election Options:

1. A settlement option consisting of two components: **(a)** a paid-up benefit equivalent to 100% of the Class Member's paid-in premiums through December 31, 2016 plus the Class Member's paid-in premiums paid on or after January 1, 2021, if any, less any claims paid over the lifetime of the policy, and **(b)** a damages payment equivalent to four times the Class Member's last annual

⁵ In some circumstances, the premiums associated with this SPO may be higher than the Class Member's current premiums.

premium when he or she was in premium-paying status. The total paid-up benefit available under this option shall not exceed the Class Member's current actual lifetime benefit at the time his or her election is processed less the Class Member's damages payment under this option.

2. A settlement option consisting of two components: **(a)** a reduction of the Class Member's existing benefit period to the next lowest benefit option available (in the case for Class Members in a Fully Paid-Up Status that have lifetime benefit period policies, a 6-year benefit period) and a reduction to his or her current DBA (after benefit inflation) by 25%, and **(b)** a damages payment equal to four times the differential between **(i)** what the Class Member's annual premium for his or her existing policy would be as of January 1, 2022 if the Class Member were still in a premium-paying status, and **(ii)** what the Class Member's annual premium for his or her existing policy would be as of January 1, 2022 for the new reduced level of benefits if the Class Member were still in a premium paying status.

III. Special Election Option for Class Members in Non-Forfeiture Status

1. Class Members who were on Non-Forfeiture Status after January 1, 2014 but prior to making an election in this settlement will be provided with an option to elect a damages payment of \$2,500 and retain their current paid-up benefit.

IV. Special Election Options for Class Members in States That Do Not Allow the Disclosure or any Applicable Special Election Options To Be Provided

To the extent that any State refuses to allow any form of the Disclosures and the Special Elections agreed to in the underlying Agreement, the Class Members in that State will be offered:

1. For Class Members whose policies are still in force, an option to elect a \$100 credit against future Class Policy premiums; or
2. For Class Members whose Class Policies are in Non-Forfeiture Status only, an option to elect a \$100 one-time credit to the Class Members' current benefit pool.