Lafayette Life Insurance Company
A member of Western & Southern Financial Group

# The Lafayette Life Insurance Company
# Agents Products Quiz
# **The Marquis Series of Products and Other Annuities**

There are different types of annuity products that can serve different needs. Even within a particular type of annuity product category, for example a fixed indexed annuity, the benefits and features can vary. For these reasons, it is crucial that you have adequate knowledge of an annuity or life insurance product in order to recommend it. Lafayette Life has several tools to assist you in becoming familiar with and understanding the terms and conditions of the annuity contracts and life insurance policies offered by us. For example the products' supporting marketing materials, which are often included on the company's website, describe the products. Policy illustrations (which are required for most permanent life policies offered by the Company) and Benefit Summaries and Disclosures (which are required for most annuity contracts) provide detailed information about the applicable product. Also, the Company's Agent Reference manual contains policy specifications for each annuity contract and life insurance policy offered by us. You are asked to review this information carefully, take the brief quiz at the end of the document, and sign at the bottom of the document indicating that you have read and understood this information. **Please return the signed sheet with your contracting papers. You will not be allowed to sell an annuity or indexed policy with Lafayette Life until we have received a signed copy of this document**.

**Marquis Series of Indexed Products:** An indexed product is a fixed interest product with an option of interest crediting determined in part by reference to an index such as the S&P500®. It is important to note that the majority of indexed products do not invest in the index they use to determine the interest crediting rate. They are not securities and should not be marketed as such. They should be marketed to those individuals interested in guaranteed rates of return and safety of principal, but desiring a rate of return that may exceed traditional fixed products. These will normally be moderately conservative savers that like the tax deferred aspects of life insurance products and may be interested in some diversification through different asset classifications and product designs.

**Markets**: The Marquis Series of Indexed Annuities are designed for long-term accumulation such as retirement income. The Marquis Indexed Annuities should be used in those cases where the client desires the potential for a higher interest rate than a current, traditional fixed-rate deferred annuity and is willing to accept the risk that the interest rate credited may be lower than the rate currently available on a traditional fixed-rate annuity. It is ideal for those people who have money in fixed interest rate accounts and wish to have the potential of higher interest rate returns. It may also be a good product to use as part of a broader diversification strategy. In addition to its utility as a non-qualified retirement planning vehicle, it is also available as a funding vehicle for IRA's and qualified plans.

## Marquis Centennial Indexed Annuities
Flexible Premium Indexed Deferred Annuities

The Marquis Centennial 7 and 10 indexed annuities offer a company declared fixed interest rate and three index interest crediting alternatives each of which is linked, in part, to the S&P 500®. Regardless of the performance of the S&P 500®, the Marquis Centennial is guaranteed to provide a value no less than the guaranteed minimum surrender value, assuming no withdrawals. The Marquis Centennial is a sound funding vehicle for long term retirement income needs.

**Issue Ages**:
0 to 85

**Premium:** Flexible premium may be paid at any time.
Minimum Premium: $1,000 per year, ($84.00 automatic monthly withdrawal from checking option).

**Guarantee**
The guaranteed minimum surrender value will be 87.5% of all net premiums (less any withdrawals) accumulated at 1-3% interest. Net premiums are premiums less any applicable premium tax and costs of supplemental benefits, if any.

The initial guaranteed minimum interest rate will be determined at policy issue, but is subject to change. The length of time for which the initial rate will be set and how often it may be changed thereafter will be defined on page 3 of the contract. In general, the initial guaranteed minimum interest rate will remain unchanged during the withdrawal charge period and will be reevaluated at the beginning of every five policy years thereafter.

Each Guaranteed Minimum Interest Rate will be declared quarterly by the Company. The rate will be no less than 1% or greater than 3%; and no less than the minimum set as follows:

1. For the first quarter of a calendar year, the average of the five-year Constant Maturity Treasury (CMT) rate reported by the Federal Reserve for the first five business days of the prior October rounded to the nearest 0.05% less 1.25%. The rate will be no less than 1% and no greater than 3%.
2. The minimum for subsequent calendar quarters will be changed if the same formula as in number 1 above (except using the average of the first five business days of the prior quarter) is calculated and the average is at least 0.50% higher or lower than the previous quarter. Otherwise the minimum will remain the same.

**Fixed Option**: Premiums may be allocated to a fixed interest option, indexed option, or split between both options. Lafayette Life declares the rate of interest for the fixed option. This declaration is usually made monthly although it may be made more often. Once premium is received and allocated to the fixed option, the current interest rate applied to that premium is fixed and guaranteed for one year. Subsequent premium payments will receive the current rate in effect on the date the premium payment is received and that rate will be fixed for one year from that date. This rate is guaranteed to be no lower than the minimum fixed interest rate specified in the contract, which is 1.0%. This minimum fixed interest rate of 1.0% only applies to monies allocated to the fixed option.

**Interest Earning Periods**

Under the fixed option and index option, the interest calculations are based upon a one-year measuring period. This one-year measuring period is referred to as an interest earning period. For each net premium, the interest earning periods start on an allocation date and end one year later. Interest is calculated differently under each option.

**Anniversary Statements**

The first Anniversary Statement will extend from the policy date to the anniversary of the first Allocation Date. For example, Policy issued 9/1/06. The first anniversary statement will show the period of 9/1/06 to 9/15/07, to include the index interest that is credited the first year. All anniversary statements will be one-year periods, beginning and ending on the 15th of the month thereafter.

**Indexing & Index Option**

Under the index option, the interest credited to the policy will be based upon one or more of three index interest crediting methods. For the amount of each net premium allocated to any one of the alternative index interest crediting methods under the index option, there is a separate cap that applies to each alternative that is used to calculate the index interest rate. The caps are used to set the upper limit on the index interest rate that may be credited for an interest earning period. For alternative methods A (Annual Point-to-Point) and B (Monthly Average) this cap is referred to as the maximum index interest rate, while alternative method C (Monthly Cap) refers to the cap as the maximum monthly index change. These caps are declared in advance of each successive interest earning period and are guaranteed not to change during such period. Any interest attributable to a change in the index is credited only at the end of an interest earning period. There is no guarantee the index interest rate credited under any of the index interest alternatives will be equal to its cap or even greater than 0%. Prior to the end of the interest earning period, the index interest rate is 0%.

**Alternative Method A: Annual Point-to-Point**

The index interest rate for this method is the percentage change in the index from the allocation date that begins the interest earning period to the allocation date that ends the interest earning period. The index interest rate credited for an interest earning period will not be less than 0%, nor more than the applicable cap. The cap will not be less than 1.0%.

**Alternative Method B: Monthly Average**

The index interest rate for this method is the percentage change in the index measured by the index on the allocation date that begins the interest earning period against the average of the indices on the 12 allocation dates immediately following the allocation date that begins the interest earning period. The index interest rate credited for an interest earning period will not be less than 0%, nor more than the applicable cap. The cap will not be less than 1.0%.

**Alternative Method C: Monthly Cap**

The index interest rate for this method is the sum of the percentage change in the index for each of the 12 one-month periods between allocation dates within the interest earning period. Each of the 12 percentage changes may be less than 0%, but not more than the applicable cap. The index interest rate for an interest earning period will not be less than 0%. The cap will not be less than 0.0833%. (1.0% in Oregon).

## Marquis Centennial Indexed Annuities
### Flexible Premium Indexed Deferred Annuities

**Allocation Dates**

The allocation of a net premium to the selected interest crediting methods will be done on an allocation date, which is the 15th of the month on or next following the date your net premium is received. The allocation date for a premium will be the initial measuring point for all of the interest calculations for that premium. If a premium is received on an allocation date, the net premium will be immediately divided between the fixed and indexed alternatives the applicant/policyowner has selected. If the applicant/policyowner premium is received on a date other than an allocation date, the applicant/policyowner net premium will be credited with a short-term fixed interest rate established by Lafayette Life until the next monthly allocation date, upon which the applicant/policyowner net premium and any short-term interest credited will be allocated to the fixed and indexed alternatives the applicant/policyowner has selected.

**Transfers**

Transfers of a net premium amount and/or interest credited on such net premium from one interest crediting method to another are only allowed on the anniversaries of such net premium's initial allocation date. The policyowner may transfer all or part of such value, but Lafayette Life must receive written notice of the desire to transfer such funds prior to such net premium's allocation date anniversary. Transfers will be treated as new premium in that new money rates (including any rates applicable to new money such as cap rates) applicable at the effective date of transfer will apply to the transferred amount. This may change at any time without notice.

**Withdrawal Charges**: Withdrawal charges apply for the first 7 or 10 policy years, depending on the policy purchased. If the applicant/policyowner surrenders or makes a partial withdrawal while the withdrawal charges apply, the applicant/policyowner policy value will be reduced by the amount withdrawn and the applicable withdrawal charge. The withdrawal charge is a percentage of the amount of the withdrawal. The withdrawal charge percentage declines each policy year. All withdrawal charges date from the policy date (which is the date of the receipt of the original premium) and not from the date of the receipt of subsequent premiums. Any withdrawals from the indexed option prior to the end of the index interest earning period will not participate in any indexed interest.

Annuities are designed for long term accumulation and not for short-term liquidity; however limited liquidity is available in the early years of the policy while withdrawal charges are in effect. Automatic withdrawals of the interest may be taken monthly from the policy in the first year without incurring a withdrawal charge. In subsequent years the automatic withdrawal of interest may continue, or up to 10% of the beginning of year policy value may be withdrawn without a withdrawal charge as long as withdrawal charges are still applicable.

Cumulative withdrawals in one policy year of more than 10% of the policy value are subject to withdrawal charges if such charges are still applicable. Withdrawals not taken in one year do not increase the amount of withdrawal that can be taken in later years without a withdrawal charge. Any withdrawals taken during the withdrawal charge period and exceeding 10% of the beginning of year policy value during the policy year will be subject to withdrawal charges unless the annuitant is confined to a nursing home or terminally ill.

If the annuitant is *confined to a nursing home, up to 25% of the policy value on the prior annual date may be withdrawn without a withdrawal charge. If the annuitant is terminally ill, 100% of the policy value may be withdrawn without a withdrawal charge. All or some of the amount withdrawn may be subject to income tax and, if before age 59 ½, an additional 10% income tax penalty. Lafayette Life does not credit index interest to amounts withdrawn from an index interest crediting method during an interest earning period. If the annuitant and/or the policyowner die before maturity, the beneficiary will receive a death benefit equal to the policy value on the date of death. This benefit will pass free of probate to the named beneficiary.

**In the state of Massachusetts, chronically ill (as defined in the policy). Nursing facility does not apply.*

## Marquis Centennial Indexed Annuities

### Flexible Premium Indexed Deferred Annuities

The withdrawal charges are different for the Marquis Centennial 7 and 10. After the withdrawal charge period, the applicant/policyowner may continue the policy but no withdrawal charges will apply.

The withdrawal charges are as follows:

| Withdrawal Charge Schedules | | |
|---|---|---|
| **Policy Year** | **7 yr** | **10 yr** |
| 1 | 8% | 9% |
| 2 | 7% | 9% |
| 3 | 6% | 8% |
| 4 | 5% | 7% |
| 5 | 4% | 6% |
| 6 | 3% | 5% |
| 7 | 2% | 4% |
| 8 | | 3% |
| 9 | | 2% |
| 10 | | 1% |

**Death Benefit**

In the event of the death of the annuitant and/or the policyowner, the Marquis Centennial will pay a death benefit equal to the policy value on the date of death. This benefit will pass free of probate to your named beneficiary.

Under Internal Revenue Code Section 72(s) (3), if the designated beneficiary under the policy is the surviving spouse of the owner/annuitant, and the owner/annuitant dies prior to the maturity date of the policy, then the surviving spouse may elect to treat the annuity as her/his own and continue to defer instead of taking distribution of the death benefit.

**Payout Options**

One of the most valuable options of any annuity is its ability to provide a guaranteed income. This income may be paid to the policyowner for a fixed period, over your lifetime, or the joint lifetimes of you and your spouse. Exercising one of the annuity payout options in the Marquis Centennial contract can provide you with a guaranteed income that you cannot outlive.

## Group Marquis Centennial Indexed Annuity
### Qualified Flexible Premium Indexed Deferred Annuity

The Group Marquis Centennial can be used in all retirement plans other than a 412 fully insured plan (*See Marquis Flex 5)*. Similar to the Individual Marquis Centennial 10 Indexed Annuity except for changes to minimum premium, the addition of benefit sensitive withdrawals, and there is no free partial withdrawal amount available upon the complete surrender of the policy. The Group Marquis Centennial Index Annuity will have the same rates/caps as the individual Marquis Centennial 10.

**Premium:** Flexible premium may be paid at any time.
**Minimum Premium:** $1,200 per year, ($100.00 automatic monthly withdrawal from checking option).

There are declining withdrawal charges for the first ten policy years. After the withdrawal charge period the applicant/policyowner may continue the policy but no withdrawal charges will apply. The withdrawal charges are as follows:

| Policy Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Charge** | **10%** | **9%** | **8%** | **7%** | **6%** | **5%** | **4%** | **3%** | **2%** | **1%** |

This early withdrawal charge does not apply and the entire amount of the participant's allocation is available if annuity values are withdrawn to pay plan benefits due to the death, disability, termination of employment, or retirement of a participant.

**Note:** Partial withdrawals made during the withdrawal charge period that are other than benefit responsive withdrawals and in excess of the 10% free partial withdrawal amount will incur withdrawal charges. There is no free partial withdrawal amount upon surrender.

## Marquis Flex Indexed Annuities
### Flexible Premium Indexed Deferred Annuities

**Marquis Flex 5 (412e3 - fully insured pension plans only)**
Flexible Premium Indexed Deferred Annuity

**Issue Ages:**
0 to 85

**Premium:** Flexible premium may be paid at any time.
Minimum Premium: $1,000 per year, ($84.00 automatic monthly withdrawal from checking option).

**Guarantee**
The guaranteed minimum surrender value of this Annuity, regardless of the option selected, is the accumulation of all net premiums (less any withdrawals) at an annual effective interest rate of 3%.

**Fixed Option**: Premiums may be allocated to a fixed interest option, indexed option, or split between both options. Lafayette Life declares the rate of interest for the fixed option. This declaration is usually made monthly although it may be made more often. Once premium is received and allocated to the fixed option, the current interest rate applied to that premium is fixed and guaranteed for one year. Subsequent premium payments will receive the current rate in effect on the date the premium payment is received and that rate will be fixed for one year from that date. This rate is guaranteed to be no lower than the minimum rate specified in the contract.

## Marquis Flex Indexed Annuities
### Flexible Premium Indexed Deferred Annuities

**Interest Earning Period**: There will be an initial interest earning period for each net premium payment. If premium is allocated to the fixed interest option, the initial fixed interest earning period for a net premium payment begins on the date such payment is received by us and ends after it has been in effect for one year. Each initial fixed interest earning period for a net premium payment will be immediately followed by additional fixed interest earning periods of one year, in succession. The current fixed interest rate declared in advance of each fixed interest earning period will be set for the one-year interest earning period. If premium is allocated to the indexed option the indexed earning period will begin at the end of the day on the 15th of the month after the premium has been received and end one year later. Each indexed earning period will be immediately followed by additional indexed earning periods of one year in succession. The participation rate and caps will be fixed in advance of each indexed earning period and apply throughout the one-year indexed earning period. Premium received in advance of the indexed earning period will receive the then current fixed interest rate until the beginning of the indexed earning period.

**Index Option –**

**Annual Point to Point**: Premium allocated to the index option will be credited an interest rate based on the S&P500 Composite Stock Index. The interest rate is calculated by determining the value of the S&P500® at the end of the day on the 15th of the month after premium has been received. This value is compared to the value of the index one year later. If the value of the index has increased, the participation rate and cap are applied to the percentage of increase and the resulting percent is applied to the premium. If the value of the index has decreased or the rate of increase times the participation rate has increased less than the guaranteed interest rate specified in the contract, then the minimum guaranteed interest rate would be applied to the premium. Once the index interest rate has been determined it is applied to that premium and the resulting amount is included in the policy value.

Lafayette Life declares the participation rate (the percentage of gain in the S&P500® index that will be passed on to the policyholder subject to the cap) and the cap (the maximum interest rate that can be credited to the policy). This declaration is usually made monthly although it may be made more often. Once premium is received and allocated to the index option, the participation rate and cap applied to that premium is fixed and guaranteed for one year. Subsequent premium payments will receive the current participation rate and cap in effect on the 15th of the month after the premium payment is received and that rate will be fixed for one year from that date. The participation rate can be no lower than 25% and the cap no lower than the minimum guaranteed rate specified in the contract.

**Policy Date and Premium Allocation**: The policy will be dated on the date when the initial premium is received. Allocations to the index option will be made on the 15th of every month. Any premium allocated to the index option and received prior to the 15th of the month will receive the daily equivalent of the then current fixed interest rate until the 15th of the month when it will be allocated to the index option. The crediting of any interest to the index option other than the guaranteed minimum interest rate will be done on the 15th of the month following each premium anniversary.

Transfers: **Premiums may be allocated to either the fixed option or the index option or they may be allocated to both the fixed and index options. Transfers from one option to the other will be effective on the 15th of the month following the premium anniversary. We should receive notice of the desire for such a transfer prior to the premium anniversary. No transfer will be made after the 15th of the month following the premium anniversary.** Transfers will be treated as new premium in that new money rates (including any rates applicable to new money such as cap rates) applicable at the effective date of transfer will apply to the transferred amount (not the portfolio rate.)

## Marquis Flex Indexed Annuities
### Flexible Premium Indexed Deferred Annuities

**Withdrawal Charges**: All withdrawal charges date from the policy date (which is the date of the receipt of the original premium) and not from the date of the receipt of subsequent premiums. Any withdrawals from the indexed option prior to the end of the index period will not participate in any indexed interest. By company practice automatic withdrawals of the interest may be taken monthly from the policy in the first year without incurring a withdrawal charge. In subsequent years the automatic withdrawal of interest may continue, or up to 10% of the beginning of year policy value may be withdrawn without a withdrawal charge as long as withdrawal charges are still applicable. The amount that can be withdrawn without a surrender charge is not cumulative, meaning that withdrawals not taken in one year do not increase the amount of withdrawal that can be taken in later years without a withdrawal charge. Any withdrawals taken during the withdrawal charge period and exceeding 10% of the beginning of year policy value during the policy year will be subject to withdrawal charges unless the annuitant is confined to a nursing home or terminally ill. If the annuitant is confined to a nursing home, up to 25% of the policy value on the prior annual date may be withdrawn without a withdrawal charge. If the annuitant is terminally ill, 100% of the policy value may be withdrawn without a withdrawal charge. If the annuitant and/or policyowner die before maturity, the beneficiary will receive a death benefit equal to the policy value on the date of death. This benefit will pass free of probate to the named beneficiary.

Please read carefully the Disclosure & Benefit Summary for the Marquis Flex 5 (1835-5), which will outline the product details.

**Marquis Flex 5**

There are declining withdrawal charges for the first five policy years. After the withdrawal charge period the applicant/policyowner may continue the policy but no withdrawal charges will apply. The withdrawal charges are as follows:

| Policy Year | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| **Charge** | **8%** | **7%** | **6%** | **4%** | **2%** |

## Single Premium Immediate Annuity (SPIA)

The Single Premium Immediate Annuity (SPIA) provides three annuity options in one form. Periodic income begins on the first payout date —one payout interval after issue.

If the payment interval under the contract is monthly, then the first payment will be made one month after the policy date.

**Issue Ages** - 0 through 95.

**Minimum Premium** - $10,000 (or $2,500*).

**Minimum Income** - $100 (or $25*)

* If **SPIA** sold with a life policy funded to MEC limit, where SPIA's purpose is to hold more funds which will later be directed into the life policy.

**Maximum Premium** - $1,000,000 without prior company approval. Higher premiums require prior company approval from Executive.

**Maximum Premium for SPIA's with a Single Life Option - $5,000,000**

The maximum premium is $5,000,000 for single premium immediate annuities with a life income option on one life.

## Single Premium Immediate Annuity (SPIA)

**ANNUITY OPTIONS -**

**Single Life Income.** The periodic income amount will be paid for the guaranteed period, if any, and thereafter as long as the annuitant lives. The available guaranteed periods are:

- *None ;*
- *5, 10, 15 or 20 years*
- *Installment Refund* - The total of all payments due during this period equals the amount received by the company.

**Joint and Survivor Life Income.** The periodic income amount will be paid for the guaranteed period, if any. Thereafter, the amount paid will be the periodic income (as long as both annuitants live), or the survivor's periodic income (while only one annuitant survives).

The survivor's periodic income can be selected to be:

- *100%, 67%, or 50%* of the periodic income.

The available guaranteed periods are:

- *None;*
- *5, 10, 15 or 20 years.*

**Installment Income.** The periodic income will be paid until the end of the specified period. The available specified periods are:

- *3 to 20 years.*
  *Oregon: Not less than 5 yrs nor more than 10 yrs.*

**Death Benefit:** Any remaining payments due within the guaranteed (or specified) period after the death of the annuitant (or, in the case of a joint and survivor annuity, the annuitants) shall be continued to the owner or, if applicable, the beneficiary.

**Age Allowance:** In computing SPIA periodic income amounts, a pro-rata allowance is made for each three months of age elapsed since age last birthday.

**Annuity Rate** -The annuity rate for the SPIA is subject to change on a monthly basis. The annuity rate in effect *when the full single premium is received at the Home Office* is the rate which will apply to the annuity .Changes in the annuity rate will be published in the same manner as are changes in other rates.

**Income Amounts** - Once an SPIA is issued, its periodic income is fixed and will not change in the future. The SPIA is a non-participating policy. It will not share in company profits or losses.

The computation of periodic income amounts for all annuity options utilizes the current annuity rate, QDF and premium tax, if any. In addition to these items, a mortality table is utilized in the computation of income for the Single Life or the Joint and Survivor Life, and an expense charge as well as an interest rate reduction, are utilized for the Installment Income.

**Tax Reporting** — The basic IRS rule for annuities is designed to return the annuitant's investment in equal tax-free amounts over the payment period, and to tax the balance of the amounts received.

## Single Premium Immediate Annuity (SPIA)

If the illustration software applies an exclusion ratio to illustrate the portion of periodic income exempt from tax, it is on the assumption that the annuitant's investment equals the SPIA single premium -that is, that all funds paid represent after tax dollars. The exclusion ratio may not apply to all amounts to be received under a SPIA. The portion of periodic income subject to income tax determined at the time the SPIA is purchased, will be reported on form 1099.

**Payout Interval** - The periodic income for the SPIA is first computed on a monthly payout interval basis. The periodic income for a quarterly, semi-annual or annual payout interval equals the monthly periodic income times an interest accumulation factor.

**Policy Dating Rules -** Policies will be dated on the date that the full single premium is received in the Home Office. Backdating is not permitted. If more than one source of money is received on different days, the policy will be dated on the date the *last payment* is received in the Home Office. Payments received before the last payment will be credited with interest from the date it is received until the policy date, using the Horizon I rate.
**APPLICATION -** Use Form 1460 or the state variation of that form approved by your state.

**Evidence of Age -** Evidence of age *must be* submitted with the application. The most satisfactory sources of this evidence ( in order of preference) are:
- *Birth Certificate,* certified by a public officer; or
- Copy of *Certificate of Baptism,* giving date of birth and certified by a Notary Public.

**Life Income Mortality -** The mortality table used in computing a Life Income depends on the type of annuity for which application is made. If the annuity being applied for is Non-Qualified, the SPIA income amount(s) is (are) computed based on a sex-distinct mortality table. If application is being made for a Qualified Pension, Tax Sheltered or IRA annuity, a unisex mortality table is used in the computation.

**Guaranteed Period Requirements for Life Incomes:**
**Single Life Income:**
- Installment refund is required, if the annuitant's issue age is less than 35.
- At least 10 years certain is required, if the issue age is greater than 75.

**Joint and Survivor Life Income:**
- 20 years certain is required, if both annuitants' issue ages are less than 35.
- At least 10 years certain is required if both issue ages are less than 45.
- At least 10 years certain is required, if either issue age is greater than 75.

## Marquis Centennial Indexed Universal Life

The Marquis Centennial IUL is an indexed universal life policy. Indexed Universal Life offers a solution for individuals who are looking for death benefit protection, and cash value accumulation. The Marquis Centennial Indexed Universal Life Insurance policy (the "Marquis Centennial IUL") offers the opportunity to earn interest based on a formula that is linked in part to the performance of the S&P 500. This formula provides the potential of earning an interest rate higher than that which may be earned by the company declared fixed rate. The policy offers assurance that, as long as sufficient premiums are paid, you will have a guaranteed minimum policy value (please note that this guarantee is based on your policy value and not solely on the premiums you pay). This combination offers a unique mix of potential growth and guarantees to meet the diverse needs of today's life insurance policyholder.

The policy contains a **no-lapse guarantee** provision: If total premiums paid (less partial surrenders and loans) are greater than or equal to cumulative total monthly no-lapse guarantee premiums, then the policy will not lapse, regardless of the net cash value. At introduction, no-lapse premiums equal target premiums and the no-lapse guarantee period will last until age 121.

## Marquis Centennial Indexed Universal Life

**Issue Ages:**
0-85

**Premium:** Flexible premium may be paid at any time.
Minimum Specified Amount: $100,000
Minimum Change in Specified Amount: $25,000

**Allocation Dates**
The 15th day of each calendar month is an **allocation date**.

**Allocation Percentages**
**Allocation percentages** are the proportion of allocation value to be allocated to the Fixed Option and the index crediting methods within the Index Option. The total of the percentages must equal 100%. The owner may change allocation percentages for future allocation values.

**Unallocated Interest Crediting Method**
Each **net premium** (the amount of premium payment less applicable expense charge) is originally credited to the **unallocated interest crediting method**. Deductions are made from this method for:

a. partial surrenders (including the $15 charge),
b. monthly deductions, and
c. surrender charges.

On each allocation date following the policy date, an allocation to, or transfer from, the other interest crediting methods may be made. This depends on the amount of accumulated value in the unallocated interest crediting method on the allocation date:

d. If it is less than or equal to 12.5 times the current month's deduction, no allocation will be made;
e. If it is greater than 12.5 times the current month's deduction, and the excess is greater than $50, then the excess will be allocated to the other interest crediting methods according to the current allocation percentages; or
f. If it is less than the current month's deduction, then enough will be transferred from the other crediting methods to raise the accumulated value of the unallocated interest crediting method to 12.5 times the current month's deduction.

**Guaranteed Minimum Policy Value**
At the end of each 5-year segment, the guaranteed minimum policy value will be compared to the policy value. If it is greater than the policy value, the difference will be credited to the unallocated interest crediting method. Otherwise, nothing will be done.

**Fixed Option**
An allocation to the Fixed Option earns interest at a **fixed interest rate** that is guaranteed for successive **fixed interest earning periods** of one year each. The minimum fixed interest rate is 2%. Current fixed interest rates are declared in advance and will not change during a fixed interest earning period.

**Index Option**
An allocation to the Index Option earns interest at an **index interest rate** over successive **index interest earning periods** of one year each. There are two alternative index interest crediting methods under the Index Option.
Any interest credited under either of the alternative methods is limited by a current **annual cap** ("maximum index interest rate"). The **minimum annual cap** (the "lower limit of the maximum index rate") is 2%. Caps are declared in advance of an index interest earning period and are guaranteed not to change during such period.
Index interest rates are determined as follows:

## Marquis Centennial Indexed Universal Life

g. **Annual Point-to-Point** (Alternative Method A) – The index interest rate is a portion of the percentage increase in the index for the index interest earning period, subject to a maximum of the current Method A annual cap. The portion is defined to be the participation rate, which is declared in advance.

h. **Monthly Average** (Alternative Method B) – The index interest rate is a portion of the percentage increase in the index from the allocation date *at the beginning, to the average* of the indices on each of the next following 12 allocation dates, of the index interest earning period, subject to a maximum of the current Method B annual cap. The portion is defined to be the participation rate, which is declared in advance.

Under either Alternative Method A or B, the index interest rate for its interest earning period *will not be less than 0%.*

**Interest Crediting Frequency**
A fixed declared interest rate is credited *daily* to the Unallocated Interest Crediting Method and to the Fixed Option. Any interest attributable to a change in the index is credited *only at the end* of an index interest earning period. There is no guarantee that the index interest rate credited under either of the index interest alternatives will be equal to its cap or even greater than 0%.

**Guaranteed Minimum Participation Rate**
The **minimum participation rate** is 25% in most states.

**Guarantee**
The policy guarantees that the policy value will earn the equivalent of 2% annually at the time of termination and at the end of 5-year segments.

**Death Benefit**: There are two death benefit options available. Option A is a level death benefit; Option B is an increasing death benefit with the death benefit equal to the specified amount plus the policy value. The owner may request a change to this option or to increase or decrease the death benefit. If the owner requests a decrease, a surrender charge will apply if surrender charges are still applicable. A new schedule of surrender charges will then apply for the remaining surrender charge period and future premiums may be reduced. If the owner requests an increase, proof of insurability will be required, new surrender charges will apply to the increase for a 15 year period, and the base premium will be increased.

**Surrender Charge**: The surrender charge at issue or the surrender charge on any increase in coverage lasts for 15 years. Surrender charges are rates per $1,000 of specified amount that vary by age, rate class and duration. They are level for the first 5 policy years and then grade linearly to 0 after 15 policy years. A new 15 year period applies to increases in the specified amount, but will only be applied when the policy is fully surrendered or, in part, when the specified amount is decreased. .

**Partial Surrenders**: The minimum partial surrender is $500. No partial surrender may reduce the net cash value below $500. A $15 charge will be made for each partial surrender. Withdrawals from the index option during the index period do not participate in any index interest.

**Policy Value**:
The **policy value** is the sum of the accumulated values of:

i. The Unallocated Interest Crediting Method;
j. The Fixed Option;
k. The Point-to-Point Index Interest Crediting Method; and
l. The Monthly Average Index Interest Crediting Method.

## Marquis Centennial Indexed Universal Life

**Expense Charges, Policy Fees and Administrative Fees**

| Charge | Maximum | Current |
|---|---|---|
| Expense Charge | 5% | 5% |
| Monthly Policy Fee | $10 | $5 |
| Administrative Fee Issue Ages | | |
| 0 to 30 | $0.42 All Years | $0.20 1st 10 Policy Years |
| 31 to 40 | $0.42 All Years | $0.18 1st 10 Policy Years |
| 41 to 50 | $0.42 All Years | $0.16 1st 10 Policy Years |
| 51 to 60 | $0.42 All Years | $0.14 1st 10 Policy Years |
| 61 to 70 | $0.42 All Years | $0.12 1st 10 Policy Years |
| 71 to 85 | $0.42 All Years | $0.10 1st 10 Policy Years |

**Policy Loans**: The policy provides for traditional-style loans, where policy value is not affected, but dynamic interest is charged to loaned amount.

**Markets**: Clients who purchase the Marquis Centennial IUL will need death benefit protection, desire cash accumulation in a life insurance product and want the premium flexibility that a universal life product can provide. They will be moderately conservative in the sense that they are looking for a product with potentially higher cash value returns than they may be able to receive from traditional fixed-interest universal life policies, but they will also be willing to assume the risk that their returns may not be as high as they might have received from a fixed-interest product. This is not the product to use if one is looking for a low premium permanent life insurance product.

## Selling and Prospecting For Indexed Products

For a policy to be viewed as exempt from registration under the Securities Act of 1933, the policy cannot be marketed “primarily as an investment.” Based on guidance provided by case law and by the Securities and Exchange Commission[1], the Company suggests certain practical guidelines that should be followed by agents to avoid the possibility that a policy could be viewed as outside the scope of the exemption from registration under the Securities Act. We cannot emphasize too strongly that the manner in which a policy is marketed is a key fact and circumstance to be considered in determining the status of the policy under the federal securities laws. An insurance product may well be deemed to be a security if marketing emphasis is placed on the product’s investment aspects rather than its insurance aspects.

**At a minimum, when selling and prospecting for an indexed product, agents should:**

- Emphasize that the indexed annuity is designed as an appropriate planning vehicle for retirement income or to enhance overall retirement benefits.
- Emphasize the policy guarantees, including a guaranteed interest rate and guarantee of principal for indexed annuities.
- Emphasized the long-term nature of the policy.
- Emphasize the annuitization benefits and options of the policy. Point out that the death benefit in the policy is not available with noninsurance products.
- Market an indexed annuity to retirement savers who seek the guarantees associated with a fixed annuity, but who also want the potential of a greater return, rather than to existing investors who want growth with a guarantee.
- If you refer to or discuss the S&P 500 Index, emphasize that it is merely a means to measure index return (i.e., excess interest, if any, above the guaranteed minimum interest) and not as a vehicle for complete participation in the stock market.
- Point out that for indexed annuities your prospect will not be taking any market risk on the principal, but that The Lafayette Life Insurance Company will stand behind the product with its guarantees.

- Make sure every prospect gets a copy of the point-of-sale piece, and that every applicant gets a copy of (and signs) (a) the Disclosure Statement and Benefit Summary form for indexed annuities, and (b) the illustration for indexed life policies.
- Make sure that the prospect understands all the guaranteed and nonguaranteed features of the policy to the best of your ability.

**When selling and prospecting for indexed products, agents should not:**

- State or imply that the Index return is in any way guaranteed.
- Place undue emphasis on the S&P 500 Index. It is solely a means by which The Lafayette Life Insurance Company will measure the index interest rate of your prospect's indexed product.
- Use terms such as "investment performance," "investment returns," "Wall Street" or "stock market."
- State or imply that using the S&P 500 Index ties the policy directly to the stock market.
- Provide a partial or a complete list of the stocks or companies that comprise the S&P 500 Index. (Providing such a list could give a false impression that the policyowner is indirectly investing in those stocks.)
- Emphasize the similarities of the policies to variable policies, mutual funds and other such investment vehicles. Rather, point out the differences and guarantees of indexed polices.
- Prepare or use your own sales materials, illustrations or advertising (including all pre-approach letters). All sales materials and advertising for the Marquis Indexed policies must be prepared and approved by the Company's Home Office.

**Please retain pages 1 -13 for your information and records.**

[1] **SEC Proposed Rule 151A to Regulate Indexed Annuities as Securities**
On June 25, 2008 the U.S. Securities & Exchange Commission (SEC) released a new proposed rule which would establish new standards for determining whether an indexed annuity contract is a security under the Securities Act of 1933, requiring it to be registered and sold only by registered representatives. The proposed rule as it currently stands would not include life insurance contracts (i.e.: indexed universal life). It also would not appear to impact indexed annuities sold inside of qualified pension plans. The rule would apply prospectively only, meaning it would apply to indexed annuities that are issued on or after the effective date of the final rule. A final rule, if adopted, would be published after the close of a public comment period which was extended to November 17, 2008. The effective date of any final rule would be a date that is 12 months after it is published. The earliest a final rule would be effective is Nov. 2009. Lafayette Life has submitted comments to the SEC during this comment period. The proposed rule is likely to be revised following the comment process. The final version of the rule and its application will not be certain until it is adopted and published by the SEC. Lafayette Life will continue its indexed annuity sales as usual while this process unfolds. We believe that our indexed annuities are valuable products that meet the needs of many consumers. This is a brief summary of parts of the SEC release and of Lafayette Life's current plans and is not intended as legal advice. To view the entire SEC release (96 pages) and related information go to www.sec.gov for release no's. 33-08933 and 34-58022 for 2008 proposed rules.

**Review Quiz:** Please mark **True** (T) or **False** (F) for each of the following statements.

## REVIEW: ANNUITIES

____ The Marquis Series (*Centennial, Group, and Flex)* of Indexed Annuities are fixed insurance products and are not securities**.**

____ The minimum premium for the Marquis **Centennial** and **Flex** Annuities is $1,000 per year ($84 automatic monthly withdrawal from checking option).

____ The current fixed interest rate applied to the first premium allocated to the fixed option is guaranteed for one year. The current fixed rate for subsequent premiums may be different.

____ With each premium payment you may choose between a fixed interest rate and/or index interest rate alternatives linked in part to changes in the S&P 500®.The Marquis **Flex** uses the Annual Point-to-Point index crediting method. The Marquis **Centennial Annuity** offers three index interest methods: Annual Point-to-Point, Monthly Average and Monthly Cap.

____ Once the index interest rate has been determined, it is applied to that premium and the resulting amount is included in the policy value.

____ Lafayette Life declares the cap(s), which is used to set the upper limit on the index interest rate.

____ The policy will be dated on the date when the initial premium is received.

____ Transfers from one interest crediting method to another will be effective on the 15th of the month on or following the premium anniversary.

____ All withdrawal charges date from the date of the contract and not from the date of the receipt of subsequent premium(s).

____ All or some of each withdrawal maybe subject to income taxes and if withdrawals are taken before age59 ½, they may be subject to a penalty tax.

____ Withdrawals from the Indexed Option prior to the end of the index interest earning period will not be credited with any index interest.

____ The Marquis **Flex** and Marquis **Centennial** Annuities have different withdrawal charge schedules as well as different guarantees as stated in their respective contracts.

____ After the first policy year, the automatic withdrawal of interest earned on the annuities may continue, or up to 10% of the beginning of year policy value may be withdrawn without a withdrawal charge as long as withdrawal charges are still applicable.

____ Under Internal Revenue Code Section 72(s) (3), if the designated beneficiary under the policy is the surviving spouse of the owner/annuitant, and the owner/annuitant dies prior to the maturity date of the policy, then the surviving spouse may elect to treat the annuity as her/his own and continue to defer instead of taking distribution of the death benefit.

____ The minimum fixed interest rate is 1.0% for each premium allocated to the Fixed Option on the Marquis **Centennial** Annuity.

____ The guaranteed minimum surrender value on the Marquis **Centennial** Annuity is 87.5% of all net premiums (less any withdrawals) accumulated at 1% - 3% interest.

____ The Index Interest Crediting Method of **Annual Point-to-Point** is measured by calculating the percentage of change in the S&P500® index from the beginning of the interest earning period to the end of the interest earning period limited by the applicable cap.

____ The Index Interest Crediting Method of **Monthly Average** is measured by calculating the percentage of change between the S&P500® index at the beginning of the interest earning period to the average of the 12 monthly S&P500® indices on the allocations dates immediately following the beginning of the interest earning period limited by the applicable cap.

____ The Index Interest Crediting Method of **Monthly Cap** is measured by calculating the sum of the percentage of change in the S&P500® index for each of the 12 one-month periods within the interest earning period. Each monthly percentage increase is capped at the declared monthly cap rate; each monthly decrease is included in its entirety.

____ Under each Index Interest Crediting Method for the Marquis **Centennial** Annuity (Annual Point-to-Point, Monthly Average, Monthly Cap) the interest rate credited at the end of the interest earning period is the index interest rate. This rate will not be less than 0% for an interest earning period. Any index interest is added at the end of the interest earning period.

____ The minimum premium for the **Group** Marquis Centennial Annuity is $1,200 ($100 automatic monthly withdrawal from checking option).

____ The **Group** Marquis Centennial Annuity has benefit sensitive withdrawals.

____ The **Group** Marquis Centennial Annuity has the same rates/caps as the individual Centennial 10.

____ The **Group** Marquis Centennial Annuity product is only available for retirement plans.

____ The available guaranteed periods for Single Life Income **SPIA** are: None, 5, 10, 15 or 20 years; or Installment Refund. The total of all payments due during this period equals the amount received by the company.

____ The survivor's periodic income that may be selected for Joint and Survivor Life Income **SPIA** are: 100%, 67% or 50%

____ Once a **SPIA** is issued, its periodic income is fixed and will not change in the future.

# REVIEW: MARQUIS CENTENNIAL INDEXED UNIVERSAL LIFE

____ A client who purchases the Marquis Centennial **IUL** has a need for death benefit protection, and cash value accumulation with a minimum interest rate guarantee.

____ Regardless of the performance of the S&P 500 Index, the policy value of the Marquis Centennial **IUL** is guaranteed to earn the equivalent of 2% annually over each 5 policy year segment.

____ The minimum fixed interest rate is 2.0% on the premium allocated to the Fixed Option on the Marquis Centennial **IUL.**

____ The Marquis Centennial **IUL** offers the safety of the No-Lapse Guarantee as a standard policy provision.

____ The Marquis Centennial **IUL** has two indexing Options: Annual Point-to-Point and Monthly Average.

____ If premium paid to the Marquis Centennial **IUL** is applied to either the Annual Point-to-Point or the Monthly Average indexed options, returns are calculated based on the S&P500® subject to participation rates and caps.

____ Before any premium can be transferred from or allocated to an interest crediting method for the Marquis Centennial **IUL**, the accumulated value in the unallocated option must exceed 12.5 times the monthly expense plus $50.00. At that time any excess over the 12.5 times the monthly expense will be allocated to the index crediting methods according to the current allocation percentages.

___ The surrender charge on the Marquis Centennial **IUL** varies by age and underwriting classification, and it is deducted from the policy value to determine the cash value of the policy, but will only be applied when the policy is fully surrendered or, in part, when the specified amount is decreased.

____ The Marquis Centennial **IUL** policy guaranteed minimum participation rate is 25% in most states.

____ The Marquis Centennial **IUL** provides for loans using a dynamic interest rate charged on the loaned amount where policy value is not affected.

I have read and understand the above descriptions of the Marquis Series of Indexed Products and the other listed products. By signing below, I represent (a) that I am familiar with and understand the terms and conditions of the life insurance policies and annuity contracts offered by Lafayette Life and contained herein as a result of the training materials provided by the company, and (b) that I will not recommend the purchase of any Lafayette Life product unless I have adequate knowledge of the product, and (c) I have completed the quiz and answered all 43 questions.

______________________________, Agent ______________________________, Date
Print Name

______________________________, Agent ______________________________, Agent Number
Signature

**Please Fax pages 14, 15 & 16 to the Sales Development Center at: (513) 362-2474**

**They can also be reached at (866) 937-5542 to answer questions.**