

Life Insurance Illustration

Exchange to Term Insurance Endorsement Using Whole Life 10 Pay

Prepared for:
Valued Client

Policy Owner:
Valued Client
Policy Beneficiary
A Valued Business

Presented By:
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Massmutual Financial Group
1295 State Street
Springfield, MA

Date Prepared:
May 25, 2023

This supplemental life illustration is not valid unless accompanied by or preceded by a Basic Life Illustration.
Refer to the Basic Illustration for guaranteed elements and other important information.

Policy Owner Signature: _____

Dated: _____



Proposed Insured: Valued Client

Male, 50, Select Preferred Non-Tobacco

Policy: Whole Life 10 Pay

Base Policy Face Amount: \$12,711,326

Annual Premium: \$1,000,000.02

Riders: ABR, TIR

Dividend Option: Dividends used to purchase Paid-Up Additions. Dividends are not guaranteed and are subject to significant fluctuations over the lifetime of the policy. Changes in dividends will change all Non-Guaranteed values shown in this illustration.

This supplemental illustration shows the policy with the Exchange to Term Insurance Endorsement. This endorsement is only in effect during the first five policy years and must be approved for issue. It is only available based on a minimum total case premium. During the five policy years of the Exchange to Term Insurance Endorsement, the policy cash value is the greater of the actual cash value for the policy and the Exchange Credit Value.

Maintaining a healthy balance sheet is important to the ongoing viability of any business. Retaining key employees with competitive incentive packages is vital to the health of any business as well. A major challenge is to balance these frequently conflicting desires. One possible solution involves using the Exchange to Term Insurance Endorsement.

A corporation wants to reward and retain several key employees with deferred compensation agreements using traditional whole life insurance. At the same time it wants to minimize the negative impact on retained earnings in the early years when the cash value of life insurance policies is typically less than cumulative premiums.

Whole life insurance can be an excellent solution when using a deferred compensation arrangement to provide a benefit for a key employee. To address the issue of impact on financial statements, particularly in the early years, it may be helpful to consider use of the Exchange to Term Insurance Endorsement. This endorsement provides increased early values in the policy that can be reflected as an asset on a business' financial statements.

The Exchange to Term Insurance Endorsement, also known as the Honeymoon Provision, provides that during the first five policy years, the policy to which the endorsement is attached may be exchanged for an annually renewable convertible term policy on the insured. That means the business would get back the difference between the actual premiums paid and what the term premiums would have been (a.k.a. exchange credit), an amount that is generally greater than the policy cash value. Certain conditions must be met if someone elects to exchange to term, including the following:

- o The insurance contract is in force.*
- o All dividends have been used to purchase paid-up additions and no surrender of additions has occurred.*
- o The policy is not assigned after issue.*
- o The policy has not been exchanged.*
- o There has been no change in the ownership of the policy unless the change was to a successor owner as part of a merger or acquisition or to a non-qualified trust created by the owner for the employees of the business.*

Note: Please refer to the Exchange to Term Insurance Endorsement itself for a full listing of provisions.

Supplemental Life Insurance Illustration Exchange to Term Column Descriptions

Proposed Insured: Valued Client

Male, 50, Select Preferred Non-Tobacco

Policy: Whole Life 10 Pay

Base Policy Face Amount: \$12,711,326

Annual Premium: \$1,000,000.02

Riders: ABR, TIR

Dividend Option: Dividends used to purchase Paid-Up Additions. Dividends are not guaranteed and are subject to significant fluctuations over the lifetime of the policy. Changes in dividends will change all Non-Guaranteed values shown in this illustration.

Column Heading Descriptions:

Age Beg Year

The age of the insured at the beginning of the policy year.

Exchange Credit Value

This is equal to: The sum of annual premiums for the cash value policy, Renewable Term Rider (RTR) and Life Insurance Supplemental Rider (LISR) to the due date of the next premium payment, plus any Additional Life Insurance Rider (ALIR) payments made, less any policy debt, all LESS the sum of annual term policy premiums from the policy date of the cash value policy to the due date of the next premium payment. As a note, the face amount of the term policy each year is the face amount of the cash value policy plus any paid-up additions (including ALIR additions) in force at the beginning of the policy year.

**Total Death Benefit
Beg Year**

This is the amount which would be payable if death occurred at the beginning of the policy year. These values are based on the illustrated dividend schedule and are not guaranteed.

Total Premiums

This is the total of Contract Premiums.

For all other column heading descriptions, please refer to the Basic illustration.

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----- Guaranteed Values -----				----- Non-Guaranteed Values -----		
Year	Age Beg Year	Contract Premium Beg Year *	Total Premiums	Total Death Benefit	Total Cash Value End Year	Exchange Credit Value
1	50	1,000,150	1,000,150	12,788,003	366,213	992,124
2	51	1,000,000	2,000,150	12,933,012	1,015,208	1,982,608
3	52	1,000,000	3,000,150	13,146,238	1,981,743	2,971,096
4	53	1,000,000	4,000,150	13,430,290	3,010,995	3,957,054
5	54	1,000,000	5,000,150	13,786,511	4,106,474	4,939,883
6	55	1,000,000	6,000,150	14,187,101	5,254,038	0
7	56	1,000,000	7,000,150	14,634,890	6,457,530	0
8	57	1,000,000	8,000,150	15,130,693	7,720,046	0
9	58	1,000,000	9,000,150	15,674,805	9,044,016	0
10	59	1,000,000	10,000,150	16,268,778	10,433,167	0

Non-guaranteed values include dividends which are neither estimates nor guarantees, but are based on the 2022 dividend schedule. Dividends in future years may be lower or higher, depending on the Company's actual experience. For this reason, we strongly recommend that you look at a lower schedule illustration available upon request.

This supplemental illustration is not valid unless accompanied by or preceded by a Massachusetts Mutual Life Insurance Company Whole Life 10 Pay Basic Illustration dated May 25, 2023. Refer to the basic illustration for guaranteed elements, assumptions, explanations and other important information.

The Exchange Credit Value shown assumes annual premium payments. It represents the amount that would be payable if the policy were surrendered under the Exchange to Term Insurance Endorsement. **Since the policy death benefit has an effect on the exchange credit, changes in dividends would affect the exchange credit amount. Higher policy amounts could produce a lower Exchange Credit amount.**

The term rates used are for a Vantage Term - ART policy, using Male, Select Preferred Non-Tobacco rates.

This illustration does not recognize the time value of money and should not be used to compare policy costs.

*The first year premium includes a non-refundable one-time attachment fee of \$150 for the Exchange to Term Insurance Endorsement.

Note: If there are surrenders of paid-up additions during the first five policy years, the policy is no longer eligible to be exchanged to term insurance. The exchange credit is reduced by the cash value of additions surrendered.