Annuity Options: Questions and Answers

1. **What is a variable annuity?**
   A variable annuity is a contract between you (the annuity owner) and an insurance company. In return for your purchase payment, the insurance company agrees to provide either a regular stream of income or a lump-sum payout at a future time (based on your desired income date, but generally no later than the Latest Annuity Date). An annuity has two phases: the accumulation phase (the period during which you invest money in the contract) and an income phase (the period during which the insurance company makes annuity payments to you).

2. **Why is it called “variable”?**
   A variable annuity is called “variable” because you can choose to invest in the variable investment portfolios available in your contract, as well as in any fixed-interest options that may be available. When you are invested in variable portfolios, the contract value and/or income generated by the variable investment portfolios is not fixed—your return or income will vary, depending on the performance of the investment options you have chosen. Of course, this type of investment can also lose value.

3. **What are annuity payments?**
   Annuity payments are a scheduled stream of payments made to you or a person you designate. When you begin taking annuity payments, the variable annuity contract switches from its accumulation phase to its income phase. This is known as “annuitization.”

4. **What is the “Latest Annuity Date”?**
   The Latest Annuity Date is the latest date, specified in your contract and/or prospectus, upon which you must begin taking annuity payments from the contract. You can begin annuity payments prior to this date if you desire. The Latest Annuity Date may vary depending on the product you purchased. If you have questions about the Latest Annuity Date applicable to your contract, please review your contract or call our Annuity Service Center. We must receive your instructions for your annuity payments no later than 10 business days prior to your Latest Annuity Date. Otherwise, your contract will be annuitized in accordance with the default option specified in your contract and/or prospectus.

5. **Can I extend my accumulation phase beyond the Latest Annuity Date?**
   **If you purchased your contract before 2002**
   If you purchased a contract before 2002,* your contract is generally eligible for extension of the accumulation phase up to the first business day of the month following your 95th birthday. However, your contract will not be eligible for the extension if, after May 2, 2011 (or after August 29, 2011 for a Seasons Variable Annuity):
   - You take a withdrawal (unless the withdrawal is a Required Minimum Distribution under a Qualified contract); and
   - The ratio of the death benefit to the contract value is equal to or exceeds 300% of your remaining contract value prior to reaching your attained age 95.

   *Excepting the following products: FSA Advisor, PolarisAmerica, Polaris NY purchased after 10/23/2001, Seasons Select, Seasons Select II

   **If you purchased your contract after 2002 or purchased one of the products named below**
   If you purchased your contract after 2002 and the Latest Annuity Date stated in the contract is at least age 90, the contract is eligible for extension of the accumulation phase up to the first business day of the month following your 95th birthday.
Products with a Latest Annuity Date of at least age 90 that were available prior to 2002 and eligible for the extension described above: FSA Advisor, PolarisAmerica, Polaris NY purchased after 10/24/2001, Seasons Select, Seasons Select II.

If your contract already has a Latest Annuity Date of age 95
Contracts with a stated Latest Annuity Date of 95 are not eligible for extension of the accumulation phase.

For all contracts eligible for extension of the accumulation phase, you will receive or have received a communication from us and you must advise us if you want to accept the extension. Directions for doing so are provided in the communications.

6. Do I have to annuitize?
No. You can choose to withdraw all your contract value in one lump sum, known as “surrendering” or terminating your contract. Please send your request to surrender at least 10 business days prior to your Latest Annuity Date. Please call our Annuity Service Center to obtain the necessary form.

7. How is the amount of my annuity payment determined?
The amount of each payment depends on the following:

- The contract value at the time you annuitize. Note: We will not annuitize a contract where the accumulated value is $2,000 or less; if this is the case, your contract will be terminated and we will send a lump sum payment of the contract value to the address of record.
- The age and gender of the “annuitant” – the person (or persons) on whose life the payments are based. In most contracts, the annuitant is the same person as the owner. If the owner is a different person than the annuitant and dies before the annuitant, the designated beneficiary will continue to receive any remaining guaranteed annuity payments.
- Which annuity income option you choose—for example, if you choose a specified period payout, the longer the period, the lower the amount of each annuity payment. In other words, an option with 10 years of guaranteed payments will pay less in each payment than an option with 5 years of guaranteed payments.
- How you invest your money during the income phase. If you remain invested in the variable investment options, your annuity payments will vary depending on the performance of those investments. If you choose fixed payments, all of your payments will be the same amount.
- The frequency of your payment. For example, the amount of a monthly payment will be less than the amount of an annual payment.

Our Annuity Service Center would be happy to provide you with quotes.

8. What Annuity Income Options are available to me?
The Annuity Option Selection Form provides a detailed explanation of each annuity income option that is available for election. In general, annuity income options that may be available to you may include:

- “Specified Period”—where you can specify the number of years over which guaranteed annuity income payments are made. If the owner and/or annuitant dies during this period, payments will continue to the designated beneficiary for the remainder of the specified period.
- Lifetime payments—payments will be made over the annuitant’s life. Payments stop upon the annuitant’s death.
- Lifetime payments with a specified period—payments are made for the longer of the specified period or the life of the annuitant. If the annuitant dies before the end of the specified period, payments will continue to the designated beneficiary for the remainder of the specified period.
If the annuitant lives beyond the specified period, payments will continue over the annuitant’s entire lifetime.

- **Payments over two lifetimes**—these work like the lifetime payments options, but payments continue over two annuitants’ (generally spouses) lifetimes. Some options will reduce the annuity payments for the surviving annuitant.

Generally, you cannot elect a specified period that exceeds the annuitant’s life expectancy. Therefore, if you select a term longer than the annuitant’s life expectancy, we will adjust the payment duration to not exceed the maximum life expectancy based on the appropriate life expectancy tables.

If you elected a guaranteed income benefit (also known as a “living benefit”) at the time you purchased your contract, your contract may offer additional options.

9. **Can I change my annuity income option once I have selected it?**
   No. Once we begin making annuity payments to you, those annuity payments continue in accordance with the selected option. Because this is an irrevocable decision, we recommend you speak to your financial advisor and/or tax advisor regarding your choices.

10. **Can I have access to my contract value in addition to my payments?**
    No. Once you annuitize your contract, you will not have access to your funds other than by receiving your annuity income payments. We cannot allow any other withdrawals. You also cannot receive any remaining funds in a lump-sum payment unless you elected a period certain option.

11. **Once I annuitize, can I make transfers between investment options?**
    Yes, if you have elected a variable payment. Once you have annuitized, you are permitted one transfer per month between variable investment options. If you have elected a fixed payment, transfers are not possible.

12. **Once I annuitize, will I continue to receive quarterly statements?**
    Yes. The statements will look different, reflecting the dollar amount of the annuity payments you received during the reporting period and the annuity income option you chose. Also included will be year-to-date tax information.

13. **Will my beneficiary still receive a death benefit when I die?**
    The death benefit that was associated with your contract during the accumulation phase no longer applies during the income phase (after you annuitize). Instead, if you chose a specified period option, after the annuitant dies, the designated beneficiary can receive annuity payments for the remaining period. If you chose a life only option, your designated beneficiary will not receive any annuity payments after the annuitant dies. If the owner and annuitant are different people and the owner dies, your beneficiary will receive annuity payments until the annuitant dies.

14. **Do I need to or can I name a new beneficiary?**
    You do not need to change your beneficiary—we will use the beneficiary you have on file with us. If you want to name or change a beneficiary, use the Beneficiary section of the Annuity Option Selection Form, or call us to request a Change of Beneficiary form.

15. **Do I have to pay tax on annuity payments?**
    Generally, yes. However, each annuity payment is structured as a partial return of principal and part interest earned. If you have only contributed after-tax money to the annuity (a “non-qualified”...
contract), only the interest portion of the payment is subject to income taxes. If you contributed money to the annuity on a pre-tax basis (a “qualified” contract, such as an IRA), your full annuity payment will generally be subject to income tax. We will send you an IRS Tax Form 1099-R every year, reporting the taxable amount of your payout. You should consult with a tax advisor regarding your particular circumstances.

16. Can I have tax withheld from my payments?
Yes. On the Annuity Option Selection Form, we ask that you tell us whether or not you want taxes withheld and, if so, based on what criteria (number of allowances, marital status, etc.). If you do not make a selection, we will withhold taxes based on the default criteria outlined on the Annuity Option Selection Form. Under certain circumstances, we are required to withhold federal and/or state income taxes from your annuity payments.

17. How can I tell if my contract is qualified or non-qualified?
We list the contract type on the first page of your quarterly statements, under the “Account Type” indicator directly below “Your Account Summary.”

18. How often will I receive payments?
When you complete the Annuity Option Selection Form, you can choose to receive payments on a monthly, quarterly, semi-annual, or annual basis.

19. What day of the month will I receive payments?
We generate and mail all annuity payments on the business day following the first day of the month. You can choose to have annuity payments mailed or deposited directly into your bank account when you complete the Annuity Option Selection form.

20. How do I set up my annuity payments for direct deposit?
On the Annuity Option Selection Form, you can elect direct deposit. We will require a voided check for checking account deposits or, for savings accounts, a confirmation letter.

If you have any questions that have not been answered in this material, please talk to your investment representative, or call our Annuity Service Center at 1-800-445-7862