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## **Physicians Life Insurance Company®**

### **VISTA Index Series Producer's Guide**

- ◆ VISTA Index Solution™
- ◆ VISTA Index Freedom™
- ◆ VISTA Index Elite™

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## Overview

Physicians Life Insurance Company's VISTA Index Series of Indexed Annuity products are all designed for customers who are looking for higher interest potential on their safe money savings than they can earn from a typical fixed annuity product. The VISTA Index Series provides competitive indexed based interest options that give your customers the potential for increased interest credited on their savings while providing the guarantees and safety of principal all fixed annuities provide. Each of the VISTA Index Series products are specially designed for differing customer needs.

### **VISTA Index Solution™:**

The VISTA Index Solution is designed for customers who desire a bonus credited to their account value at specified times. Each of the 3 VISTA Index Solution products (7 year, 10 year and 15 year Index Periods) provide a bonus at issue based on the premium deposited. In addition, a renewal bonus is credited to the customer's Index Account Value at the beginning of each renewal index period based on their accumulated Index Account Value at that time. The bonuses for each product are as follows:

- ◆ 7 Year Index Period =  
2% Initial Index Bonus, 2% Renewal Index Bonus
- ◆ 10 Year Index Period =  
5% Initial Index Bonus, 5% Renewal Index Bonus
- ◆ 15 Year Index Period =  
10% Initial Index Bonus, 10% Renewal Index Bonus

In addition, your customer has a choice to allocate their accumulated value to one of 3 Index Methods. The S&P 500<sup>®</sup> Monthly Average and S&P 500<sup>®</sup> Annual Point-to-Point will have an annual cap on the index based interest that is reset each year (subject to a minimum). The Fixed Rate Method will have a fixed interest rate reset each year and can be set as low as the minimum rate at issue of the contract (varies by state of issue).

For customers looking to increase their account value immediately at issue and who are interested in being rewarded with a bonus for continuing to keep their savings dollars with Physicians Life Insurance Company, the VISTA Index Solution is the answer for them.

### **VISTA Index Freedom™:**

The VISTA Index Freedom is designed for customers who want to take advantage of potential upswings in the S&P 500<sup>®</sup> early in their contract. Through the unique CapFree Zone™ feature, your customer will receive the potential for unlimited interest under the annual reset Monthly Average Index method for a predetermined number of years. At the end of the CapFree Zone™, your customers will have the option to select which index method is right for them. If they select the S&P 500<sup>®</sup> Monthly Average or S&P 500<sup>®</sup> Annual Point-to-Point index method, there will be an annual reset cap on the index based interest (subject to a minimum). If they select the Fixed Rate Method, the interest rate will be reset each year and can be set as low as the minimum rate at issue of the contract (varies by state of issue). The VISTA Index Freedom offers 2 indexing periods. The indexing periods and index bonuses are as follows:

- ◆ 6 Year Index Period =  
No Bonuses
- ◆ 12 Year Index Period =  
5% Initial Index Bonus, 5% Renewal Index Bonus

### **VISTA Index Elite™:**

The VISTA Index Elite is designed for customers who have planned well with their retirement savings. Because the minimum premium on the VISTA Index Elite is \$100,000, the product provides for more competitive cap rates compared to others in the industry. In addition, your customer has a choice to allocate their Index Account Value to one of 3 Index Methods. The S&P 500<sup>®</sup> Monthly Average and S&P 500<sup>®</sup> Annual Point-to-Point will have an annual reset cap on the index based interest (subject to a minimum). The Fixed Rate Method will have a fixed interest rate reset each year and can be set as low as the minimum rate at issue of the contract (varies by state of issue). 5 and 10 year Index Periods are available.

## Account Values

- ◆ *Guaranteed Minimum Account Value (GMAV)*  
The Guaranteed Minimum Account Value (GMAV) is 90% of premium plus minimum interest guaranteed in the contract (varies by state).

For any additional premiums deposited after the first year, the GMAV will be increased by 90% of that additional premium and will continue to accumulate at minimum interest guaranteed in the contract (varies by state).

At the end of each Index Period, the GMAV is reset to the ending IAV (if greater) and continues to grow at minimum interest.

This means that no matter what the Index may do during the initial Index Period, the owner is guaranteed by Physicians Life Insurance Company to have no less than 100% of the premiums as a GMAV at the end of the initial Index Period plus any applicable Index Bonus, less withdrawals and applicable premium taxes.

- ◆ *Index Account Value (IAV)*  
The Index Account Value (IAV) is equal to the initial premium plus the Initial Index Bonus earned minus any applicable deductions for premium taxes.

On each contract anniversary, the IAV will be increased by Annual Index Interest for the prior contract year.

At the end of the Index Period, the IAV is guaranteed to be no less than the GMAV.

After any Index Period, a new Index Period begins and the IAV is reset to the GMAV (if greater) and IAV may be increased by the Renewal Index Bonus. On future contract anniversaries, the IAV grows with Annual Index Interest in the same manner as it did during the initial Index Period.

## Index Bonuses

The VISTA Index Solution™ and the VISTA Index Freedom™ (12 year only) feature an initial index bonus and renewal index bonus guaranteed by Physicians Life Insurance Company.

- ◆ *Initial Index Bonus:* At issue of the annuity contract, Physicians Life Insurance Company will increase the Index Account Value by a percentage of the initial premium. The Index Bonus, along with the initial premium will earn index interest each contract year thereafter. At the end of the Initial Index Period, the customer may surrender their contract for 100% of premium, plus 100% of initial index bonus plus 100% of index interest credited to the IAV during the Initial Index Period.
- ◆ *Renewal Index Bonus:* At the end of the initial index period a renewal index period begins. Physicians Life Insurance Company will increase the IAV accumulated during the initial index period by an amount equal to the renewal index bonus. This bonus, along with the IAV accumulated during the initial index period, will earn index interest during the renewal index period. At the end of the renewal index period the premium, bonuses and index interest credited during the renewal index period can be surrendered without penalty. At the end of each renewal index period another renewal index period begins with another renewal index bonus being applied.

## Index Methods

The VISTA Index Series of Index Annuity products from Physicians Life Insurance Company each allow for changes in how index interest is calculated. For the VISTA Index Freedom™, choice of index method can be made before each contract anniversary after the CapFree Zone™. For the VISTA Index Solution™ and the VISTA Index Elite™, the choice of index methods can be made before each contract anniversary. Below is a summary of each method.

*S&P 500® Monthly Average:* The average of the monthly closing levels of the S&P 500® is calculated and compared to the closing level on the 1<sup>st</sup> day of the contract year. The result is floored at 0% (if negative) or reduced to the cap percentage (if greater) to get the Annual Index Interest. The Annual Index Interest is credited to the Index Account Value as of the last day of the contract year.

*S&P 500® Annual Point-to-Point:* The closing level of the S&P 500® on the last day of the contract year is compared to the closing level on the 1<sup>st</sup> day of the contract year. The result is floored at 0% (if negative) or reduced to the cap percentage (if greater) to get the Annual Index Interest. The Annual Index Interest is credited to the Index Account Value as of the last day of the contract year.

*Fixed Rate:* The Annual Index Interest credited to the Index Account Value on the last day of the contract year equals the interest rate set on the Fixed Rate method by Physicians Life Insurance Company at the beginning of the year.

## Index Caps

The VISTA Index series of products uses a cap to calculate indexed based interest. Each year on the VISTA Index Solution and VISTA Index Elite caps are set by Physicians Life Insurance Company on the S&P 500® Monthly Average Index Method and the S&P 500® Annual Point-to-Point Index Method. Similarly, on the VISTA Index Freedom, each year after the CapFree Zone™ caps are set by Physicians Life Insurance Company.

There are many factors that can affect the cap Physicians Life Insurance Company sets on each product and each index method. In general, the cap is determined based on market conditions including interest rates and volatility in the S&P 500® index. Each year, the cost of indexed based interest can go up or down based on the current market conditions. If the cost increases, your customer's cap will decrease from the prior year. If the cost decreases, the cap set by Physicians Life Insurance Company will increase. Regardless of how expensive indexed based interest costs in the future, Physicians Life Insurance Company will guarantee the cap set will never be lower than the guaranteed minimum cap of the product. The guaranteed minimum caps during the Initial Index Period are as follows:

<b>Product</b>	<b>Guaranteed Minimum Cap</b>
VISTA Index Solution	6.0%
VISTA Index Freedom	4.0%
VISTA Index Elite	6.0%

After the Initial Index Period, the Guaranteed Minimum Cap will equal the Guaranteed Minimum Account Value (GMAV) interest rate which varies by state and date of issue.

## Death Benefits

Each of the VISTA Index Series products from Physicians Life Insurance Company provides for access to the account values by the beneficiaries on death of the owner. The base contract provides 3 options for the beneficiaries for death benefits:

1. *Lump Sum Payout of Guaranteed Minimum Account Value (GMAV)*: The GMAV is 90% of premium plus minimum interest guaranteed in the contract (varies by state). At the end of each Index Period, the GMAV is reset to the ending IAV (if greater) and continues to grow at minimum interest. This means if a beneficiary elects a lump sum payout, the death benefit will not include any index bonus or index returns for the current index period and may result in lost premium.

2. *Periodic Payout of Index Account Value (IAV)*: The IAV is 100% of premiums plus all index bonuses and index interest. The beneficiary may elect to receive the entire Index Account Value with a periodic payout of as few as 5 years.

3. *Spousal Continuation*: Spousal beneficiaries may have the right to continue the Vista Index Series contract in the event of the owner's death. It is recommended that the customer discuss this option with a qualified tax accountant or advisor.

In addition, each VISTA Index Series product provides for an optional enhanced death benefit through the Return of Premium on Death rider. If elected at issue, the rider enhances the lump sum death benefit option described above. With the Return of Premium rider, the lump sum death benefit becomes the greater of the GMAV or 100% of premiums paid less withdrawals and premium taxes. It is important to note, while this does provide your customer the assurance their beneficiaries can receive back principal in the contract, it does not provide a death benefit that includes index bonuses and index returns.

## Annuitization Benefits

The VISTA Index Series products also provide a valuable feature in all fixed annuities, annuitization benefits. At any time the customer can elect to change their deferred index annuity into a stream of guaranteed income. The income payments will be either based on the GMAV or the IAV depending on when the annuitization benefit is elected:

- ◆ *Years 1 to 10*: During the first 10 years of the contract, the annuitization benefits are based on the GMAV. If the customer elects to begin annuity payments during the first 10 contract years, it may result in lost index bonuses, index based interest and principal.

- ◆ *Year 11 or Later*: If annuitization benefits begin after the 10<sup>th</sup> policy anniversary, the annuitization benefits are based on the IAV. The IAV will include 100% of premiums plus all index bonuses and index interest.

It is important for you to discuss with your customer the annuitization benefits included in their contract so they understand when they can turn their deferred annuity into an income stream and what account value is used to calculate that income stream.

## Access to Account Values

All of the VISTA Index Series products are designed for customers with safe money savings that are not needed until the end of the elected index period. In the case of an unforeseen event, your customer will have access to their savings through the following benefits:

- ◆ *5% Free Partial Withdrawals*: After the 1<sup>st</sup> policy year, your customer can withdrawal 5% of their Index Account Value each year. Withdrawals in excess of 5% are not allowed other than for full surrenders. There must be a minimum of \$2500 in the GMAV to keep the VISTA Index Series products in force.

- ◆ *Full Surrender*: At any time the owner of the policy can surrender their contract. The surrender value will equal the GMAV. The GMAV is equal to 90% of all premiums paid plus minimum interest, less any withdrawals and premium tax. A full surrender prior to the end of an index period will result in lost bonuses applied at the beginning of that index period and any index interest credited during that index period. In addition, for full surrenders during the initial index period it may result in lost premium.

At the end of each Index Period, the GMAV is increased to the ending IAV. During the next Index Period, the GMAV then will be credited guaranteed minimum interest (varies by state). This means full surrenders after the Initial Index Period will be based on the GMAV which will include 100% of premiums plus index bonuses and index interest credited to the IAV in previous index periods.

- ◆ *Nursing Home and Hospital Confinement Rider*: Once the Owner is confined to a nursing home or hospital for 60 or more consecutive days, 100% of the Index Account Value is available in either full surrender or any partial withdrawal the Owner requests. Initial confinement must

be on or after the issue date and be medically necessary.  
This rider is not available in all states.

- ◆ *Home Health Care Rider:* If in the first policy year the client is unable to perform two or more of the activities of daily living and is receiving Home Health Care assistance, 1% of the Index Account Value per month may be withdrawn penalty free totaling 12%, in the first year. Beginning year two after the client has accessed the 5% free withdrawal, they may then access an additional 1% per month for Home Health Care expenses creating a potential free withdrawal option of 17%. This rider is not available in all states.

## **Surrender Value**

If a customer wants to surrender their annuity before the end of the Index Period, a Surrender Penalty is incurred.

Surrender Value = Guaranteed Minimum Account Value

**Physicians Life Insurance Company  
VISTA Index Series**

	VISTA Index Solution			VISTA Index Freedom		VISTA Index Elite	
Index Period	7	10	15	6	12	5	10
Issue Ages	0-80	0-75	0-70	0-80	0-75	0-80	0-75
Minimum Premium	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$100,000	\$100,000
Guaranteed Minimum Account Value (GMAV) Index Account Value (IAV)	90% of Prem. @ 1.0% to 3.0% Interest 100% Premium plus Bonus & Index Interest			90% of Prem @ 1.0% to 3.0% Interest 100% Premium plus Bonus & Index Interest		90% of Prem @ 1.0% to 3.0% Interest 100% Premium plus Index Interest	
Guaranteed Participation Rate	100%	100%	100%	100%	100%	100%	100%
Guaranteed Spread	None	None	None	None	None	None	None
Initial Index Bonus	2%	5%	10%	0%	5%	0%	0%
Renewal Index Bonus	2%	5%	10%	0%	5%	0%	0%
Index Methods Available	S&P 500 Monthly Average with Annual Reset and Annual Cap on Index Interest reset each year			S&P 500 Monthly Average with Annual Reset and Annual Cap on Index Interest after CapFree Zone™ reset each year		S&P 500 Monthly Average with Annual Reset and Annual Cap on Index Interest reset each year	
	S&P 500 Point-to-Point with Annual Reset and Annual Cap on Index Interest reset each year			S&P 500 Point-to-Point with Annual Reset and Annual Cap on Index Interest after CapFree Zone™ reset each year		S&P 500 Point-to-Point with Annual Reset and Annual Cap on Index Interest reset each year	
	Annually Reset Fixed Rate			Annually Reset Fixed Rate		Annually Reset Fixed Rate	
Index Method At Issue	Choice of S&P 500 Monthly Average, S&P 500 Point- to-Point or Fixed Rate			S&P 500 Monthly Average and No Cap during CapFree Zone™		Choice of S&P 500 Monthly Average, S&P 500 Point-to- Point or Fixed Rate	
Minimum Caps During Initial Index Period	6.0%	6.0%	6.0%	4.0%	4.0%	6.0%	6.0%
Free Partial Withdrawals	5% after 1st year RMD's exceeding 5% are free all years			5% after 1st year RMD's exceeding 5% are free all years		5% after 1st year RMD's exceeding 5% are free all years	
Death Benefits	IAV with 5 year payout GMAV with lump sum payout (optional Return of Premium rider available at issue)			IAV with 5 year payout GMAV with lump sum payout (optional Return of Premium rider available at issue)		IAV with 5 year payout GMAV with lump sum payout (optional Return of Premium rider available at issue)	