VARIABLE LIFE INSURANCE

Understanding Variable Life Insurance

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Introduction

This brochure generally describes variable life insurance policies, how they work, and their costs. This brochure does not replace the prospectus for any variable life insurance policy. Before investing in a variable life insurance policy, you should read the product prospectus. A prospectus provides important information about the variable life insurance contract, features, and investment options. A review of the prospectus will help you understand how a variable life insurance policy differs from other types of investments.

Any investment should fit your personal and financial situation, investment objectives, risk tolerance, and financial ability to pay. Feel free to discuss any questions you may have with your Valmark Registered Representative or Investment Advisor Representative.

What is Variable Life Insurance?

A variable life insurance policy is a contract between you and an insurance company. It is intended to meet certain insurance needs, investment goals, and tax planning objectives. It is a policy that pays a specified amount to your family or others (your beneficiaries) upon your death. A variable life insurance policy will also have a cash value that varies according to the amount of premiums you pay, the policy's fees and expenses, and the performance of the underlying investment options—including fixed and variable sub-accounts—offered under the policy. Sub accounts are investment accounts within the policy that allow the owner to choose between various investment strategies.

Important Considerations

- Variable life insurance is only appropriate for individuals with specific life insurance protection needs. Substantial fees, expenses, and tax implications generally make variable life insurance unsuitable as a short-term savings vehicle.
- You will be required to pay a certain amount of premiums or maintain sufficient cash value to cover your policy's fees and expenses. Loans or poor investment performance may also lower your cash value. Failure to maintain sufficient cash value may cause your policy to lapse and terminate.
- Variable life insurance involves investment risks, similar to mutual funds. If the investment options you selected for your policy perform poorly, you could lose money, including your initial investment.
- The prospectus does not describe the amount of insurance you purchased and the amount of fees you will pay. Therefore, you should also review any additional materials provided to you when you purchase your policy.
- Insurance company products also have risks associated with the issuing insurance carrier (carrier risks). The relative financial strength of the issuing insurer is and an important consideration before purchasing a policy.
- Policy fees may go towards your financial professional's compensation. That means they may receive higher compensation for selling some policies or investment products than for others.

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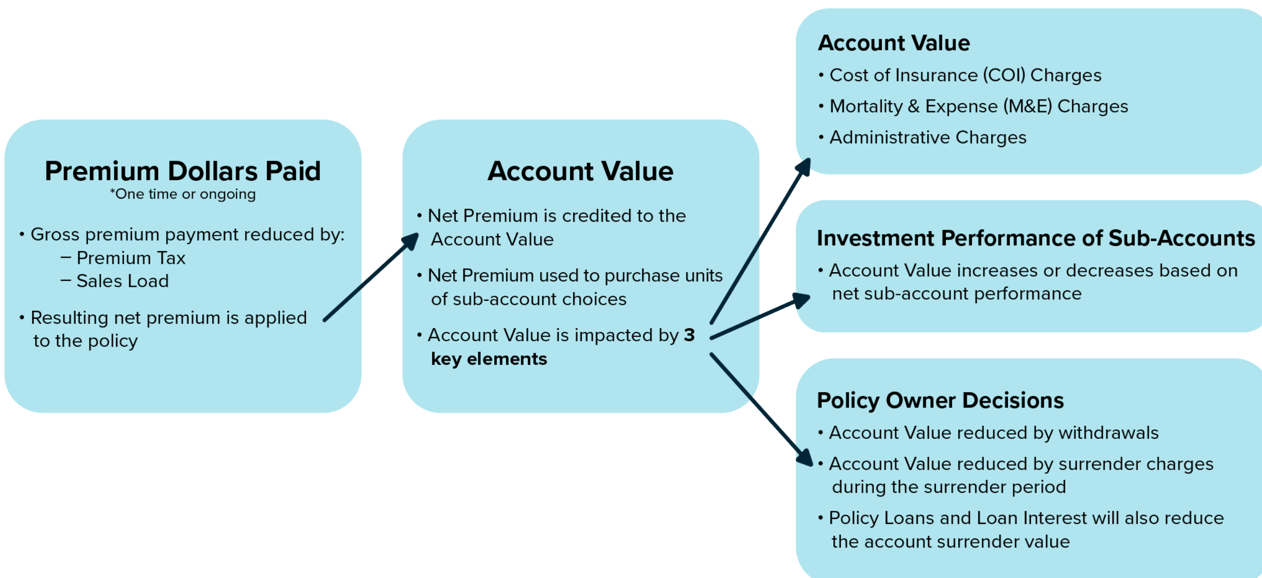
How Variable Life Insurance Works

A variable life insurance policy will require you to pay one or more premiums into the policy. The amount of the premium payment(s) credited to your cash value may be less than the amount you paid because certain fees and charges are immediately taken from the gross premium payment. This reduced premium amount, called the net premium, will be applied to the policy and invested in your selected sub-account options.

See the chart below for an overview of this process:



Maintaining Death Benefit Protection

Variable life insurance provides death benefit protection as long as policy cash value is sufficient to cover the monthly charges deducted for the coverage or if the death benefit guarantee is in effect.

Depending on the specific variable life insurance product and design, your policy:

1) May provide you with flexibility to pay varying premiums provided policy values are sufficient to cover the monthly fees and expenses.
    a. For example, if policy performance is strong and cash values are high, you may be able to pay a lower premium and still maintain the desired death benefit protection.
    b. On the flip side, if policy performance is poor and cash values are low, you may be required to pay a higher premium in order to maintain the desired death benefit protection

2) May provide protection from lapse if you pay in a certain level of premium.
    a. If the required premium payments are made, the lapse protection feature (if applicable) will prevent your policy from lapsing even if the policy values are not sufficient to cover the monthly fees and expenses.

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Variable Life Insurance Fees and Expenses

You will pay several fees and expenses when you invest in a variable life insurance policy. These fees and expenses will reduce the value of your account and may require you to contribute additional premiums to your policy to prevent the policy from terminating. Fees and expenses can vary based on your personal characteristics (such as age, gender, health, and family history). Make sure you consider the total actual costs for your specific policy and understand all the fees and expenses before you invest.

See below for a list of common fees and expenses associated with variable life insurance along with a description for each.

- **Premium tax:** State insurance premium tax is levied on insurance companies by every state. This cost is passed to policyowners and is calculated as a percentage of the premiums paid. It reduces the amount of your premium payment applied to the policy.

- **Sales Load:** Sales fees are a percentage of the amount of premium paid. They reduce the amount of each premium payment that will be applied to the policy. They typically compensate the insurance company for sales expenses. This is also known as a premium load.

- **Cost of insurance:** This ongoing fee varies for each insured based on factors including the insured person's age, gender, health, cash value, and death benefit amount. It compensates the insurance company for providing the death benefit.

- **Mortality and expense (M&E) risk fees:** These ongoing fees are equal to a certain percentage of your account value. They cover the risks the insurance company assumes with respect to the policy. Risks might include that the policy owner may die sooner than expected, that administrative and sales costs are higher than expected, and that policy owner behavior does not match the insurance company's expectations.

- **Administration fees:** These ongoing fees help cover the insurance company's costs of issuing and administering the policy, and activities such as processing claims, maintaining records and communicating with you. These fees may be charged as a flat account maintenance fee, as a percentage of your account value or a combination of the two.

- **Surrender charge:** This fee applies if you surrender the policy or make a withdrawal in the early years of the contract. It compensates the insurance company for sales expenses that it would otherwise not recover in the event of early surrender. Surrender schedules may vary between policies. Be sure to check the length of your surrender charge period when evaluating a policy.

- **Loan interest:** If a policy permits you to take loans, you will be charged interest on any loan amount outstanding. Charges may vary depending on the policy year.

- **Underlying Fund Expenses:** You will also indirectly pay the ongoing fees and expenses for the sub-account funds that are the underlying investment options for your variable life insurance. These fees are in addition to the fees charged by the insurance company and are reflected in the performance of the investment options. Fees may vary based on fund provider and fund type.

- **Fees and Expenses for Optional Features:** Policies may offer additional features for an additional fee. The fees and expenses may vary significantly based on the type of features offered. Optional features may include, no-lapse guarantee agreement, disability rider, accelerated death benefit agreement, long term care rider, chronic illness rider, accidental death benefit rider, additional insured rider, income benefit.

- **Transaction fees:** These fees cover certain services you request. Some policies may assess fees for transactions including transferring money among investment options, partial withdrawals, increasing or decreasing the face amount, overloan protection, or providing additional reports (such as policy illustrations).

Other fees and expenses may also apply. You should ask your financial professional to explain to you all charges and fees that may apply. You can also find a description of the fees and expenses in the prospectus for any variable life insurance policy that you are considering.

Optional Riders in Variable Life Insurance Policies

Policies may offer additional features, sometimes referred to as policy riders. You may pay extra for these optional insurance features, so carefully consider with your advisor which additional features are best suited for your scenario. These optional riders may differ in availability and function between different products and carriers. Below is a list of common optional riders available on variable life insurance policies:

- **No Lapse rider** – This rider keeps your policy in effect if you do not have sufficient account value to pay your policy's charges. These features may only be available in certain years, or if a certain level of premiums are paid. When elected, a no-lapse feature may significantly reduce your death benefit.

- **Accelerated death benefit rider** – This rider will allow for all or a portion of your death benefit to be paid to you while you are still alive if you are terminally ill.

- **Chronic illness accelerated death benefit rider** – This rider will allow for all or a portion of your death benefit to be paid to you while you are still alive if you are chronically ill.

- **Long term care rider** – This rider will allow for all or a portion of your death benefit to be paid to you, for long term care expenses, while you are still alive if you are chronically ill.

- **Disability rider** – This rider keeps your policy in force if you become disabled and cannot pay your policy charges.

- **Additional term insurance rider** – This rider provides the opportunity to purchase additional term life insurance for you or your family as part of your variable life insurance policy. Term life insurance is a fixed amount of life insurance for a specified period.

- **Accidental death benefit rider** – This rider provides additional death benefit if you should die because of an accident.

- **Overloan protection rider** – This rider provides lapse protection for an eligible base policy. Once the rider is activated, such eligible policies will not enter the late period even if the cash surrender value is insufficient to cover the monthly deduction charges or if any outstanding loans plus accrued loan interest exceed cash value.

Remember you may pay extra for optional insurance features such as long-term care insurance or accidental death benefit. Be sure you understand the fees. Carefully consider whether you need the feature. If you do, consider whether you can buy the benefit more cheaply separately (e.g., through a long-term care insurance policy). In addition, these optional features are complex and may carry certain risks and limitations. These optional features may differ between different products and carriers.

Tax Free 1035 Exchanges

Section 1035 of the U.S. tax code allows you in most cases to exchange an existing life insurance contract for a new life insurance contract without paying any immediate income tax on your life insurance separate account's investment gains. A 1035 exchange may be useful in purchasing another life insurance that is more appropriate and beneficial for your needs and circumstances.

If you are considering replacing one life insurance policy for another, here are some things to consider:

- As you age, the cost to insure you is likely to increase, so a new policy may be more expensive. Be sure to compare the costs associated with an existing policy to any new policy.
- Surrender charges are typically higher in the early years you own a policy. If you exchange a policy, you may be subject to a surrender charge on your existing policy and a new surrender charge period on the new policy.
- Be sure to compare the old and new policy features to determine which policy better suits your needs.
- Consider the tax consequences associated with any policy exchange.
- Do not cancel your existing policy until your new policy is in effect to ensure that there is no gap in your insurance coverage.
- Request a policy illustration from your financial professional comparing your old and new policy.
- Consider the financial motivation your financial professional may have to recommend that you exchange one policy for another.