

# Commutation on Life Income Payments

Illustrations of Flexibility

## Tailor Your Annuity

A special option available in the Tailored Income Annuity allows the addition of the Life Income Commutation feature to many of the life income payment options. If this feature is added at the time of application, in any contract year (after an initial two years) up to 10% of future benefits may be commuted to a lump-sum payment. (A maximum of 20% of future payments can be commuted over the lifetime of a contract.) After exercising this feature the remaining payments will be reduced by the percentage commuted.

*Commutation is a substitution or exchange of one kind of payment for another. With the Tailored Income Annuity some routine, ongoing payment streams may be “commuted” to a lump-sum payout.*

*Frank is retiring early.*

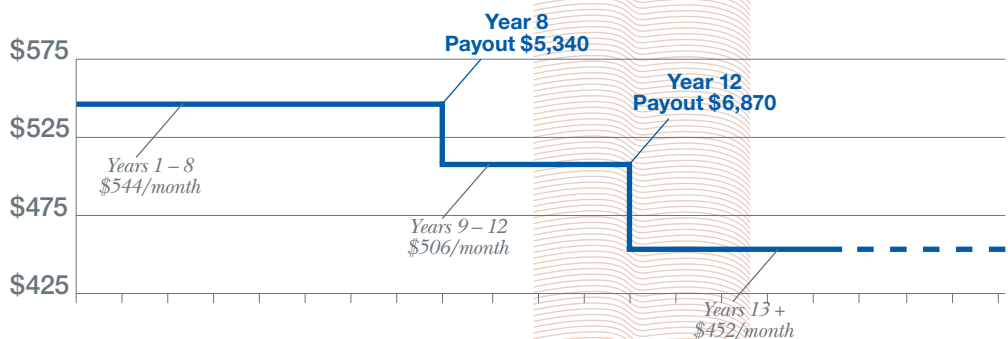
Age:	55
Premium:	\$100,000
Income Option:	Life Income
Optional Feature:	Life Income Commutation
Monthly Payment:	\$544



Today Frank is buying an immediate annuity. He is choosing the *Life Income* payment option and will receive \$544 every month as long as he lives. He is also adding the *Life Income Commutation* feature, as he knows there are many unplanned events that could happen during such a long retirement.

Eight years from now, Frank will find himself in need of a knee replacement. Realizing he can do with less than his current monthly income, he will choose to commute 7% of his future annuity payments and use the \$5,340 to help offset the costs. Exercising this feature will reduce his lifetime monthly payments to \$506.

Four years later, Frank will find that his daughter is in need of financial assistance after being laid off from her job. Frank this time will commute 10% of his future payments, the maximum available to him during any contract year. After the payout of \$6,870, he will find himself with a monthly income of \$452 for the duration of his life — and he still has the option to commute 3% more during any future contract year if he finds the need.



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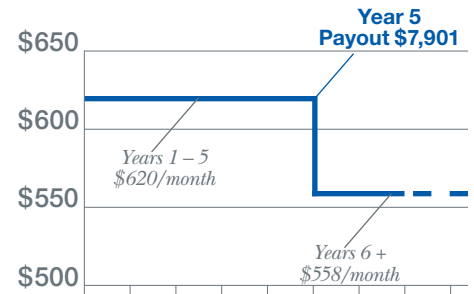


*Betty is enjoying life.*

Age: 65  
 Premium: \$100,000  
 Income Option: Life Income with 10-Year Certain Period  
 Optional Feature: Life Income Commutation  
 Monthly Payment: \$620

Today Betty is taking money from the pension plan to which she's been contributing for 30 years and buying an immediate annuity. She is choosing the *Life Income with 10-year Certain Period* payment option to ensure that she will receive a lifetime of monthly payments. She will receive \$620 every month during her lifetime and if she happens to die before 10 years, her beneficiary will receive the remaining payments. Betty is also adding the *Life Income Commutation* feature, as she likes the idea of retaining some flexibility with such a large investment.

In five years, Betty will be surprised with the opportunity to go on a once-in-a-lifetime family cruise on the Mediterranean. Knowing that she will be fine with a reduction in her payments, she will choose to commute 10% of her future payments for a payout of \$7,901. This commutation will reduce her lifetime monthly payments to \$558 and she will retain the option of commuting up to 10% more of her future payments during any future contract year.



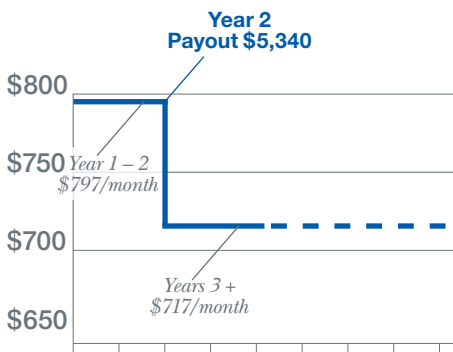
*Harold is ready to sit back.*

Age: 75  
 Premium: \$100,000  
 Income Option: Life Income with Installment Refund  
 Optional Feature: Life Income Commutation  
 Monthly Payment: \$797



Today Harold is annuitizing his deferred annuity contract to begin receiving an income stream. He is choosing the *Life Income with Installment Refund* payment option and is adding the *Life Income Commutation* feature, just to keep his options open. He will receive \$797 every month during his lifetime and if he happens to die before his full premium is repaid, his beneficiary will receive the remaining payments.

Next year, unknown to Harold, he will begin to experience the early signs of Alzheimer's disease and, with the help of his family, will decide to move to an assisted-living facility. The initial costs of this life change are substantial and he's grateful to have the option of commuting 10% of his future payments for a \$8,396 payout. Exercising this feature will reduce his monthly payments to \$717 for the duration of his life and he will still have the option of commuting up to 10% more of his future payments during any future contract year.



Policy: SPIA  
 Riders: R-COMM-L1, R-COMM-LCP3, R-COM-IR2, R-COMM-CP1, R-COMM-DB1, R-IPA, R-IRA-IMM, R-ROTH IRA-IMM, R-QPP-IMM, R-ERTSA-IMM, R-NERTSA-IMM  
 Assumption: All illustrations are based on tax-qualified contracts in the state of Oregon using annuity rate scale 0606 (June 2006) and representing no change in interest rates between premium deposit and exercise of the commutation feature.