

Conversion Examples:

Scenario A

To convert \$100,000 of term life insurance with an annual premium of \$400 to universal life insurance with a target premium of \$600, multiply the target premium of \$600 by .50. The result is \$300.

The term conversion credit will be \$300.

Scenario B

To convert \$100,000 of term life insurance with an annual premium of \$400 to universal life insurance with a target premium of \$900, multiply the target premium of \$900 by .50. The result is \$450.

However, since the term premium was less than \$450, the term conversion credit will be \$400, which is equal to the annual term premium.

Partial Conversions:

Scenario C

To convert \$100,000 of term life insurance with an annual premium of \$400 to \$50,000 universal life insurance with a target premium of \$600, divide \$50,000 by \$100,000. The result is 50%. Then, multiply \$400 by .50. This result is \$200. Multiply \$600 by .50. This result is \$300.

The term conversion credit will be \$200.

Scenario D

To convert \$250,000 of term life insurance with an annual premium of \$1,000 to \$100,000 universal life insurance with a target premium of \$600, divide \$100,000 by \$250,000. The result is 40%. Multiply \$1,000 by .40. This result is \$400. Now multiply \$600 by .50. The result is \$300. Since \$400 is more than half the target premium of the universal life, you must use half the target premium.

The term conversion credit will be \$300.



Term Conversion Program



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Personal Life Insurance

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Term Insurance Conversion Guidelines

- Term life insurance policies or term riders in force with EMC National Life Company are eligible for conversion
- Convert up to the full face amount of the term life insurance policy or a minimum of \$10,000
- No evidence of insurability required
- Table ratings on the term life insurance policy to be converted will apply to the new universal life policy when issued
- Complete the conversion application and return the term life insurance policy to be converted with the signed universal life proposal option your client selected

Benefits of the Conversion Privilege

- Eliminates higher premiums for a new term policy, at attained age, after the initial term period
- Provides permanent protection in case of unforeseen tragedy
- A universal life policy builds cash value to provide retirement income or meet emergency cash needs
- Tax-deferred earnings can help build a nest egg

Term Insurance Conversion Credit

Insureds who have EMCNL term life insurance policies or riders that qualify have a special opportunity to use their term life insurance premium to convert to a universal life insurance policy.

Converting allows insureds to update their life insurance and take advantage of current tax laws and current interest rates.

Understanding Term Conversion Credit

- The dollar amount of term conversion credit will be the current annualized premium, up to 50% of the universal life target premium; partial conversions will be prorated by the ratio of the amount of the new policy to the old policy
- The term conversion credit can be applied to reduce the first-year universal life premium or as an addition to the first-year premium to enhance the policy value
- Term conversion credit applied to reduce the first-year premium will be prorated based on the mode of premium payment so a premium payment is always required
- No conversion credit will be given if the insured is over age 65
- Production credits apply for term conversions less the conversion credit amount
- Commissionable premium will be reduced by the amount of credit; this adjustment will apply regardless of how the insured uses the credit – lump-sum or to reduce the first-year premium.

Example

\$1,000 target premium with \$400 credit used to reduce target or as a lump-sum = \$600 commissionable premium

Term Conversion Q & A

Q. How is the conversion credit figured?

A. It is the lesser of 12 months billed premium or 50% of the new target premium. The conversion credit will include riders (if the riders are converted into a new policy), ratings and the policy fee. The credit is applied toward the first-year premium or as a lump-sum deposit into the cash value.

Q. How are conversion credits figured on a policy with two insureds who both want to convert to a universal life policy?

A. The primary insured receives credit for all premium, including the policy fee, minus the other insured premium. The other insured will receive credit for the rider only, not the policy fee.

Q. If an insured covered under the Additional Insured Term Rider of a universal life policy wants to convert to a separate universal life policy, will a conversion credit be allowed?

A. Conversion credit will be equal to 12 months COI for the rider, up to 50% of the new target premium.

Note: The policy fee will not be included in the conversion credit for the additional insured.

Q. Will a conversion credit be given for a child coming off a Term Insurance Rider for Children due to age?

A. No credit is assigned on Term Insurance Rider for Children conversions.

Note: If an individual has a Youth Plus or old Young American (single pay juvenile term plan), the conversion credit will be equal to one-half of the universal life target premium.

Q. What steps are taken when we receive a term conversion request?

A. A call center marketing specialist will run an illustration and send a letter, the illustration and a conversion application directly to the client.