

IMPORTANT - PLEASE READ

The Special Election Options described in this document will only be made available if they are approved by the Court that is supervising this class action settlement.

Additionally, the Special Election Options described in this document also are subject to review by state insurance regulators and any limitations imposed by state Partnership Plan requirements.

Even if the Special Election Options are approved by the Court and permitted by your state's insurance regulator, the availability of particular Special Election Options also will depend on each policyholder's individual circumstances, including specific policy terms, benefits, and premiums.

Each of the Special Election Options described in this document will not necessarily be available to every settlement class member.

APPENDIX C

SPECIAL ELECTION OPTIONS

Below are Special Election Options pursuant to paragraph 43 of the Settlement Agreement.

I. General Special Election Options. For Settlement Class members who are not included in categories II through IV below, the following Special Elections Options may be available.

A. Paid-up Benefits Options and Damages Options For Settlement Class Members

Who Have Not Previously Gone Into Non-Forfeiture Status². These two paid-up benefit settlement options would be available to all Settlement Class members in all States who have not previously gone into Non-Forfeiture Status.

1. A settlement option consisting of two components: (a) a paid-up benefit option equivalent to 100% of the Settlement Class member's paid-in premiums through December 31, 2015 less any claims paid over the lifetime of the policy, and (b) a damages payment equal to premiums paid during the time period beginning January 1, 2016 through December 31, 2019; or
2. A settlement option consisting of a paid-up benefit equal to two times the difference between the Settlement Class member's paid-in premiums to date less claims paid to the Settlement Class member to date. This option will not include any damages payment.

² "Non-Forfeiture Status" means the exercise of a "Non-Forfeiture Option." Non-Forfeiture Options include benefits under an optional Non-forfeiture Benefit Rider, the Limited Benefits Upon Lapse Due to a Substantial Premium Increase (also called a Contingent Non-forfeiture Benefit), and the Optional Limited Benefit Endorsement.

B. Reduced Benefit Options (“RBOs”) and Damages Options. The first two RBO settlement options would be available to all Settlement Class members in all States with either lifetime or limited benefit period policies, excluding Settlement Class members who have previously elected a Stable Premium Option, a New York Landing Spot Option, or Settlement Class members whose level of benefits are below the level of benefits available in the below offered options. The third RBO settlement option would be available to all Settlement Class members that currently have policies with a lifetime benefit period.

1. A settlement option consisting of two components: (a) removal of the Benefit Inflation Option (“BIO”) with a reduction of their Daily Benefit Amount (“DBA”) to their original DBA (*i.e.* the DBA they had prior to any BIO increases), for a reduced annual premium, and (b) a damages payment equal to four times the differential between the Settlement Class member’s current annual premium for his or her existing policy and the current annual premium for the new reduced level of benefits; or
2. A settlement option consisting of two components: (a) removal of the BIO with a 25% reduction to their current DBA (after benefit inflation) for a reduced annual premium, and (b) a damages payment equal to four times the differential between the Settlement Class member’s current annual premium for his or her existing policy and the current annual premium for the new reduced level of benefits; or
3. For Settlement Class members with lifetime benefits, a settlement option consisting of two components: (a) election of a 6-Year Benefit Period (or the next lowest option if a 6-Year Benefit Period is not available) and a 25% reduction to their current DBA (after benefit inflation), for a reduced annual premium, and (b)

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a damages payment equal to four times the differential between the Settlement Class member's current annual premium for his or her existing policy and the current annual premium for the new reduced level of benefits.

II. Options For Settlement Class Members Who Went Into Non-Forfeiture Status After January 1, 2014 But Prior To Making An Election In The Settlement. These

election options will be provided to Settlement Class members who elected a NFO after January 1, 2014, but prior to making an election in the Settlement:

1. A settlement option consisting of a paid-up benefit equal to two times the difference between the Settlement Class member's paid-in premiums to date less claims paid to the Settlement Class member to date. This option will not include any damages payment; or
2. An option to elect a damages payment of \$1,000 and retain their current paid-up benefit.

III. Options For Settlement Class Members With Partnership Plans. These election options will be provided to Settlement Class members who have Partnership Plan policies:

A. Paid-up Benefit Options and Damages Options For Settlement Class Members With Partnership Plans Who Have Not Previously Gone Into Non-Forfeiture Status. These two paid-up benefit settlement options would be available to those Settlement Class members with Partnership Plans who have not previously gone into Non-Forfeiture Status.

1. A settlement option consisting of two components: (a) a paid-up benefit option equivalent to 100% of the Settlement Class member's paid-in premiums through December 31, 2015 less any claims paid over the lifetime of the policy, and (b) a

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damages payment equal to premiums paid during the time period beginning January 1, 2016 through December 31, 2019; or

2. A settlement option consisting of a paid-up benefit equal to two times the difference between the Settlement Class member's paid-in premiums to date less claims paid to the Settlement Class member to date. This option will not include any damages payment.

B. For Settlement Class members who are able to further reduce their benefit periods without jeopardizing their Partnership Plan status **and:**

1. Who have limited benefit period policies, a settlement option consisting of two components: (a) a reduction to the Settlement Class member's Benefit Period to the next lowest available level and a 25% reduction of their current DBA (after benefit inflation), with a reduced annual premium, and (b) a damages payment equal to four times the differential between the Settlement Class member's current annual premium for his or her existing policy and the current annual premium for the new reduced level of benefits.
2. Who have lifetime benefit period policies, a settlement option consisting of two components: (a) a reduction to a 6-Year Benefit Period (or the next lowest option if a 6-Year Benefit Period is not available) and a 25% reduction of their current DBA (after benefit inflation), with a reduced annual premium, and (b) a damages payment equal to four times the differential between the Settlement Class member's current annual premium for his or her existing policy and the current annual premium for the new reduced level of benefits.

IV. Options For Settlement Class Members In States That Do Not Allow Disclosure To Be Mailed Or Special Election Options To Be Offered.

To the extent that any state refuses to allow any form of the Disclosures and the Special Elections agreed to in the underlying Agreement, the Settlement Class members in that state will be offered:

- A.** For Settlement Class members whose policies are still in force, an option to elect a \$100 credit against future Class Policy premiums; or
- B.** For Settlement Class members whose Class Policies are in Non-Forfeiture Status only, an option to elect a \$100 one-time credit to the Settlement Class members' Non-Forfeiture Option benefit pool.