NASSAU

Notice Regarding Tax Treatment of Modified Endowment Contract

Application Number	Proposed Insured

The policy that you have applied for will be treated as a Modified Endowment Contract under current tax law, as generally described below:

A Modified Endowment Contract is a special type of life insurance policy. As with other types of life insurance policies, the cash value builds up on a tax-deferred basis and death proceeds are ordinarily income tax-free. However, for the life of the contract, pre-death distributions from a Modified Endowment Contract are includible in the policyholder's taxable income to the extent of any gain in the policy. These distributions consist of policy loans and other amounts payable under the contract, except for a dividend or similar distribution that is retained by the insurer as a premium payment for the contract. Thus, for example, cash withdrawals, partial surrenders, dividends accumulated or paid in cash, and any amounts borrowed under a Modified Endowment Contract are taxable to the extent of gain in the policy. The same also generally holds true with respect to funds obtained pursuant to an assignment or pledge of a Modified Endowment Contract. In addition, a 10% penalty tax is imposed on the taxable portion of the distribution, unless such distribution (1) is made on or after the policyholder attains age 59-1/2; (2) is attributable to the policyholder's becoming disabled; or (3) is paid out as a life annuity. As required by law, taxable distributions will be reported to the Internal Revenue Service.

I have read and understand the foregoing notice regarding the tax treatment of a Modified Endowment Contract, and I understand that the policy I have applied for will be treated as a Modified Endowment Contract if and when it is issued.

Signed this ________________________ day of ______________________________________, 20 __________.

Policy Applicant's Signature	Policyowner's Date of Birth