



NASSAU

Nassau Life and Annuity Company
Nassau Life Insurance Company
PHL Variable Insurance Company
Nassau Life and Annuity Insurance Company
PO Box 22012, Albany, NY 12201-2012
800-541-0171

Notice to Policy Owners Regarding Tax Treatment of Modified Endowment Contract

Policy/Certificate Number

Insured

The policy on which you have applied for a change or remitted premium will, absent notification from you to the contrary, now 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 remaining life of the contract, pre-death distributions are includible in the policy owner'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 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 policy owner attains age 59-1/2; (2) is attributable to the policy owners 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 a change or remitted will now be treated as a Modified Endowment Contract.

Signed this _____ day of _____, 20 _____.

Owner Signature

Signed this _____ day of _____, 20 _____.

Joint Owner Signature (if applicable)