



May 2003

To our valued distributors,

## Inforce Life Business:

### **Introducing The Fresh Start Program for the Former NN Block of UL Policies at Risk of Lapsing**

Here's a new opportunity to help you and your advisors **conserve** your block of former NN universal life business including CHALLENGER, Enterprise, Eagle and Discovery 2000 policies that had been available after 1989.

We implemented our new Life back office system, LIFETRAX, in June 2002, but were not able to include changes to the lapse processing logic at that time. As you may recall, there are two parts to the lapse provision within the contracts for the plans noted above. In general, the first part requires the policy to retain a positive account value and have sufficient funds to cover the monthly cost of insurance. This part of the lapse provision is not affected or addressed by this program.

The second part is triggered if the cash surrender value is less than \$0 and compares the deposits paid to date to the minimum deposits required by the contract to cover such things as the cost of insurance for the coverage and riders, premium tax, and administration fee. The Fresh Start Program focuses on the second part of the lapse provision. Essentially, we have been "forgiving" the deposit requirements (the second part of the lapse provision).

We want to help your clients conserve their valuable insurance coverage and give them sufficient time to review their insurance needs with their advisors. We also recognize that it is difficult for your advisors to be faced with a large number of their clients receiving lapse warning notices over a short period of time.

**To minimize disruption to your business and to help you transition to the automated lapse processing we are pleased to launch the "Fresh Start Program" on June 1, 2003 with a roll-out over the next 12 months as your clients go through their contract anniversaries.**

### **Fresh Start Program Highlights:**

- **We are adjusting how we administer the lapse formula so that substantially fewer contracts will be affected.**

We'll use half of the applicable surrender charges in the minimum deposit calculation part of the lapse formula versus using the cash surrender value (all of the surrender charges).

By implementing this change, of the policies that would have lapsed under the second part of the original lapse provision, less than 30% are now at high risk of lapsing at this time.

- **We will give clients who are at risk of lapsing a “fresh start” at their next policy anniversary.**

Your clients’ coverage will not lapse providing:

- they have sufficient non-registered funds within their contracts to cover the monthly contract charges, and
- they resume paying at least the contract minimum deposit amount.

With the Fresh Start program, as of June 1, 2003, we will not require clients to match minimum deposits since the effective date of the contract as long as they return to paying an amount equal to or greater than their minimum deposits.

- **We are providing you with a 12-month roll-out period.**

Rather than implementing this program all at once, we are helping you conserve this business by implementing the Fresh Start program over a 12-month period. This should help make it manageable for you and your advisors to contact the policy owners and conserve this block of business.

- **We will provide your office with a special report to help you manage this block of business during the transition phase.**

In addition to our normal procedure of supplying your offices with copies of the lapse warning letters, for offices that have two or more former NN policies at risk of lapsing in a particular month during this 12-month period, a report will be provided listing the policies that at risk of meeting the Fresh Start program criteria and have a policy anniversary in that month.

- **We will give your advisors time to conserve this business.**

In a worst- case scenario, for policies that are at risk of lapsing in these circumstances, if a premium payment is not received after the policy anniversary, a lapse warning notice will be generated from our system the following month. The notice will state that Transamerica is providing your clients with an additional 31- day grace period to pay the premium amount. If a premium is not received within this additional grace period, non-registered policies will receive a lapse notice that will allow them an additional 15 days to submit late premiums. **This means that advisors will have about two and a half months from the policy anniversary date to conserve any individual policy.**

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**Important note:**

The Fresh Start program does not modify the contract account value or cash surrender value – only the calculations applicable to the second part of the lapse provision. As such, contracts with a negative account value (the first part of the lapse provision) will follow normal lapse procedures and will receive a lapse notice on the date that we are unable to deduct the cost of insurance and other contract charges from the policy.

***Please read the “More Details” bulletin for examples and more information about this program. We will be contacting your office within the next few days to review the Fresh Start program with you.***