



May 2003

To our valued distributors,

Inforce Life Business:

Details About The Fresh Start Program -- for the Former NN Block of UL Policies at Risk of Lapsing

We implemented our new Life back office system, LIFETRAX, in June 2002, but we 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 Challenger, Enterprise, Eagle and Discovery plans that had been available after 1989.

In general, the first part of the lapse provision 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 of the lapse provision 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 policy anniversaries

Fresh Start Program Overview

1. We are adjusting how we administer the lapse formula so that substantially fewer contracts will be affected.
2. We are giving clients who are at risk of lapsing a "fresh start" at their next policy anniversary.
3. We are providing you with a 12-month roll-out period.
4. We are providing you with a special report to manage this block of business during the transition phase.
5. We are giving your advisors time to conserve this business.

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.

Looking at the two parts of the Lapse Provision:

The lapse provisions for these contracts are similar to the following example (taken from CHALLENGER 2000 contract):

<p>LAPSE</p> <p>This Contract will lapse after the end of the Grace Period, and our liability hereunder will cease automatically on the date when one of the following occurs:</p> <p>a) the date on which the Total Account Value less outstanding loans, if any, plus accrued and unpaid interest under this Contract is less than zero;</p> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p>This second part of the lapse provision was not automated. We will now administer as Net Account Value less half of the surrender charges.</p> </div> <p>b) the date on which the Cash Surrender Value is less than zero.</p> <p>On the date the Cash Surrender Value is less than zero, this Contract will not lapse provided the sum of all Non-Registered Deposits made to date less any cash withdrawals is greater or equal to the sum of the Non-Registered Minimum Monthly Deposits since the Contract Date.</p>
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Fresh Start Program:

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

We will adjust the formula (highlighted in above in light green) using net account value less half of the surrender charges versus Cash Surrender Value (all of the surrender charges). By implementing this change, of the policies that would have lapsed under the original lapse provision, less than 30% are now at high risk of lapsing at this time. Please see the following example:

Assumptions:	Account Value:	\$10,000
	Surrender Charges:	\$15,000
Contract Provision	Fresh Start Program	
Lapse warning letter is generated because cash surrender value is less than \$0 as follows:	No lapse warning letter because net account value minus half of the surrender charges is greater than \$0 as follows:	
$\$10,000 - \$15,000 = -\$5,000$	$\$10,000 - (\$15,000 \times 1/2) = \$2,500$	

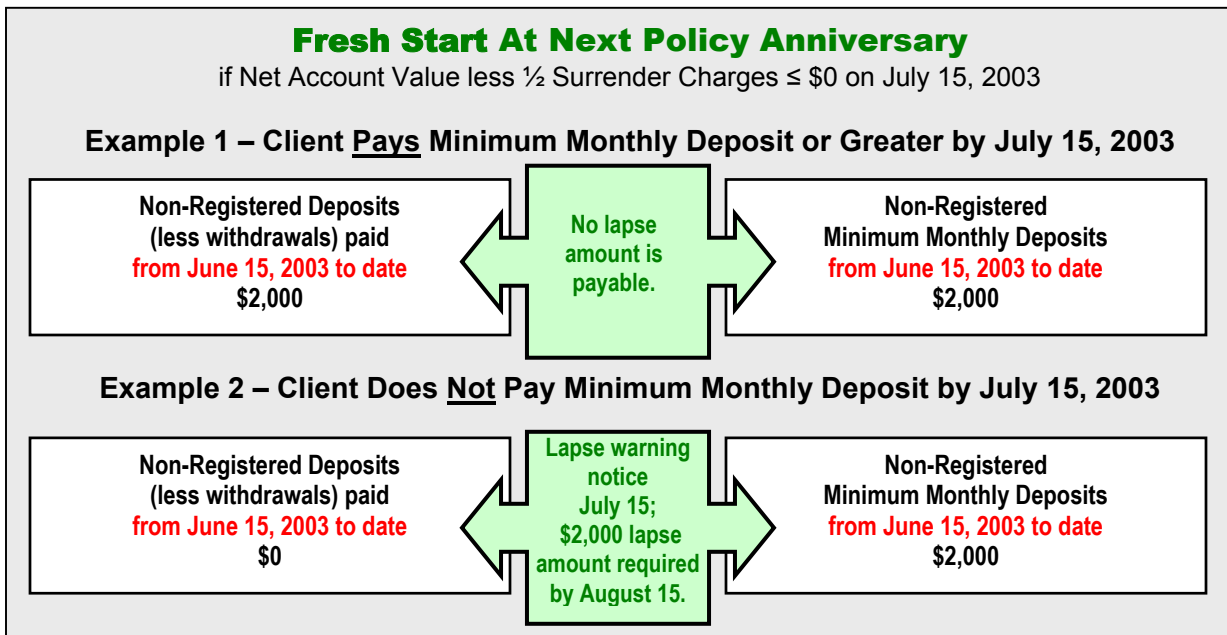
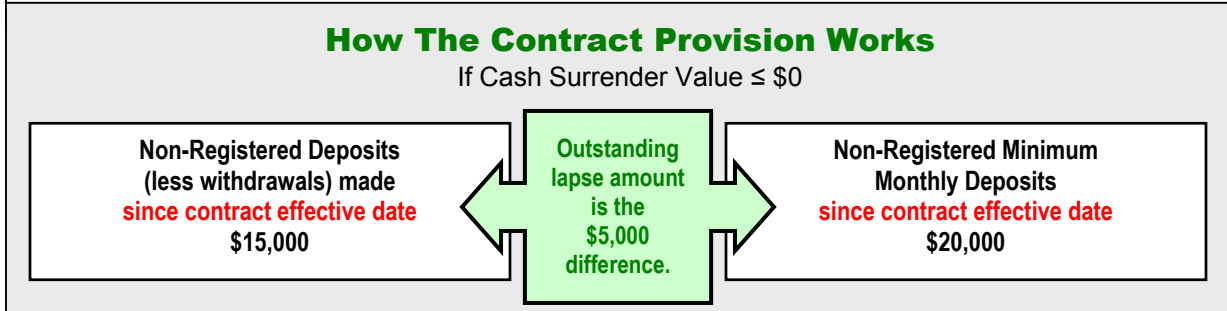
2. We are giving clients who are at risk of lapsing a “fresh start” at the next policy anniversary.*

This means that providing your clients resume paying at least the contract minimum deposit amounts they will not lapse their coverage.

Contractually, the outstanding lapse amount is the difference between the non-registered deposits paid since the effective date of the contract and the non-registered minimum deposits since the effective date of the contract. However, we will not require your clients to pay the full outstanding lapse amount. With the implementation of the Fresh Start program, the lapse amount is now based on your client’s policy anniversary following June 1, 2003.

**Policies at risk of lapsing due to the deposit requirements (second part of the lapse provision) only.*

Assumptions:	Minimum Monthly Deposit: \$2,000
	Next Contract Anniversary: June 15, 2003



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

Our goal is to have clients who are at risk of lapsing resume paying deposits into their policies so that they can retain their valuable insurance coverage. 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.

4. We are providing you with a special report to manage this block of business during the transition phase.

Fresh Start means that your clients who are at risk of lapsing their insurance coverage need to resume paying premiums. To help you manage your business, for offices that have two or more former NN policies at risk of lapsing in a particular month during this 12-month period due to the comparison of deposits paid and minimum deposit requirements, a report will be provided listing the policies that are at risk of meeting this criteria and having a contract anniversary in that month. This report will not include information about other Transamerica plans since this issue will not affect them. This report is also in addition to our normal procedure of supplying offices with copies of the lapse warning letters. The information contained within these reports will only be valid from the date in which they are prepared – it may not reflect recent deposits or policy changes. We encourage you to use WebCAPPOW for more current information about any particular policy.

Invalid Addresses

The report includes a column for contracts with invalid addresses. In these instances, policy owners have most likely moved and have not informed us of their new address. Please update this information to ensure that your clients receive their lapse notices and other policy information.

Correct mailing address information can be updated through your office by faxing us the Policy Service Application (PS339) at (416) 290-2929 or by e-mailing us at lifeservices@aegoncanada.ca -- please be sure to include the policy number along with the policy owner's name.

5. We are giving your advisors time to conserve this business.

Client lapse letters and reinstatement procedures are consistent for all Transamerica universal life plans.

The lapse provision is checked when the monthly contract charges are deducted from a policy's account value. The policy owner will receive a lapse warning notice from us when the contract meets either of the two lapse conditions. This notice specifies the amount that is required by Transamerica to prevent the contract from lapsing and also specifies the last date that this payment will be accepted -- the last day of the 31-day grace period. We will also recommend adjusting the planned premium amount to prevent the policy from lapsing in the near future.

If a payment is not received by the end of the 31-day Grace Period, the insurance coverage will lapse. For non-registered contracts, late premiums will be accepted for an additional 15 days and normal reinstatement procedures will prevail. However, for registered or partially registered contracts, reinstatements and late premiums cannot be accepted.

Information to Advisors

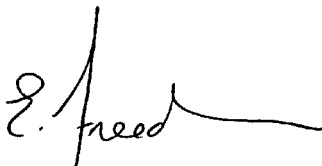
A modified version of the Fresh Start summary notice will be distributed via e-mail to advisors who have requested information updates on their Distribution Resource Centre (DRC) profiles. Advisors will not be receiving any special reports directly from us. However, we encourage you to share the report information with them.

If you have any questions about the lapse notification process, please feel free to contact our Life Call Centre at 1 (800) 846-5970 for more information.

Important Reminder:

Clients will still receive annual statements in the mail, but beginning in **May 2003** your copies will be in electronic format only. Electronic statements contain the same new look and detail as printed ones – recognized by Dalbar, an independent rating agency, as the best in the industry – but are updated four times a year (instead of just once) based on the policy anniversary date. They can easily be printed out or viewed on the Web from virtually anywhere and at any time.

If you've not registered for access to the eStatements Library, please register through the Distributor Resource Centre (DRC) at <https://transact.transamerica.ca>.



Ethne Freedman
Vice-President,
Client Services, Life Operations