UNIVERSAL LIFE

TransACE® CV

From Transamerica Life Insurance Company

Product Guide
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TRANSAMERICA®

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TransACE® CV is a nonparticipating, flexible premium universal life insurance policy issued by Transamerica Life Insurance Company, Cedar Rapids, IA 52499. Policy Form No. ICC12 UL08 or UL08 (CVAT). Policy form and number may vary and this policy may not be available in all jurisdictions.

TransACE® CV Quick Facts

Issue Ages	
All risk classes	16–75 years (age nearest birthday)
Standard nonsmoker and nonsmoker	0–75 years (age nearest birthday)
Age	Age nearest birthday
Minimum Face Amount	
All risk classes other than	
Preferred plus	$25,000
Preferred plus nonsmoker	$100,000
Maturity Date	There is no maturity date for all jurisdictions other than California. California – policy maturity date is at age 115.
Bands	Band 1: $ 25,000 – $ 99,999 Band 2: $100,000 – $249,999 Band 3: $250,000 and up
Required Minimum Premium (RMP)	5 years
Interest Rate	Current: company-declared Guaranteed minimum: 2%
Policy Threshold	A number calculated to determine a policy's eligibility for the guaranteed death benefit under the No-Lapse Guarantee Endorsement.
Threshold Period	The span of time that the No-Lapse Guarantee Endorsement is in effect from the policy issue date to the policy anniversary nearest age 111.
Threshold Interest Rates	This is a set of rates that vary by duration and are used in the formula to calculate the policy threshold. The set of rates are comprised of an interest rate for years 1–5, years 6–10, years 11–15, years 16–40, and years 41 and later. These rates can change on a weekly basis.
Threshold Ratelock Date	The threshold interest rates are locked in for a 13-week period based on the date the formal completed application is received in Home Office. At the end of the 13 weeks, the ratelock period expires. This date is known as the ratelock expiry date. The threshold interest rates in effect on the ratelock expiry date will then be locked in for the next 13-week period. Note that these threshold interest rates may be higher or lower than those from the original ratelock period.

Death Benefit Option	Level death benefit only
Policy Fee	$7 per month guaranteed all policy years up to the policy anniversary nearest age 111; zero thereafter.
Premium Expense Charge	7% of premium in all years to the policy anniversary nearest age 111.
Monthly Expense Charge per Thousand	A monthly expense charge per thousand is assessed for all years to the policy anniversary nearest age 111.
Monthly Deduction (MD) Rates	Guaranteed MD rates are charged to the policy anniversary nearest age 111 except in California where guaranteed MD rates will be charged to age 115. Non-guaranteed MD rates are guaranteed for the first five policy years and are charged to the policy anniversary at age 111 and are zero thereafter.
Surrender Charges	Decreasing for 20 years
Available Riders	▪ Accident Indemnity Rider ▪ Children's Insurance Rider ▪ Guaranteed Insurability Rider ▪ Waiver Provision Rider
Additional Features	▪ Accelerated Death Benefit (in approved states) ▪ Automatic Premium Loan ▪ Income Protection Option (IPO) ▪ Insured Exchange Option ▪ MultiFlex Surrender Enhancement Endorsement (MSE) ▪ No-Lapse Guarantee Endorsement (ACE) ▪ Surrender Charge Waiver Endorsement ("Honeymoon Provision") ▪ Surrender Penalty Deferral Endorsement (SPDE)
Conversion	Conversion is allowed on this product

Compensation

First-year commissions are paid on the target premium, which is the lower of the following:

1. Maximum target premium, or
2. The amount of premium actually paid within the first 24 policy months.

Renewal commissions are paid on all premiums paid up to target and received prior to the end of policy year five. No compensation is paid on flat extras that do not exceed eight years.

Kind Codes

Kind codes must appear on all submitted applications along with a copy of the illustration presented to the applicant. The illustration must accompany the application to ensure accurate required premium (RMP) allocation. See state-specific rules regarding signature requirements and application supplements. Kind codes appear on every computer illustration. Rider kind codes appear on the rider page of the illustration.

TransACE® CV	
Base Policy	
Standard smoker	2630
Standard nonsmoker	2631
Standard plus nonsmoker	2632
Preferred smoker	2633
Preferred nonsmoker	2634
Preferred plus nonsmoker	2635
Nonsmoker	2636
Smoker	2637
Riders	
Accident Indemnity	0047
Children’s Insurance	4459

Underwriting

TransACE CV is available for issue based on eight risk classifications: preferred plus nonsmoker, preferred nonsmoker, preferred smoker, standard plus nonsmoker, standard nonsmoker, standard smoker, nonsmoker and smoker. The preferred plus risk class has the most competitive rates available only for qualifying nonsmokers for issue ages 16–75. No extra ratings of any kind are allowed on the preferred plus nonsmoker class. Aviation flat extras are allowed on all underwriting classes other than preferred plus nonsmoker. The aviation flat extra is the only extra rating that will be allowed on preferred and standard risk classes.

No substandard ratings are allowed on the preferred plus nonsmoker, preferred or standard underwriting classes. Substandard table ratings and non-aviation flat extras are only allowed on rated nonsmoker and rated smoker.

Policy Description

About TransACE® CV

TransACE CV is a flexible premium universal life insurance policy with a lifetime death benefit guarantee. This product utilizes a "shadow account" design known as the Policy Threshold to provide lifetime death benefit guarantees. The policy threshold is a number that is calculated monthly and is used to determine if the No-Lapse Guarantee Endorsement (also known as the Assured Coverage Endorsement) will remain in force. TransACE CV is a cash value accumulation test product.

TransACE CV has required minimum premiums (RMPs) in each of the first five policy years, the RMP period. To avoid entering the grace period, the cumulative RMP must be met as of each of the first five policy anniversaries. The RMP is met if the total of the gross premiums paid minus the total of any refunds and partial surrenders is equal to the RMP times the number of complete policy years the policy has been in force. Premiums are flexible as long as the policy owner meets and maintains the cumulative RMP as of each policy anniversary during the five-year RMP period.

At the beginning of each policy month, prior to the policy anniversary nearest age 111, the Company recalculates the net amount at risk (the difference between the death benefit and the accumulation value) and deducts the monthly deduction from the policy's accumulation value. The policy accrues interest daily at Company-declared rates on policy values and the Company credits it monthly, on the monthly anniversary.

Beginning on the policy anniversary at age 111, the charges for the non-guaranteed monthly deductions and policy fees stop (guaranteed monthly deductions continue to the policy anniversary nearest age 115 for California and to age 121 for all other states) and the policy continues subject to any policy loans. No further premium payments are billed after age 111. For all states other than California, the accumulation value will continue to accrue interest at Company-declared rates until the policy anniversary at 121 when it then earns interest at the guaranteed minimum interest rate of 2%. In California, TransACE CV matures for the net cash value at the policy anniversary at age 115.

No-Lapse Guarantee Endorsement (ACE)
An important feature of TransACE CV is the inclusion of an additional guarantee of the death benefit if certain policy requirements remain satisfied. The No-Lapse Guarantee Endorsement guarantees the death benefit in the event the cash value is insufficient to allow the policy to stay in force, provided the conditions of the endorsement continue to be met. The No-Lapse Guarantee Endorsement (or ACE) alters the definition of when the policy enters the grace period. Without the endorsement, the policy usually enters the grace period as soon as there is insufficient cash value to keep the policy in force.

From the date the policy is issued, a number called the policy threshold is calculated to determine the policy's eligibility to guarantee the continuation of the death benefit during the threshold period. The threshold period is the span of time that the endorsement is in effect—from the policy date to the anniversary nearest age 111. The policy threshold figures do not appear on illustrations, data pages, annual statements or grace period notices.

If the policy cash value is no longer sufficient to continue the policy, but the policy threshold number minus any outstanding loans is not less than zero, then the policy will not enter the grace period. If the policy cash value is insufficient and the policy threshold minus any outstanding loans goes below zero, then the policy and the No-Lapse Guarantee Endorsement will enter the grace period.

Upon the policy entering the grace period, we will give the policy owner 61 days to pay sufficient premium to keep the policy from lapsing. The No-Lapse Guarantee Endorsement, however, has a grace period of 31 days. If the policy owner wants to keep the No-Lapse Guarantee Endorsement from terminating, the owner has 31 days to pay additional premium or repay any outstanding loan to bring the policy threshold net of any outstanding policy loans up to zero (or more). The policy owner will be told of the amount that is needed to be paid by the end of the 31-day No-Lapse Guarantee Endorsement grace period in order to maintain the death benefit guarantee.

If the policy threshold net of any outstanding loans is not brought up to zero within the 31 days, the No-Lapse Guarantee Endorsement will terminate and there will be no more secondary guarantee. However, if the policy owner pays additional premium within the 61-day policy grace period, the policy will not lapse and will continue, but without the secondary guarantee.

Please keep in mind that if the policy threshold net of any outstanding loans is ever a number less than zero, the No-Lapse Guarantee Endorsement can go into the 31-day grace period even if the policy itself is not in the policy grace period. If this occurs, the policy owner will be notified of the 31-day grace period to restore the endorsement.

The ACE provision will automatically terminate at the first of the following:

1. The policy threshold minus any outstanding loans is less than zero and the 31-day period allowed for the policy owner to bring it back to zero or more has passed,
2. The end of the threshold period at the policy anniversary nearest age 111, or
3. Termination of the policy for any reason.

Once terminated, the ACE provision cannot be reinstated unless it was in force when the policy lapsed and is reinstated at the same time as the policy.

More About the Policy Threshold

As stated earlier, the policy threshold is a number calculated to determine the eligibility of the policy for the additional death benefit guarantee. As long as the value of the policy threshold is zero or greater (net of loans) the No-Lapse Guarantee Endorsement remains in force.

The policy threshold is a calculation that occurs parallel to the accumulation value calculation. This figure is calculated monthly and is increased by all gross premiums paid for the policy (and any riders) and accrues interest at the threshold interest rate (on an annual basis), and is decreased by threshold monthly premiums for the policy and any riders, any refunds, and any partial surrenders. The policy threshold values do not appear on illustrations, data pages, annual statements, or on grace period notices. If the policy threshold (net of loans) goes below zero during the threshold period, we will give the policy owner 31 days to bring it up to zero or more. The policy owner will be told of the amount that must be paid before the end of the 31-day Threshold grace period in order to maintain the death benefit guarantee. If the policy threshold is not brought up to zero, the No-Lapse Guarantee Endorsement will terminate and there will be no more secondary guarantee.

Threshold interest rates are used in calculating the policy threshold. They are a set of rates that will apply to the policy over the policy's lifespan: policy years 1–5, years 6–10, years 11–15, years 16–40, and years 41 and later. When a policy is illustrated, the entire set of threshold interest rates is used to generate the illustration and is used to determine if the ACE endorsement continues to be available.

Threshold interest rates are locked in for 13 weeks from the date the completed application is received in our Home Office (Cedar Rapids) – this receipt date is known as the "ratelock date." The last day of the 13-week period is the ratelock expiry date. If a policy is underwritten and issued within the 13-week ratelock period, the threshold interest rates in effect on the date the application was received will be locked in as the threshold interest rates. If it takes longer than 13 weeks to get the case underwritten and issued, the ratelock will expire at the end of the 13-week period and the threshold interest rates in effect on the expiry date will then be locked in for the next 13-week period. This 13-week cycle for threshold interest rates will continue until the policy is issued. At the time a policy is sent to issue, the threshold interest rates locked in will be compared with those in effect at that time. If the rates in effect at the time of policy issue are higher, then the higher rates will be used in issuing the policy. A new illustration with the correct threshold interest rates will be a policy delivery requirement.

Threshold interest rates will be reviewed on a weekly basis and will be changing in response to increases and decreases in the economic environment. The threshold interest rates will be effective from Monday to Friday of each week for all TransACE CV 2013 applications received no later than the close of business (4:30 PM) CT on Friday. New threshold Interest rates will be announced each Wednesday and will be effective Monday to Friday of the following week. If a TransACE CV trial application or an incomplete application is received, the threshold interest rates in effect at that time will not be locked in. The threshold interest rates will not be locked in until an application is received in good order. The threshold interest rates in effect at that time will be locked in for the 13-week period. However, if an application is in good order on all issues except ownership (i.e., a trust is being put in place) then threshold interest rates in effect at that time will be locked in upon receipt of the application.

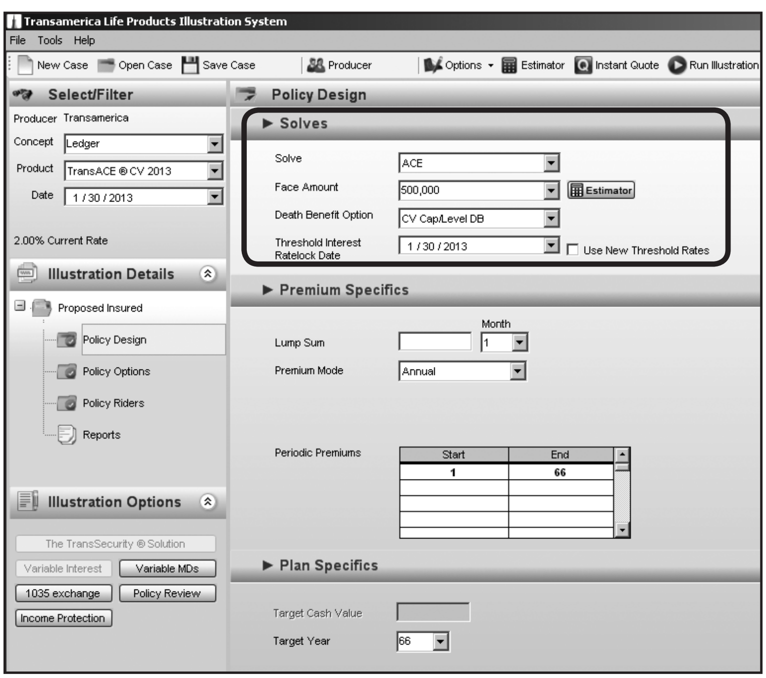
The assumed policy threshold interest rates, the assumed ratelock date, and the assumed ratelock expiry date can be found in the illustration in both the *Guide to the Illustration* and on the Numerical Summary page (the "signature" page).

Illustrating the Death Benefit Guarantee

The illustration software will allow you to determine a premium schedule that will maintain the No-Lapse Guarantee Endorsement on the basis of the assumed transactions and activities illustrated. Any changes to those assumptions will impact the premium needed to maintain the No-Lapse Guarantee Endorsement.

The "ACE" illustration type will solve for a premium schedule based on the input items as to any lump sums, 1035 exchanges, the timing of premium payments, the number of years premiums are to be paid, and the number of years for which a death benefit guarantee is desired (target year). There is an "ACE Face Search" illustration type that will solve for the largest face amount the premium schedule you enter can guarantee. Also, if a "Manual" illustration type is run, the illustration will indicate the duration of any death benefit continued pursuant to the No-Lapse Guarantee Endorsement in the columns labeled as using guaranteed assumptions. If the policy death benefit is continuing due to the ACE provision, the "Accumulation Value" and the "Cash Value" columns will show zero while the "Death Benefit" column will have the face amount shown with an "A" indicator after it referring to the descriptive paragraph in the *Guide to the Illustration*.

Under the "Death Benefit Option" window, a new input screen item has been added entitled "Threshold Interest Ratelock Date." The date that appears in the window will be the default date (which would be the current day's date). To the right of the date, there is a down arrow that reveals the calendar when clicked. Next to the down arrow is a check box that is entitled "Use New Threshold Rates." If this box is visible, it allows the user a choice: by leaving the box unchecked, the default threshold interest rate is applicable. The default rate is the rate currently in effect, i.e. the threshold interest rates announced the previous Wednesday. If the box is checked, then the newly announced threshold rates will be used in the illustration.



Dependent on the day of the week, the "Use New Threshold Rates" box is not always visible. The default rate is the threshold rates that are currently in effect the day of the illustration. Every Wednesday the new threshold interest rates will be announced in TransWeekly with an effective date of that the following Monday. TransWare® will allow the newly announced interest rates to be illustrated if the current day's date plus three days gets to Saturday or beyond. In other words, if the day you are using the software plus three days equals or surpasses Saturday, then the "Use New Threshold Interest Rates" box appears. If the current date plus three days does not reach Saturday, or if the current date is on a Saturday, then the box will not be visible.

Below is a chart to assist in determining if the check box will appear in TransWare.

Current Date Day of Week	Current Date Plus 3 Days	Threshold Interest Rate Choice	"Use New Threshold Rate" Check Box Appearing Yes/No
Sunday	Wednesday	No	No
Monday	Thursday	No	No
Tuesday	Friday	No	No
Wednesday	Saturday	Yes	Yes
Thursday	Sunday	Yes	Yes
Friday	Monday	Yes	Yes
Saturday	Tuesday	No	No

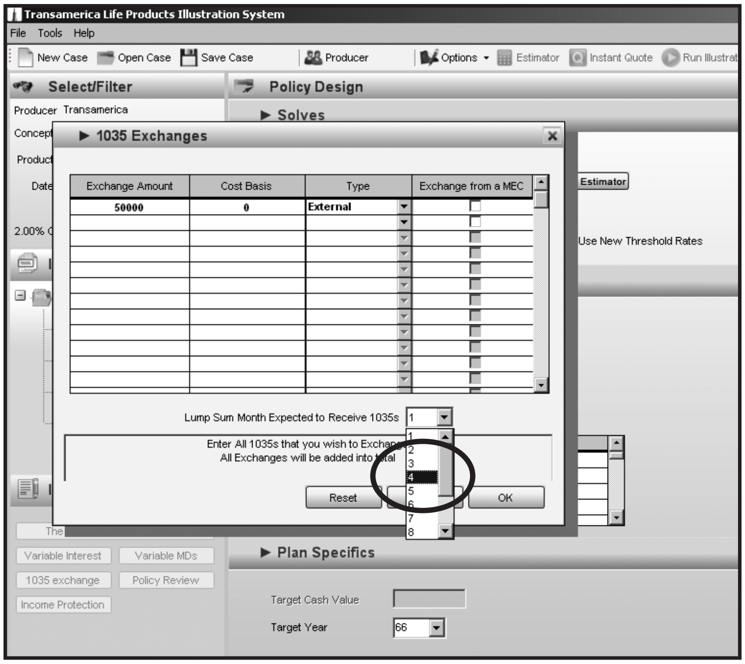
Timing of Premium

It is very important to understand that the timing of premium payments has an effect on the amount of premium needed to guarantee the death benefit or the duration of the guarantee. The proper premium payment mode and any delays in premium payment receipt such as those due to backdating, the delay in receipt of 1035 proceeds or lump sums, or any other reason MUST be reflected in the illustration to obtain reasonable premium and death benefit results.

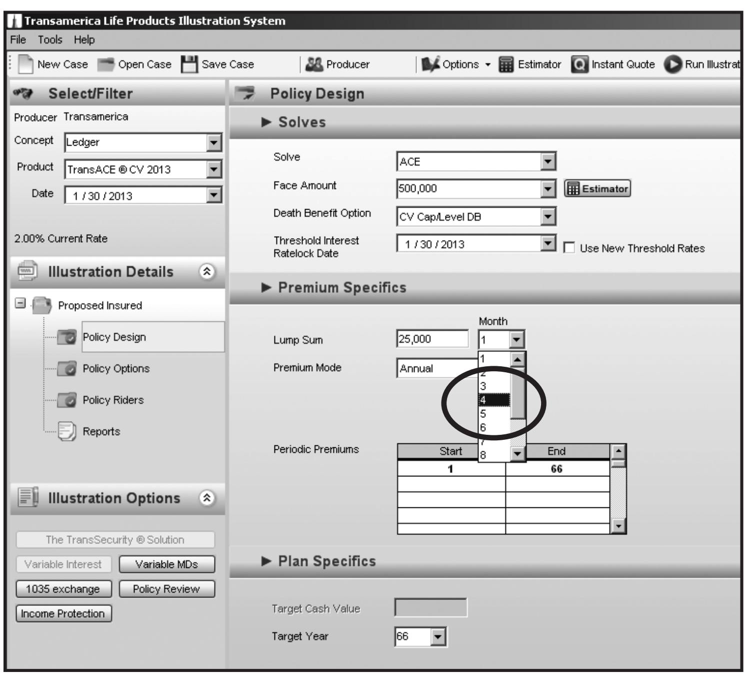
An illustration helps show the client how a policy works based on the assumptions specified on that illustration. Numbers reflected therein are not predictive of the policy's actual future performance.

If an expected premium delay is not taken into account in the illustration, the illustration will erroneously assume that all premium payments are received at the beginning of each modal period. This means that the premium solved for will be too low and the resulting values and death benefit guarantee duration will be overstated.

Also, keep in mind that the premium mode illustrated must be as close to projected as possible because the mode greatly impacts the premiums, policy threshold, and values calculated. Remember, the illustration software gives you the ability to reflect a delay in the first-year premium through the dating feature on the input screen and a separate independent delay for the assumed date of receipt for 1035 exchange proceeds on the 1035 screen.



Additionally, we have a separate illustration delay capability in our software for first-year lump sums. There is a scroll-down menu next to the Lump Sum field on the input screen for choosing the policy month for which the lump sum is assumed to be received. For example, if a lump sum is expected to be available 12 weeks after the policy date, then you would choose policy month 4, since it is expected to be paid by the beginning of policy month 4. This enhancement gives you more flexibility in running illustrations to match client's plans.



Additional Features

The following are highlights only. Coverage is subject to all contract provisions. Please consult the contract for details.

Maturity Date*

With the improvements in medicine and increased public awareness of health-related issues, longevity has been steadily increasing. In fact, improvements have been so dramatic that many clients, particularly those in good health, are now concerned about living beyond the traditional life insurance policy age limitations.

TransACE CV does not have a maturity date except in the state of California. For all states other than California, if the TransACE CV policy is still in force at the policy anniversary nearest age 121, subject to the terms and conditions outlined in the policy, the death benefit can continue for the lifetime of the insured. After the policy reaches the policy anniversary nearest age 111, the non-guaranteed monthly deductions stop and no further premium payments are accepted. The policy's accumulation value will continue to accrue interest at Company-declared rates, and the policy continues on as before in all other respects unless, if on any policy anniversary, the accumulation value minus any existing loans is less than the loan interest due and not paid in cash. At the policy anniversary nearest age 121, the accumulation value will then earn interest at the guaranteed minimum interest rate of 2%. However, in the state of California, TransACE CV matures at age 115 for the net cash value.

Accelerated Death Benefit (ADB)

This endorsement provides accelerated death benefits for a terminally ill insured (as defined in the benefit provision) and is included at no additional charge in all policies where the endorsement is available for sale. The ADB can be exercised by the policy owner of the TransACE CV life policy after the insured is certified, by a qualified physician, as terminally ill with 12 months or less to live. A minimum benefit amount of $10,000 up to a maximum amount of $250,000 or 75% of the death benefit, whichever is less, may be requested. There is a premium expense charge per ADB payment that varies by state. Benefits advanced under this option may be taxable.

*Transamerica Life Insurance Company and its representatives do not give tax advice. Neither the Internal Revenue Code (IRC) nor the Internal Revenue Service (IRS) has defined life insurance coverage beyond age 100 or addressed the tax effects of attaining age 100 or the actual or constructive receipt of proceeds at that time or later. Clients should be urged to consult with and rely solely upon their own independent advisors regarding their particular situation

Death Benefit

The beneficiary receives the death benefit less any policy indebtedness if the insured dies. TransACE CV has the level death benefit option. The level death benefit is equal to the face amount of the policy, less any outstanding loans, as of the date of death. However, if the accumulation value times the applicable death benefit factor yields a higher amount (i.e., the policy is in corridor), then the death benefit would be that amount (less any outstanding policy loans) as of the date of death.

For all states other than California, if the policy is in force on the policy anniversary nearest age 121, then the death benefit (as defined in the contract) will continue until the death of the insured or until the policy is surrendered subject to payment of any loan interest due. In California, TransACE CV matures at age 115 and the net cash value, if any, will be paid to the policy owner.

Premiums

The TransACE CV policy has premiums payable for the duration of the threshold period. The threshold period is from the policy issue date to the policy anniversary nearest age 111. After the threshold period billing stops; however, the Company can still accept premiums any time prior to the policy anniversary nearest age 121. Each premium must be at least $25 and may not exceed the limits described in the contract in the Premium Limitations provision.

Required Minimum Premium (RMP)
The TransACE CV policy owner has a required minimum premium (RMP) for the first five policy years. The RMP is based on the insured's age, sex, underwriting class, smoking status, face amount, and any riders. Premiums are flexible as long as the policy owner meets the cumulative RMP test.

- The policy owner must satisfy the RMP requirement cumulatively in each of the first five RMP period years. These premiums must be paid on or before each policy anniversary.
- The RMP is cumulative. The cumulative RMP is the RMP times the number of complete years the policy has been in force. This means that at the end of each of the required premium years the Company will test the net deposits (gross premiums paid minus partial surrenders, withdrawals, and premium refunds) to be sure the policy owner has paid the cumulative RMP. If the policy fails the RMP test on an anniversary, the grace period begins. At the end of any 61-day grace period, the policy will lapse if sufficient premium has not been paid.
- The policy owner may pay more than the RMP or may pay the RMP in advance during the five-year RMP period, subject to the Premium Limitations provision in the contract.
- After the RMP period, the premiums are flexible subject to all premium requirements shown in the contract. Please note that if the policy threshold requirements shown in the contract are not met, then fluctuations in interest rates and/or policy charges and other factors may require the payment of additional premiums to keep the policy in force.

Important Note

We require an illustration before we will issue the TransACE CV policy.

On the policy application, the policy owner specifies the RMP.

We must have a copy of an illustration produced by Company-developed software signed by the proposed policy owner in order to issue the policy.

Planned Periodic Premiums
On the application, the policy owner selects a premium amount and the mode of payment. The payment at each mode is called the planned periodic premium, or PPP. The Company will bill for the greater of the PPP or the amount necessary to satisfy the required minimum premium. The payment modes available are annual, annual PAC, semi-annual, semi-annual PAC, quarterly, quarterly PAC, and monthly PAC. All modes are available except direct monthly.

Premium Limitations
After issue, the minimum premium payment amount is $25. If, in the Company's opinion, any premium would cause the death benefit to lose its tax-favored status as a life insurance contract under Section 7702 of the IRC, we will refund that premium.

We also reserve the right to refund any premium paid during a policy year that exceeds the premium billed by us during that policy year and:

1. Increases the difference between the death benefit and the accumulation value, and
2. is more than $20 per thousand of face amount and three times the total monthly deduction for the last policy year.

We also reserve the right to refund any premium that exceeds the premiums billed by us during the preceding 12 months by more than $25,000.

Premium Refunds
Apart from the Free-Look provision, it is not our normal practice to refund premium payments on policies. It is the policy owner's responsibility to withhold payments if the policy owner does not wish to pay them.

Free-Look Period and Delivery Period

Free-Look Period

The free-look period varies from state to state. For the majority of states, the free-look period is 10 days, although different rules may apply to "senior" policy owners. In the policy, the provision is called the "Right to Examine and Return Policy Within 10 Days." Should the free-look period provision be exercised, the policy will be voided from the beginning and we will refund any premiums paid.

Delivery Period

The delivery period for TransACE CV is 60 days from the date of issue.

Monthly Deductions (MD)

Each month, the Company subtracts from the accumulation value a monthly deduction (MD). The MD rates are applied to the net amount at risk, which is the difference between the death benefit of the policy and the accumulation value at the beginning of each month. Monthly deductions cover cost factors that include, but are not limited to, the cost of insurance, expenses, any applicable federal, state, and local taxes, the cost of riders, the monthly expense charge per thousand, and the policy fee.

The monthly deduction rates vary based on sex, issue age, duration, risk class, rating, and face amount bands as outlined in the TransACE CV "Quick Facts" found at the beginning of this Guide. The band for which the policy qualifies depends on the UL coverage face amount.

Non-Guaranteed Monthly Deductions

Non-guaranteed monthly deduction (MD) rates are guaranteed for the first five policy years. The MD covers the cost of insurance and a portion of expense related to the policy. The total amount that is subtracted monthly from the policy's accumulation value is the MD rate times the net amount at risk divided by 1,000, plus the monthly policy fee, plus the monthly expense charge per thousand, plus the MDs for any riders. At the beginning of each policy month, we recalculate the net amount at risk (the difference between the death benefit and the accumulation value) and deduct the monthly deduction from the policy's accumulation value. The policy accrues interest daily at Company-declared rates on policy values and we credit it monthly on the monthly anniversary.

After the initial guarantee period, the MD rates will never be greater than the guaranteed rates printed in the issued policy. Non-guaranteed MDs are taken until the policy reaches the policy anniversary nearest age 111, then the non-guaranteed schedule of MD rates stops and no further premium payments are billed.

Guaranteed Maximum Monthly Deductions

The guaranteed MD rates, after the initial guarantee period, are based on the 2001 CSO Ultimate, sex-distinct, smoker-distinct, age-nearest-birthday tables. The MD rates at the policy anniversary nearest age 111 and beyond are guaranteed to be zero for all states other than California. In California, the guaranteed MD rates continue to the policy anniversary nearest age 115 at which time the policy matures.

Policy Charges

Premium Expense Charge
When we receive a premium, the Company deducts 7% from the premium paid as premium expense charge. Therefore, the net premium is 93% of the gross premium paid. The premium expense charge is guaranteed to be 7% for all years until the policy anniversary nearest age 111, when it ceases.

Policy Fee
The policy fee is subtracted monthly and is part of the monthly deduction. The current policy fee is $7 per month and is guaranteed for all years to the policy anniversary nearest age 111, then it is zero thereafter.

Monthly Expense Charge per Thousand
The current and guaranteed monthly expense charge per thousand applies from policy issue to the policy anniversary nearest age 111 for all states other than California. For policies issued in California, the current monthly expense charge per thousand ceases at the policy anniversary nearest age 111, however, the guaranteed monthly expense charge per thousand continues to the anniversary nearest age 115. This charge is based on the number of thousands of face amount, not on the net amount at risk. The monthly expense charge per thousand can be found on the “Policy Data” page of an issued TransACE CV policy.

Interest Assumptions

The accumulation value accrues interest at Company-declared interest rates until the policy anniversary nearest age 121 (except in California where the policy matures at age 115). From that point forward, the accumulation value will continue to earn interest, but at the guaranteed minimum interest rate of 2%.

Current Interest Rate
The current interest rate applicable to the accumulation value is Company-declared. Although the rate declared by the Company can change at any time, it can never fall below the guaranteed minimum interest rate of 2%.

The current interest rates applicable to any premium payments are dependent on the date(s) premium payments are received in the Cedar Rapids Administrative Office. Consequently, more than one interest rate is often applicable to different portions of the accumulation value at the same time. The policy owner’s annual statement itemizes the applicable current rates.

TransACE CV is supported on Transamerica’s TransWare life illustration software. The illustrated interest rate can be used in an example of how a policy may work. The illustrated interest rate is not guaranteed, nor is it a prediction of future policy values. Only the values and benefits in the pages on the illustration labeled “Projected Values at Guaranteed Interest Rate/Guaranteed Monthly Deductions” represent amounts actually guaranteed in the policy. If the policy death benefit is continuing under the No-Lapse Guarantee Endorsement (ACE), the accumulation value and the cash value columns will show zero, while the Death Benefit column will have the face amount shown with an “A” (for “ACE”) indicator after it, which is explained in the paragraph describing the endorsement in the *Guide to the Illustration*.

Guaranteed Minimum Interest Rate
The guaranteed minimum interest rate is 2%.

Policy Lapse, Grace Period, and Reinstatements

Policy Lapse
TransACE CV is a "cash value-based" lapse policy.

Grace Period
During the first five policy years: The policy can enter the grace period on a policy anniversary if the total of premiums paid since inception of the policy less the sum of any partial surrenders and refunds is less than the sum of the RMPs for the number of completed policy years. The policy will also enter the grace period, unless the No-Lapse Guarantee Endorsement (ACE) is in effect, if there is insufficient accumulation value net of any outstanding policy loans to pay the monthly deduction due or insufficient net cash value to pay any loan interest due and not paid in cash. At the end of any 61-day grace period, the policy will lapse if the Company does not receive sufficient premium during that time. If upon lapse there is net cash value remaining, the Company will send a surrender check to the policy owner or change the policy to reduced paid up (in states that require this option) for the amount that can be purchased by the net cash value.

In policy years six and later, but prior to the policy anniversary nearest age 111: Unless the No-Lapse Guarantee Endorsement is in effect, if there is insufficient net cash value to pay the monthly deduction due plus any loan interest due and not paid in cash, then the policy will enter the grace period. At the end of any 61-day grace period, the policy will lapse if the Company does not receive sufficient premium during that time. If upon lapse there is net cash value remaining, the Company will send a surrender check to the policy owner or change the policy to reduced paid up (in states that require this option) for the amount that can be purchased by the net cash value.

After the policy anniversary nearest age 111: If the policy's accumulation value is not enough to cover any outstanding loan interest due and not paid in cash, then the policy will enter the grace period. The policy owner will be notified and has 61 days to pay enough to provide sufficient accumulation value to cover the interest due. If the Company does not receive sufficient premium within the grace period, the policy and any attached riders will lapse.

Please keep in mind that the No-Lapse Guarantee Endorsement (ACE) can enter its own 31-day grace period and lapse, yet the policy can still be in force. This can occur if the policy threshold minus any outstanding loans goes below zero, but there is no cash value insufficiency. If the policy cash value is insufficient and the policy threshold minus any outstanding loans goes below zero, then the policy and the No-Lapse endorsement will enter the grace period. However, the policy has a grace period of 61 days, but the ACE endorsement's grace period is 31 days. If the policy owner wants to keep the No-Lapse Guarantee Endorsement from terminating, he/she has 31 days to pay additional premium or repay any outstanding loan to bring the policy threshold net of any outstanding policy loans up to zero (or more). If the policy owner does not pay the additional premium, the ACE endorsement terminates. **Once terminated, the ACE provision cannot be reinstated.**

Reinstatements
Reinstatements are allowed within three years after the lapse date, provided the policy was not surrendered and the reinstatement occurs before the maturity date. The reinstatement is subject to:

- Evidence of insurability satisfactory to us.
- Payment of appropriate premium and reinstatement interest of 6%.

If there is a loan, the policy owner must repay or reinstate any policy loan that was in existence as of the termination date, and the compounded loan interest must be paid at the loan reinstatement interest rate of 8%. **The ACE provision may not be reinstated unless it was in force when the policy lapsed.**

Full and Partial Surrenders

There may be tax consequences. Policy owners should be urged to consult with qualified tax advisors about possible tax implications. In general, partial or full surrender of an amount in excess of the policy's basis is taxable. If the policy is a MEC, please see the section at rear of this Guide entitled "MECs and IRC Section 1035 Exchanges." Partial surrenders will affect the policy value and net cash value and may affect the death benefit.

Company-imposed surrender charges decrease each year and disappear entirely after the 20th anniversary. Surrender-penalty-free withdrawals are not available. Partial surrenders will affect the policy value and net cash value and may affect the death benefit.

Full Surrender
The surrender charges for TransACE CV last for 20 policy years and decrease each year until they disappear after the 20th policy year. The amount available for a full surrender is the accumulation value as of the surrender date (plus any interest accrued to the date of the request), minus any surrender charge, and minus the amount of any outstanding loans.

If the policy owner requests a full surrender, all riders will terminate. Riders cannot exist alone, i.e. the policy must be inforce.

Partial Surrenders
Partial surrenders incur a Company-imposed surrender charge. They are allowed after the free-look period has expired. The minimum partial surrender amount is $500. The maximum amount available for a partial surrender is the accumulation value minus the amount of any outstanding loans, minus three monthly deductions, minus the greater of the full surrender charge or $25. The face amount will be reduced by the sum of the partial surrender plus any partial surrender charge. A partial surrender which would reduce the face amount below the minimum face amount of $25,000 will not be permitted.

Important Information

Partial Surrenders, Required Premiums, and the RMP Period

During the RMP period, the policy will lapse if partial surrenders cause the net amount paid (i.e., premium minus amounts withdrawn) as of each policy anniversary to fall short of the cumulative required premium.

Loans

Loans are available any time after issue as long as there is net cash value. The request must be made in writing. The maximum amount available is the accumulation value minus the greater of two monthly deductions or a full surrender charge, minus the amount of any outstanding policy loans, minus any interest on the requested loan to the end of the policy year. Loans will affect the policy value and net cash value and the death benefit.

The loan has a net effective annual loan cost of 2.5%. This spread is the difference between the effective annual loan interest rate and the credited interest rate. There is an 8% effective annual loan interest rate charge (7.4% in advance) on TransACE CV loans. The loaned value continues to earn interest at 5.5%, resulting in a net effective annual loan cost of 2.5%. The interest rate on the loaned value is credited and compounded monthly.

As long as the policy threshold minus any outstanding loans is not less than zero, the No-Lapse Guarantee Endorsement will remain in force. Should the policy threshold minus any outstanding loans become zero or a negative number, the policy owner will be notified that the endorsement will lapse unless sufficient premium or loan repayment is received within the 31-day grace period.

Capitalization of Loan Interest
If the policy owner does not pay policy loan interest in cash, we will create a new loan to pay the interest. If there is not enough accumulation value (net of the outstanding loans and net of surrender charges to pay the loan interest due), the policy goes into the grace period.

Loan Repayments
The policy owner may repay any part of a loan at any time. The policy owner must specifically request that a payment be applied to repay the loan; otherwise, we treat it as a premium payment.

Automatic Premium Loan (APL)
At the time of application, a policy owner may specify on the application whether or not to include the Automatic Premium Loan (APL) provision. If APL is in effect and the policy fails an RMP test, but there is enough net cash value, we will create a loan for the amount of the RMP due. We will do this at the end of the grace period. Borrowing the RMP keeps the policy from lapsing due to failure to meet the RMP test. The policy owner can request that the APL provision become effective on the policy after issue if not requested on the application.

Policy Changes

Policy Face Amount Increases
Policy face amount increases or layers are not allowed on TransACE CV.

Policy Face Amount Decreases
Face decreases are allowed subject to certain conditions. A pro rata surrender charge will apply if the policy owner requests a decrease in the face amount while the policy is still in its surrender charge period. The pro rata surrender charge is a percentage of the full surrender charge equal to the percentage of the face being reduced. The face decrease request must:

1. Be for at least $25,000;
2. Not violate the minimum issue limits ($100,000 for the preferred plus nonsmoker risk class and $25,000 for all other risk classes); and
3. The request for a decrease must be in writing.

Decreasing the face is not a material change. However, if the decrease occurs within seven years after issue or a material change, this will result in the retroactive recalculation of the TAMRA 7-pay limit based on the reduced face amount. This may cause a policy to become a Modified Endowment Contract (MEC) if it fails the new 7-pay test.

Underwriting Class Changes
If the insured provides evidence of insurability satisfactory to the Company, we may change the class of risk to a more favorable risk class. The following changes will be allowed by Company practice (non-contractual changes):

- Standard to standard plus, preferred, or preferred plus nonsmoker underwriting class;
- Smoker to nonsmoker; and
- Rated to non-rated.

Such a change in the policy is considered a material change under TAMRA. **The Company may alter or terminate its practice of non-contractual changes at any time.**

If the insured provides satisfactory evidence of insurability, a new risk classification for the insured would trigger a recalculation of the cost of insurance. Such a change is a material change under TAMRA. After the change, monthly deduction rates will be based on the new risk class.

Since we require evidence of insurability, a new contestability period will begin. However, since there is no additional risk, the suicide period will not restart.

Rewrites
If a policy owner requests a "current date change" from another UL policy to TransACE CV, full evidence of insurability acceptable to us will be required. **Full surrender charges on the other policy's value will be assessed.** First-year compensation will be paid only on new out-of-pocket premium up to the amount of the increase in the TransACE CV target premium over the other policy's target premium.

Conversions
TransACE CV is available for issue under any conversion option or change of plan option.

Information About Federal Tax Laws

In this guide, references to the IRC mean the IRC of 1986, as amended. IRC Sections 7702 and 7702A are discussed in a limited fashion.

Urge policy owners to seek the advice of a qualified tax counselor.

Transamerica Life and its representatives do not give tax advice, nor should any information contained herein be construed as tax advice.

TransACE CV satisfies the definition of a life insurance contract using the cash value accumulation test method under IRC Section 7702.

The cash value accumulation test (CVAT) places no tax law limit on the amount of premiums that can be paid. Therefore, CVAT accommodates clients who have sizable premiums or deposits (for example, with transfers of cash values from existing policies). There are, however, Company limitations. See the "Premium Limitations" section of the *Guide* for details.

The CVAT method ensures that a minimum amount is "at risk" between the death benefit and the accumulation value. Without this prescribed amount at risk, the contract would no longer qualify as a life insurance contract for federal income tax purposes. To comply with the requirements of IRC Section 7702, the CVAT version uses death benefit factors to maintain the required margin between the accumulation value and the death benefit. Therefore, as needed, the death benefit is increased, causing the death benefit to go into "corridor" to maintain the policy's qualification as life insurance. When a policy is in corridor, it may result in a larger amount at risk and larger monthly deductions, which leads to lower cash value accumulation.

MECs and IRC Section 1035 Exchanges
In 1988, Congress enacted TAMRA which created a new category of life insurance called a "Modified Endowment Contract" (MEC). Generally speaking, a life insurance policy becomes a MEC if the premium exceeds the cumulative limit during the first seven years after issue, or in the first seven years after a material change. New 7-pay limits may be established for the policy as a result of changes in policy terms or benefits. A decrease in face amount at any time may cause the policy to become a MEC.

Under current federal income tax law, a MEC still continues to earn tax-deferred interest on its accumulation value and generally qualifies for income tax–free distribution of the death benefit to the beneficiary. However, if a policy becomes a MEC, loans, withdrawals, surrenders, distributions, pledges, and assignments in the two years prior to becoming a MEC and thereafter are treated as distribution of earnings first and distribution of cost basis last. This means that the policy owner of a MEC would have an immediate income tax liability for any money received up to the gain in the contract as a result of any of these transactions on an “income-out-first” basis. In contrast, if a life insurance policy is not a MEC, distributions are first a recovery of basis and then a distribution of income in the contract. Partial surrenders and withdrawals are distributions; policy loans, pledges, and assignments are not considered distributions when taken from a policy that is not a MEC.

In addition, if the policy owner is under age 59½ or is not a natural individual (e.g., trust), the policy owner may be subject to the additional 10% federal income tax penalty on the taxable portion of any distribution. Though MECs can be valuable life insurance contracts, they should probably be avoided if the policy owner plans to withdraw policy values at retirement.

A MEC contract is not appropriate for policy owners who wish to deposit large sums of money in the early years with the intent of withdrawing or borrowing the funds in the near future.

To prevent a policy from becoming a MEC, the premium submitted in each of the first seven policy years after issue or after a material change cannot exceed the 7-pay limit. To avoid creating a MEC, premiums may not be paid in advance. If, for example, the yearly 7-pay limit is $1,000, then the total premium submitted cannot exceed $1,000 by the first anniversary, $2,000 by the second, $3,000 by the third, etc. If $500 is paid in year one, $1,500 could be paid in year two, but not vice versa. To determine the 7-pay premium for a particular case, you will need to run an illustration.

To calculate whether the life policy resulting from a Section 1035 exchange will be a MEC, take the gross value being carried over and multiply it by the appropriate factor shown on the micro illustration. If the result, plus any new premium submitted, is below the 7-pay limit in each of the first seven years and the old contract was not a MEC, the new policy should not be a MEC. The illustration software will do this calculation for you if you fill in the appropriate 1035 exchange figures.

To determine the 7-pay premium for a particular case, you will need to run an illustration.

A policy that does not become a MEC in the first seven policy years can become a MEC after the seventh policy year if the death benefits go into corridor or if certain policy changes occur and sufficient additional premium is added.

Riders and Options

The following are highlights only. Please consult the actual contract text for details. Coverage is subject to all terms, conditions, and exclusions contained in the contract. Availability of any rider and/or option is subject to appropriate regulatory approval and requirements.

Accelerated Death Benefit (ADB)
If the insured has a terminal illness (as defined in the contract) diagnosed by a licensed physician after the issue date of the policy and is expected to die within 12 months, the Accelerated Death Benefit will provide advance death benefits from the life insurance policy. This benefit is only available in jurisdictions that have approved the ADB. Benefits advanced under this option may be taxable.

Limits:
The policy must have a minimum face amount of $50,000.

The minimum payment is $10,000. The maximum payment is the lesser of $250,000 or 75% of the combined death benefit of all policies on the life of the insured minus a portion of any due loans and interest.

Rates:
Transamerica Life does not charge an additional premium for this option. However, there is an administrative fee for each Accelerated Death Benefit payment that varies by state.

Accident Indemnity Rider (AI)
AI provides for the payment of an additional death benefit if the insured dies as a result of accidental bodily injury as defined in the rider. Death must occur within 90 days from the accident and before the policy anniversary nearest age 70 of the insured. Accident Indemnity is not available on policies rated higher than Table D.

Ages 5–15:

- $2,000 to $50,000 not to exceed face amount of base policy.

Ages 16–65 *(provided the insured is engaged in nonhazardous occupations as determined by the Company).*

- For face amounts below $200,000, up to 2½ times the face amount, up to a maximum of $200,000.
- For face amounts of $200,000 and up, $300,000 or the policy face amount, whichever is less.

Automatic Premium Loan (APL)
APL provides the owner with the opportunity to pay required premiums by creating loans against the policy cash value. There must be sufficient net cash value available to cover the amount of the premium. The APL provision can be requested as an endorsement to the policy where an overdue premium will automatically be paid by loan on the 61st day past the premium due date.

If the APL provision was not elected at issue, APL can be requested in writing. The request must be received in the Cedar Rapids Administrative Office within 61 days of the premium due date or the policy will be subject to normal reinstatement rules.

APL can be requested on a universal life policy with an RMP. If the RMP test shows insufficient RMP premium, a loan will be made against the net cash value in an amount equal to the difference between the submitted premium and the RMP if adequate net cash value exists. This option is available at no additional charge.

Children's Insurance Rider (CIR)
This rider provides life insurance protection for all of the children in the insured's family. The rider is purchased on a unit basis. Each unit is equal to $1,000 of level term insurance which expires either at the anniversary nearest the insured's 65th birthday or on the child's 25th birthday, whichever occurs first. All new children are covered automatically by this rider at age 15 days at no additional premium.

Insurance under this rider may be converted. All conversions will be made at rates then in effect at the attained age of the children insured under this rider. The covered children may convert their insurance to a permanent policy up to five times the original amount of the term life insurance, but not more than $50,000 on certain dates specified in the rider. At times other than those specific dates the rider coverage can be converted or an amount equal to the rider coverage amount.

If the insured dies before the children, the rider will automatically be changed to an individually owned paid-up term policy.

Issue Ages:

	Minimum	Maximum
Insured	16 years	55 years
Child	15 days	18 years

Issue Limit:

Minimum: 1 unit.

Maximum: none; however, the amount of insurance cannot exceed the base policy. The non-medical limit is 20 units for all issue ages.

Conversions: Insurance that terminates under the rider may be converted within 31 days to any level-premium permanent policy issued by Transamerica Life. The face amount of the permanent policy can be up to five times the amount of rider coverage but cannot exceed $50,000 (see rider for details).

Rates: Rates apply per unit of CIR: Universal Life (monthly deduction)—$ 0.45

If waiver of premium is issued on the policy, it will cover the CIR without an additional charge.

Guaranteed Insurability Rider (GIR)
This rider allows the policy owner future opportunities to purchase additional insurance without additional evidence of insurability. The dates are designated as regular option dates and are the policy anniversaries nearest ages 25, 28, 31, 34, 37 and 40.

Insurance may also be purchased on certain other dates. These are important dates in the life of the insured, including the date of marriage, the birth (or adoption) of a child, or the date the insured is granted a baccalaureate or higher degree from a college or university. Alternate dates do not increase the total number of options available. The next scheduled option date is advanced to accommodate the purchase.

This rider is only available on non-rated cases

If GIR is added to a term policy and the policy is converted before the last regular option date, the rider will be continued on the new policy with no change in GIR premium.

Issue Ages: 0–33

Minimum: $5,000 per option
Maximum: $50,000 per option

Income Protection Option (IPO)
The IPO gives policy owners the ability to designate a guaranteed monthly income stream, to one or more beneficiaries, in addition to an initial lump sum and/or a final lump sum.

- Minimum lump sum benefit amount: $10,000
- Minimum monthly guaranteed income stream duration: 5 years
- Maximum monthly guaranteed income stream duration: 25 years
- Minimum monthly benefit amount: $100

This option is available at no additional charge and is only offered in approved jurisdictions.

Insured Exchange Option
The Insured Exchange Option permits the policy owner to exchange the current policy for a new policy insuring a new insured. This option is most often used when a business owns the policy on a key person. The new policy will be the same as the original policy. The owner, however, must have an insurable interest in the new insured and must complete the new business application. This option is available at no additional charge although there are costs associated with exercising the option. Premiums for the new policy will be determined by the new insured's attained age, sex, and smoker status. The minimum face amount available is subject to the rules of the original policy of insurance as of the original date. The maximum face amount available is limited to the larger of:

- The same face amount as the original policy, or
- The face amount provided by the same basic premium as the original policy (exclusive of any extra charges for a special class of risk or for riders). On universal life policies, the face amount of the new policy is not allowed to exceed that of the old policy.

Exercise of this option may have adverse tax consequences. The policy owner should be urged to consult with a qualified tax advisor.

MultiFlex Surrender Enhancement Endorsement (MSE)
This endorsement provides an enhanced surrender value if the policy is surrendered during the 60-day period following the 15th or the 20th policy anniversary, or at any time on or after the 25th policy anniversary. If the policy is surrendered during the specified period, the policy owner will receive the enhanced surrender value instead of the net cash value if the enhanced surrender value is greater. The enhanced surrender value will never be less than the net cash value.

A policy will qualify for the enhanced surrender value if the No-Lapse Guarantee Endorsement is in good standing and the policy threshold is at least at the level it would be if level no-lapse premiums to age 100 have been paid. The level no-lapse premium will be listed in the data pages of the policy and described in the endorsement as the "Reference Premium."

If the surrender occurs during the 60-day period following the 15th policy anniversary, the 20th policy anniversary or at any time on or after the 25th policy anniversary, the enhanced surrender value is the lesser of 1) 100% of gross premiums paid less any refunds, partial surrenders and outstanding policy loans, or 2) 33% of the lowest face amount of the policy less any outstanding loans and any partial surrenders that did not reduce the face.

The MSE cannot be reinstated on a policy after the endorsement has terminated. If a policy is in the RMP period and the MSE has not previously been terminated at the time the policy lapses, reinstatement of the policy will reinstate the endorsement as well. If, however, the policy lapses after the RMP period, that means that the No-Lapse Guarantee Endorsement has already terminated, and therefore the MultiFlex Surrender Enhancement Endorsement would no longer apply. Any subsequent reinstatement of the policy would not reinstate the MultiFlex Surrender Enhancement Endorsement.

No-Lapse Guarantee Endorsement (ACE)
This endorsement guarantees the death benefit (if certain policy requirements remain satisfied) in the event the policy's cash value becomes insufficient. (The No-Lapse Guarantee Endorsement is also known as the Assured Coverage Endorsement or the ACE endorsement.) The eligibility of the No-Lapse Guarantee Endorsement (ACE) is determined by policy threshold. The threshold period is from the policy date to the policy anniversary nearest the insured's age 111, which is the duration the endorsement is in effect. Generally speaking, the no-lapse feature guarantees the death benefit in the event the cash value is insufficient to allow the policy to stay in force, provided the conditions of the endorsement continue to be met.

Surrender Charge Waiver Endorsement ("Honeymoon Provision")
The Surrender Charge Waiver Endorsement waives Company-imposed surrender charges for a full surrender of a policy during the first five policy years. Surrender charges will continue to apply to partial surrenders, loan amounts, and face reductions. This endorsement is also known industry-wide as the "Honeymoon Provision."

The endorsement is only available at issue on policies with a minimum PPP of at least $100,000 per year for five years. It must be requested in the "Remarks" section of the application. The client should be urged to consult with a tax advisor about possible tax consequences. Both the producer and the general agent, however, will be required to sign a "Honeymoon Provision Consent to Charge Back of Commission" form (TOA 300-104) acknowledging that they understand that the commissions will be charged back if the policy is cancelled, lapsed, or surrendered during the first five policy years. **The signed form must be submitted to New Business before the policy will be issued with the Honeymoon Provision.** This endorsement is not illustratable.

Surrender Penalty Deferral Endorsement (SPDE)
This endorsement will allow a one-time face reduction on or after the fifth policy anniversary with no surrender charges assessed at that time. The surrender charges from the original face amount will continue to apply to the policy after the face reduction. This endorsement is only available on policies with an RMP for five years of $50,000 or more per year. The Surrender Penalty Deferral Endorsement is only available at the time of issue and therefore must be requested in the "Remarks" section of the application. This endorsement does not impact producer or agency compensation. A reduction in the face amount in any policy year may cause the policy to become a MEC.

Waiver Provision Rider (WP)
In the event of total disability prior to age 60, as defined in the policy, the monthly deductions and threshold monthly charges will be waived from the beginning of the disability after a six-month waiting period. The disability must occur before the policy anniversary nearest age 65 of the insured. If the total disability begins before the insured's age 60 and continues to the insured's age 65, we will waive all further MDs and threshold monthly charges under the policy. If the total disability begins after the insured's age 60, we will waive the MDs and threshold monthly charges as long as the disability exists but not beyond the insured's age 65.

Monthly deductions and threshold monthly charges will not be waived if the disability results directly or indirectly from intentionally self-inflicted injury, from participation in an insurrection, or from war or any act of war.

The Waiver Provision may be issued as standard waiver (with no substandard rating), Table B, or Table D only. No other substandard waiver ratings are allowed. The Waiver Provision does not add value to the accumulation value. If the policy has WP, all riders must have it as well.

Issue ages: 0–55

Available at an additional cost reflected in the threshold monthly premiums and the monthly deductions for the policy.

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