

Indexed Universal Life

Making decisions that help you meet your lifelong goals and are in the best interest of your loved ones can be challenging. Midland National's Indexed Universal Life can make these decisions simple.

Like all universal life insurance, Indexed Universal Life allows you to choose the policy features that are most appropriate for you and to adjust those features as your financial priorities and needs change.

It offers...

- ▶ A death benefit paid to your loved ones generally free from federal income taxes.*
- ▶ The flexibility to determine the amount and timing of premium payments.
- ▶ The flexibility to increase or decrease the face amount after issue. Increases may be subject to underwriting.

- ▶ The flexibility of tax-deferred growth of policy cash values, which may be used to pay for monthly costs of insurance or accessed via policy loans and withdrawals to use as you wish.

Unlike other interest-earning life insurance policies, however, Indexed Universal Life also offers interest linked to a stock market index – without the risk of investing directly in the market.

With its combination of life insurance coverage, death-benefit guarantees, flexibility and opportunity for index-linked growth, Midland National's Indexed Universal Life is an excellent choice for life.



Indexed Universal Life

How does Indexed Universal Life work?

As premiums are paid, some premium is used to pay for the costs of your life insurance coverage; the rest is allocated to an account that offers a fixed rate of return (called a Fixed Account); to an Index Account; or to a combination of both.

With an Index Account, interest is linked to the growth of a stock market index.

- ▶ When premium is placed into an Index Account the beginning value of the index is recorded.
- ▶ At the end of a designated period, the change in the index value is calculated: If the ending value is higher than the beginning value, interest is credited to your policy's cash value, if the index value does not change or is lower at the end of the index period, the value in the Index Account will remain the same.
- ▶ In no case will the interest credited be less than 0 percent. In this way, Indexed Universal Life provides the opportunity for you to earn interest based on the upward movement of the selected index but offers downside protection from a declining market.

Why choose Midland National's Indexed Universal Life products?

Midland National's Indexed Universal Life (XL) products offer solid death-benefit protection and guarantees through several product features, including:

- ▶ No-Lapse Guarantee
- ▶ Extended Maturity Option
- ▶ Fixed Account with a minimum guaranteed interest rate
- ▶ Minimum Policy Fund Value
- ▶ A Variety of Additional Coverage Options

No-Lapse Guarantee

Midland National's Indexed Universal Life products offer a No-Lapse Guarantee, which means that your policy will not lapse during the guarantee period, as long as the policy's No-Lapse Guarantee premium requirements are met.

Extended Maturity Option

Midland National's XL products also offer an Extended Maturity Option, which allows policyowners to extend their coverage beyond the typical maturity date of age 100.

The Extended Maturity Option is important for two key reasons:

- 1) Many people now live beyond age 100. The Extended Maturity Option allows individuals to truly have lifetime coverage.
- 2) Typically, when a policy "matures," the insurer pays the maturity benefit of the policy to the policyowner. This payment, minus the owner's cost basis in the policy (total premiums paid, minus loans and dividends) is taxed as ordinary income to the owner when received. Extended maturity allows the owner to avoid this potential tax liability.

The Extended Maturity Option for Midland National's XL^{DB} product is not available in Florida.

A Word About No-Lapse Guarantees

- ▶ Payment of a premium amount that is equal to, but not greater than, the No-Lapse Guarantee premium requirement will keep the policy in force during the No-Lapse Guarantee premium period but may result in a lower cash surrender value.
- ▶ In addition, by paying only the minimum required premium, you may be forgoing the advantage of building up a significant policy fund.
- ▶ If the total of all premiums paid is less than the No-Lapse Guarantee premium requirement, the policy will enter its grace period. Termination of the No-Lapse Guarantee premium period may result in the necessity of maintaining the contract with premium amounts significantly higher than the premiums required to satisfy the No-Lapse Guarantee.

Fixed Account

The XL products' Fixed Account offers a competitive interest rate that is based on the current interest rate environment and subject to change. The guaranteed minimum interest rate credited to the Fixed Account is guaranteed to never go below 3 percent.

Minimum Policy Fund Value

To offer you additional security, XL products offer a 3 percent average minimum interest-rate guarantee on death, lapse, surrender or policy maturity. This means that if the insured dies, the policy is surrendered, the policy is in danger of lapsing due to insufficient premium, or the policy reaches its maturity date, the policy fund will be re-calculated based on an interest rate of 3 percent per year. If this minimum policy fund value is greater than the fund value generated by the actual index credits, this minimum policy fund value will be used.

Additional Coverage Options

Because life insurance needs vary from one person to the next, our XL products offer flexibility and a number of coverage options:

- ▶ You can determine the amount and timing of premium payments.
- ▶ You can increase or decrease the face amount after issue.
- ▶ You can choose from two death-benefit options: one that is equal to either the Specified Amount (the amount selected at issue) or one that equals the Specified Amount plus the policy fund. All outstanding policy loans are reduced from the death benefit.
- ▶ You can also choose from a number of riders to add coverage for family members.

*Strong features
that provide true
lifetime
coverage.*



Indexed Universal Life

*has a selection of options
designed to help you
build and access
policy cash values.*



Features Designed to Help You Build Your Policy's Cash Value

In addition to its guarantees and coverage options, Midland National's XL products offer a number of options that give you the opportunity to earn market-linked interest.

Multiple Index Options

One of the most significant options is the XL products' choice of stock market indexes. XL products offer six indexes:

- 1) The Standard & Poor's 500 Stock Price Index (the S&P 500®), which measures the 500 most widely held companies across a number of industries.
- 2) The Standard & Poor's MidCap 400 Index (S&P 400®), which measures 400 medium-sized U.S. firms based on their market capitalization, liquidity and industry representation.
- 3) The Dow Jones Industrial AverageSM (DJIASM) measures 30 blue-chip stocks that trade on the New York Stock Exchange.
- 4) The NASDAQ-100® Stock Price Index (NASDAQ®), which measures 100 of the largest domestic and international non-financial companies listed on the NASDAQ® stock exchange, based on market capitalization.
- 5) The Russell 2000® measures the performance of the largest 2,000 companies in the Russell Index of the largest U.S. companies in terms of market capitalization.
- 6) The Dow Jones Euro Stoxx 50® measures the top 50 blue-chip stocks from the countries participating in the European Monetary Union.

You can allocate premiums to a single index or any combination of the six indices each time a premium payment is made. Index movement varies, and no one index will necessarily result in a higher index credit than another. Having six index options, however, allows you to choose based on personal preference. In addition, these choices allow you to vary premium allocations, taking advantage of the possibility that one index may be up while another is down. (You can also select XL's Fixed Account, as previously described.)

Not all indices may be available in all states.

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Three Crediting Methods¹

Midland National's XL products offer three methods of interest crediting:

- 1) The **Daily Averaging** method takes the average performance of the Index for every business day of the Index Period and then compares that average to the beginning Index Value. The index growth, if any, subject to applicable participation rates, is credited and locked in on an annual basis.
- 2) The **Annual Point-to-Point** method compares the value of the Index on the very first day of the Index Period to the Index Value on the very last day of the Index Period. The index growth, if any, subject to applicable caps, is credited and locked in on an annual basis.
- 3) The **Monthly Point-to-Point** crediting method will apply an index credit after a 12-month period of time. The growth in the index at each month-end within that 12 months is measured. After the current monthly index cap rate is applied, these 12 monthly values are added together and an annual floor rate is applied in order to determine the final index credit value.

The index growth does not include any dividends from the various indexes.

No one crediting method is guaranteed to result in a higher interest credit than the other. However, the two choices offer an additional way to vary premium allocations.

Both Annual Point-to-Point and Daily Averaging are available with the S&P 500[®], S&P MidCap 400[®], DJIASM and the Russell 2 0 0 0[®] indexes. The NASDAQ[®] and Dow Jones Euro Stoxx 50[®] offer Annual Point-to-Point only. The Monthly Point-to-Point crediting method is available on the S&P 500[®] only.

Caps and Participation Rates²

Typically, Indexed Universal Life products contain features that can adjust the amount of interest credited compared to the actual Index Growth. These features include one or both of the following: 1) an Interest Cap; and 2) a Participation Rate.

- 1) Index Selections that use the Annual Point-to-Point crediting method have a cap, which is the maximum rate that can be credited to an Index Selection during the Index Period. For the Monthly Point-to-Point crediting method, there is a monthly cap that is used in calculating the index credit which limits the monthly index return at the end of the 12-month Index Period. Caps vary,

but they typically range from 10 percent to 14 percent. For the Daily Averaging crediting method, there is no cap on the interest credited.

- 2) A Participation Rate is the percentage of Index Growth credited (subject to any cap). Participation rates vary from product to product but are often between 80 percent and 100 percent. For the Annual and Monthly Point-to-Point methods, Midland National's Participation Rate is guaranteed to always be at least 100 percent.

Every time premium is paid, you can select which index and crediting method to choose for that premium and can therefore experiment with the different options to determine which method best coincides with your goals. You can also transfer money out of a particular index and crediting method at the end of the Index Period.

Daily Allocations

While many companies allocate premium to selected indexes once a month or quarter, Midland National allocates premium to the selected index on the business day that premium is received. Daily allocations give policyowners the benefit of immediate participation in the movement of a selected index.

Interest Bonuses

In addition to multiple index and crediting options, XL products offer interest bonuses on both the Fixed Account and the Index Accounts. These bonuses give you the opportunity to enhance your policy's overall cash value.

The Fixed Account's current interest rate is either 1) increased by a 0.50 percent bonus in policy years 11-20 and a 0.75 percent bonus in policy years 21+; or 2) increased by 0.50 percent in years 21+, depending on the product. These rates will be in effect as long as the company is crediting interest rates above the minimum guaranteed rate of 3 percent.³

The same bonuses and years apply for the Index Accounts. Unlike the Fixed Account bonuses, however, the interest bonuses on the Index Accounts are unconditional; they are paid regardless of whether the company is crediting interest above the Fixed Account's guaranteed minimum rate. These bonuses are applied after the application of the cap, so they will also be paid regardless of the index performance.

¹All crediting methods may not be available in all jurisdictions. ²These rates are subject to change. ³Not available in Oregon or Texas.

Systematic Premium Allocation

XL products offer a Systematic Premium Allocation (SPA) option that allows you to place a designated amount of premium in the Fixed Account and have that premium automatically allocated to the Index Selections that you specify. That premium will then be transferred monthly to the chosen Index Selections in equal amounts (minimum of \$200/month). This option is useful for lump-sum payments and for those who wish to pay annually and create new Index Accounts throughout the year.

The minimum amount that can be designated for SPA is \$2,400. The Index Selections for SPA cannot be changed during the 12-month period once premium has been allocated.

Favorable Access to Policy Cash Values

With its index options and interest bonuses, XL products offer a strong opportunity to build policy cash values. That opportunity, however, is only as good as the ability to access the policy's cash value. Midland National's XL products offer favorable access to policy cash values through several features, including:

- ▶ Partial Withdrawals
- ▶ Choice of Fixed-Rate Loans or Variable-Rate Loans
- ▶ Automatic Distribution Option

Partial Withdrawals

Midland National's XL products offer competitive withdrawal provisions. Up to 50 percent of the policy's cash value can be withdrawn in the first policy year, and 90 percent can be withdrawn thereafter. No surrender charge is incurred with such a withdrawal provided the amount withdrawn does not reduce the specified amount below the required minimum.

Policy loans from life insurance policies generally are not subject to income tax, provided the policy is not a Modified Endowment Contract. A policy loan or withdrawal from a life insurance policy that is considered to be a Modified Endowment Contract may be considered taxable upon receipt. A policy loan or withdrawal will reduce the policy's ultimate death benefit and cash value. You should consult with and rely on your tax advisor or attorney for advice on your specific situation. Midland National does not give tax or legal advice.

Surrender charges vary by product, issue age, sex, underwriting class and policy year. Surrenders made during a Surrender Charge Period may reduce the death benefit and cash value.

Choice of Loans

With Midland National's XL, you can take the policy's net cash surrender value as a loan. **During the first five policy years**, the loan interest rate is 5 percent on a current basis; however, 3 percent is credited on borrowed funds, so the net rate (on a current basis) is 2 percent. **After five years**, you can choose between Guaranteed Zero-Cost Loans and Variable-Rate Loans.

Guaranteed Zero-Cost Loans: With these loans, the interest rate credited on borrowed funds is equal to the loan rate the company charges on those funds. The result is a net zero cost.

Variable-Rate Loans: Interest charged on Variable-Rate Loans may change on each policy anniversary. Interest rates credited will be based on the allocation of money between the Fixed Account and Index Account(s). Thus, interest credited may be more or less than interest charged. Although you may not have both Zero-Cost and Variable-Rate Loans at the same time, you may change the loan type if a previous loan is paid in full.

Automatic Distribution Option

With XL products, the policyowner can also choose to receive regular withdrawals and loans automatically.

Consider All Possibilities

The key to choosing the right Indexed Universal Life product for you is to take all product features into account. First consider the life insurance features and guarantees. Then consider index factors, such as indexes offered, crediting methods, participation rates and caps. When considering the index factors, the cap and participation rate should be examined simultaneously, as the combination of these two will ultimately determine the total amount credited to the Index.



*The choice is simple –
Indexed Universal Life.*

*With its combination of features
and the strength of Midland National,
XL makes it easy for you to meet your
lifelong goals.*

*An Excellent
Choice for **Life***



www.mnlife.com/xl

Midland National's Indexed Universal Life Costs

- *Cost of Insurance: based on age, gender and underwriting class.*
- *Policy Expense Charge: \$8 in all years – on a current and guaranteed basis for XL^{CV} and XL^{EC}; to age 100 for XL^{DB}.*
- *Per Unit Expense Charge: Varies by issue age, underwriting class, gender and face amount. Current and guaranteed rates vary from one XL product to the next.*
- *Percent of Fund Charge: Current and guaranteed rates vary from one XL product to the next.*
- *Premium Load: Current and guaranteed rates vary from one XL product to the next.*
- *Surrender Charge: This charge varies by gender, issue age, underwriting class and duration. Charge varies from one XL product to the next.*

The No-Lapse Guarantee Period for the XL^{CV} is the first 15 years or attained age 95, whichever is earlier; for the XL^{EC} it is the first 15 years or attained age 75, whichever is earlier for issue ages 0-64. For issue ages 65+, the No-Lapse Guarantee period is 10 years; and for the XL^{DB} it is the first 15 years or attained age 65, whichever is earlier for issue ages 0-54. For issue ages 55+, the No-Lapse Guarantee period is 10 years.

**Proceeds from a life insurance policy paid because of the death of the insured are generally excluded from the beneficiary's gross income for income tax purposes. Growth on accumulated cash values is generally taxable only upon withdrawal. Adverse consequences may result if withdrawals exceed premiums paid into the policy. Policy loans from life insurance policies generally are not subject to income tax, provided the policy is not a Modified Endowment Contract. A policy loan or withdrawal from a life insurance policy that is considered to be a Modified Endowment Contract may be considered taxable upon receipt. A policy withdrawal will reduce the policy's ultimate death benefit and cash value. You should consult with and rely on your tax advisor or attorney for advice on your specific situation.*

Failure to meet premium requirements may result in a lapse in the policy and participation in the Index Accounts. The Index Accounts are subject to caps and participation rates. The surrender charge varies by product, gender, issue age, underwriting class and duration. In no case will the interest credited be less than 0 percent. Please refer to the customized illustration provided by your agent for additional detail. The policy's death benefit is paid upon the death of the insured. The policy does not continue to accumulate cash value and excess interest after the insured's death.

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*Midland National's Indexed Universal Life policies are issued on policy form series L128, L129 and L130, by Midland National Life Insurance Company, Executive Office, Sioux Falls, SD. Products, features or riders may not be available in all jurisdictions. Limitations or restrictions may apply. Indexed Universal Life products are **not** an investment in the "market" or in the applicable index and are subject to all policy fees and charges normally associated with most universal life insurance.*

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