

EXHIBIT D

From: MacGowan, Elizabeth
Sent: Thursday, February 11, 2010 12:53 PM
To: Heyl, Lauren
Subject: FW: IUL Provider actual Illustrated Rates
Attachments: Brett Anderson ltr 2-10-10.rtf; 1) LSW 7.2%.pdf; 2) LSW 7.2% + bonus.pdf; 3) LSW 7.2% Actual crediting.pdf; 4) Minn 9.26%.pdf; 5) Minn costs 9.26%.pdf; 6) LSW III 7.2%.pdf; Provider IUL.pdf

Will you take a look at this (briefly) and see if Brett has any basis for concern? This guy can burn a lot of time so I want to do the minimum amount of work to be able to eliminate his concern

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From: Smith, Craig
Sent: Wednesday, February 10, 2010 10:02 PM
To: MacGowan, Elizabeth
Cc: DeSantos, Matthew
Subject: FW: IUL Provider actual Illustrated Rates

I think I've found a new friend for you!

From: Brett Anderson [<mailto:brettanderson1@gmail.com>]
Sent: Wednesday, February 10, 2010 1:44 PM
To: Smith, Craig
Cc: DeSantos, Matthew
Subject: IUL Provider actual Illustrated Rates

Hi Craig,

In looking under the covers of the Paragon policy I was able to determine that the illustration rates for the CV caluclations are actually more than the 7.2% supposedly shown. In my attached letter is a more detailed explanation of this and my concerns.

I look forward to your reply,

Brett Anderson

10 February 2010

Craig Smith
VP & Chief Actuary
National Life

Dear Craig,

An agent sent me a case for my help using the Provider product, and for the heck of it I put it through Excel software I have first. To my surprise the cash values did not come out the way they should have - so basically, I would like to know why.

First, illustration numbers as you know are not magic. The CV is the:

$$\text{CV end of the prior year} + \text{current yr. annual premium} - \text{costs} \times \text{Illustration Rate} = \text{CV}$$

This formula works with virtually every other company. Attached is a sample with Minnesota Life (Attachments #4 & #5). You can see that the CV the end of year 20 matches using this formula (less a few \$'s in rounding errors) and less their policy costs and current rate

LSW is the only co. this doesn't work for. Why? In the my example (Attachment #1) with an Illustration Rate of 7.2% the 20 year CV with this formula should be \$279,664. Instead it is \$323,696 (Attachment #3). You can see also what the actual illustration rate is that was used. It starts instead at 7.40% then declines to 7.22%. Then in year 10 it jumps up to 8.53% with the Enhancement Bonus, then is 8.52% the next 9 years.

First) Why are years 1-9 not illustrated at 7.2%?

Second) Why is the 1.25% bonus illustrate at 1.32%? Even more, I have a couple other issues with you about this:

1) This bonus is supposed to be an AVERAGE of the prior 12 monthly gains. When dealing with an average this should then be illustrated at ½ of the 1.25%, or only 0.625%. (I roughed it out for the actual prior 11 years and guesstimate it would have only been 0.45%).

2) Another problem is that in the **Client brochure** (attached) NOWHERE does it state that it is an average or that it is NOT guaranteed (it does state the latter in the illustration). Why not? I have been told before that because it is not guaranteed it is not in the policy. If it is not guaranteed should it even be illustrated? If it is to be illustrated, shouldn't it be on a 2nd illustration and at a more realistic illustrated rate (½ of the 1.25%)? A few other companies have a later year bonus, but their's are guaranteed - yours is the only one I know of that is not. So again, should it even be illustrated? And shouldn't the terms be more clearly spelled out in the client brochure? I think even most agents do not realize this will be based on an average and not guaranteed.

If this illustration was run at the actual IR of 7.2% and at ½ of the bonus, then the 20 year value (Attachment #2) would be \$297,737 (vs. 323,696).

As an agent trying to present correct information to my clients **I am disturbed by these errors** - it verges

on deception and “cheating”. I hope instead they are just unintentional errors (that will be corrected) or that there is a reasonable explanation for them. I have not looked at Paragon and Ultra yet -- will I find the same inflated illustrated rates?

While we have the Provider and LSW examples, can you explain also why your costs are some much more than many other companies? In this case yours for 20 years are \$71,594 vs. only \$43,025 for Minnesota Life. Look at year 20 -- your total cost is \$5,125 and theirs is only \$549 -- **89% less!** **Why such a great difference?** (Actually I know part of the reason is this agent did not reset back to Level ins. in yr 13, but even so. And that has nothing to do with the higher IR's used in your software).

Also, I know that you cannot compare IUL's with different caps using the same illustration rate. But 99% of agents think you can and get an honest apples-apples comparison if you do. In this case, with the inflated LSW illustration rates - even with your costs that are \$28,569 more (and a cap that is 11% vs. 16%), if Minn. is run at 7.2% also the 20 year CV is almost the same as yours -- *and that is just outright "wrong" and misleading to clients.*

Many agents around the country rely on my understanding Indexed Life policies and providing them with the correct information about them and how they work, so I would appreciate your answer before I provide to them also what I have attached here. I'm not writing this today too to blow the horn for another co. vs. yours - just to give you a basis for how other companies systems work. What I want are illustrations that are correct from every company so that in a particular situation people can make a choice based on information they can reasonably rely on.

In this regard, the Variable Loan Rate is blatantly misused by almost every agent. Your current VLR is 5.6%, yet according to your own records the average VLR of the past 20 years is closer to 7.25%. The majority of people have no intention of borrowing out the money "today" but decades in the future. Shouldn't you at least educate agents and present a second 'long term' alternative rate for them to use too? After all, if you are going to illustrate CV based on the average gain of the past 20 years isn't it only 'right' that the agent also illustrate the VLR avg. of the past 20 years? I think the misuse of the current VLR for these projections decades from now will only come back to haunt all of the companies.

I look forward to your reply and explanation.

Cordially,

Brett Anderson