Understanding

Indexed Universal Life

We are building insurance around you.SM

AVIVA

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You may be surprised about what indexed universal life insurance can help **you** do.

It can help you...

- provide financial security for your family.
- build financial security for your business.
- supplement your retirement income – tax free!
- pay off credit cards, car payments, student loans, or other debts.
- cover mortgage payments.
- send your kids to college.
- address emergencies if and when they arise.

Yeah. It can do that!

Products issued by Aviva Life and Annuity Company.

What is indexed universal life insurance (IUL)?

There are two basic kinds of life insurance:
term and **permanent.**

Let's take a look at the question **"What is IUL?"** within the context of these two types of life insurance.

A term life insurance policy provides a death benefit for a specified period of time, such as one, ten, or twenty years.

Term life insurance does not have a cash accumulation value. Rather, it serves the sole purpose of providing a death benefit to beneficiaries in the event of the death of the insured.

A permanent life insurance policy provides a death benefit AND has a cash accumulation value.

The cash accumulation value is available to the policy owner through withdrawals or loans.

One type of permanent life insurance[1] is univeral life insurance. There are three basic types of universal life insurance: traditional universal life, indexed universal life, and variable universal life. Interest is calculated and credited to each type of policy in a different way.

Type 1: Traditional universal life insurance (UL)

- With universal life insurance, a **fixed rate of interest** is credited to the policy on a periodic basis as declared by the issuing insurance company.

Type 2: Indexed universal life insurance (IUL)

- With indexed universal life insurance, you have **a choice of fixed rate strategies and/or indexed strategies that are based on the upward movement of a stock market index or indices.**
- The cash value of an IUL policy is **not** invested directly in the stock market.
- Many people do not want to risk their cash accumulation value to market fluctuations. IUL gives you the opportunity to participate in index increases. It also provides protection from decreases with a minimum guaranteed interest rate.

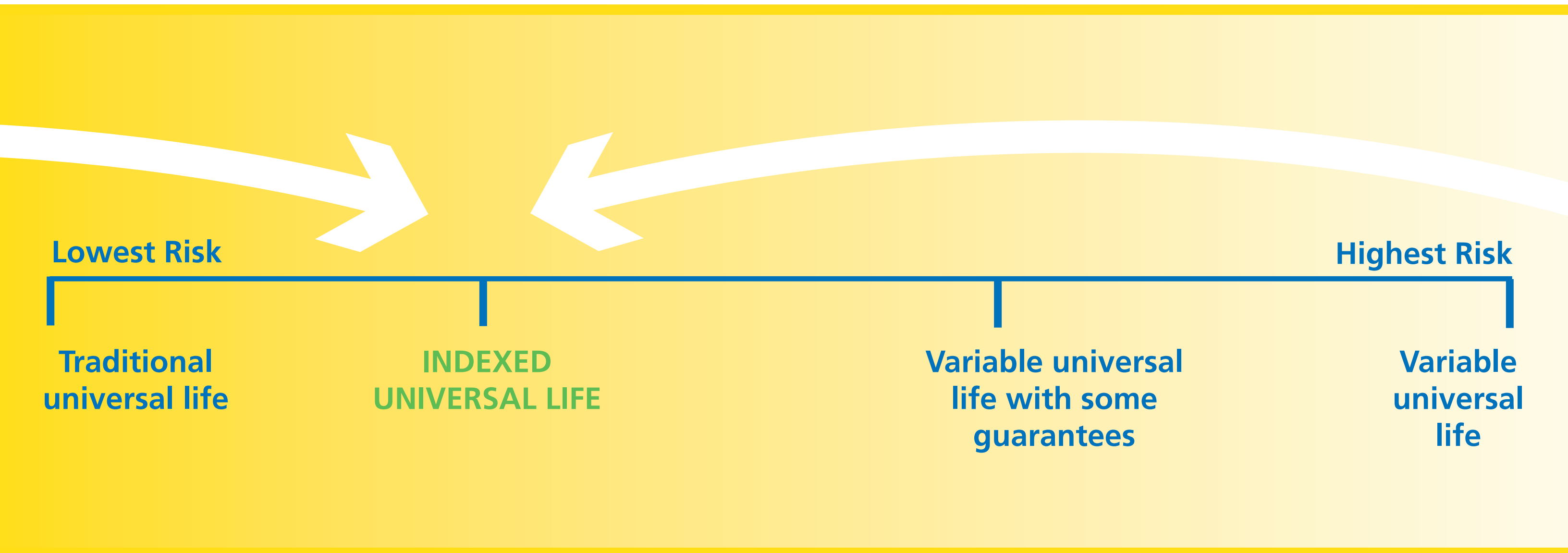
Type 3: Variable universal life insurance (VUL)

- With **variable universal life insurance**, the cash value is usually invested in subaccounts that are linked **directly** to the stock market.
- The value of a variable universal life policy is susceptible to the ups and downs of the market.
- While there is the potential for significant gains, premiums are more susceptible to losses that can have a negative impact on the life insurance policy's death benefit and/or cash value.

[1] Whole life insurance is another type of permanent life insurance. The scope of this guide does not discuss the advantages and disadvantages of whole life insurance.

Which type of universal life insurance is right for you?

Appetite for risk is shifting toward products that include both protection and guarantees. Indexed universal life insurance meets these needs.



When can indexed universal life be a good choice for you?

An indexed universal life insurance policy provides you with a greater potential for interest and a safeguard against market downturns. That's because indexed universal life products credit interest based on the upward movement of a stock market index, subject to a limit called a cap rate.

Plus there is a minimum interest rate guarantee of 2 percent on the account value. This means that when your policy is surrendered, or when cash value segments mature, its performance is evaluated. If your policy has not earned at least 2 percent compound interest per year, it will be credited retrospectively with a 2 percent minimum guaranteed interest rate.

Over time, and particularly during periods of low fixed interest rates, an IUL policy has the potential for greater interest crediting than a traditional universal life insurance policy.

This can give you the potential for more cash value, more supplemental retirement income, or lower total premiums if you decide to discontinue premiums and use the policy's cash value to support the policy's internal expenses.

When you purchase an IUL policy, you can decide within policy guidelines:

- The amount of insurance that's right for you.
- The amount of premium(s).
- The timing or frequency of planned premiums (monthly, quarterly, annually).
- Whether you want the death benefit to remain level or to increase over time.

What are your interest-crediting choices?

With indexed universal life insurance, you decide how your policy earns interest by selecting one fixed strategy, one indexed strategy, or a combination of these strategies.

A fixed strategy uses a fixed rate of interest that's declared by Aviva for a certain amount of time. Aviva IUL policies offer you a choice of two fixed-term strategies. Premiums remain in this strategy until the end of the one-year or five-year term, at which time the segment matures and the allocation process begins again.

An indexed strategy uses a formula that calculates interest based on the movement of a stock market index or indices. There are up to five interest-crediting methods, or strategies, from which you can choose. While indexed products credit interest based on the upward movement of an index, these products are not securities. Your money is never invested directly in the stock market.

Let's take a closer look at indexed strategies.

What is an index?

An index is a statistical composite that measures changes in the financial markets.

What are the indices used in Aviva IUL policies?

The majority of the interest-crediting strategies use the S&P 500© Index as the basis for interest crediting. However, three different indices are available and vary by strategy.

Standard & Poor's 500© Composite Stock Price Index[2]

This index is often regarded as the standard for broad stock market performance. It is used to measure the average stock price changes of the 500 most widely held companies representing over 100 specific industry groups. The S&P 500© represents approximately 70 percent of the total domestic U.S. equity market's capitalization.

NASDAQ-100 Index[2]

This index represents 100 of the largest domestic and international non-financial companies listed on The NASDAQ Stock Market based on market capitalization. It reflects companies across major industry groups, including computer hardware and software, telecommunications, retail/wholesale trade, and biotechnology.

Dow Jones Industrial Average (DJIA)[2]

This index is probably the best-known and most widely followed index in the world. It consists of 30 of the largest publicly traded firms in the U.S., including retailers, oil, technology, pharmaceutical, and entertainment companies. The DJIA accounts for approximately 29 percent of the investable U.S. market, as measured by the Dow Jones.

[2] See the back cover of this booklet for complete disclosure information regarding the indices.

How is interest calculated and credited?

When you apply for your policy, you choose from the available interest-crediting strategies. Then your premiums are allocated in the following manner:

Step 1

When you pay your Indexed Universal Life insurance premiums, Aviva puts your net premium[1] payments into your account value and temporarily allocates your premiums to the **Basic Interest Strategy**.

Step 2

Aviva calculates the amount to fund approximately one year of **policy charges and cost of insurance**. These funds remain allocated to the Basic Interest Strategy until they are needed to pay those charges throughout the year.

Step 3

Twice per month on preset days, the remaining money is allocated into **segments** of one or a combination of fixed strategies or indexed strategies, that you selected, for a specified amount of time, or **segment term** (1, 5, or 6 years depending on the strategy).

Step 4

At the end of the **segment term**, the segment dollars mature and are placed back into the Basic Interest Strategy, along with any new premiums, to begin working for you again.

Basic Interest Strategy
The section of your policy that will hold net premium payments to fund approximately one year of policy charges and the cost of insurance before premiums are directed into other interest-crediting strategies.

Segment
A segment is created each time excess dollars are directed into a fixed-term or indexed strategy. Each segment has its own participation rate and cap rate.

Segment term
A segment term is a one, five, or six-year period of time that begins when a segment is created. The segment term varies by strategy. Funds cannot be redirected to another strategy until the segment matures at the end of the segment term.

Interest-crediting period
This is an amount of time that's measured from the segment creation date and every segment anniversary thereafter throughout the segment term.

Policy charges and cost of insurance
Policy charges are deducted monthly and include a flat administrative fee, a coverage charge per $1,000 of face amount, cost of insurance charges, and charges for any riders. These charges vary based on your individual policy.

[1] Net premiums are your paid premiums less a percentage charge that varies based on the product selected.

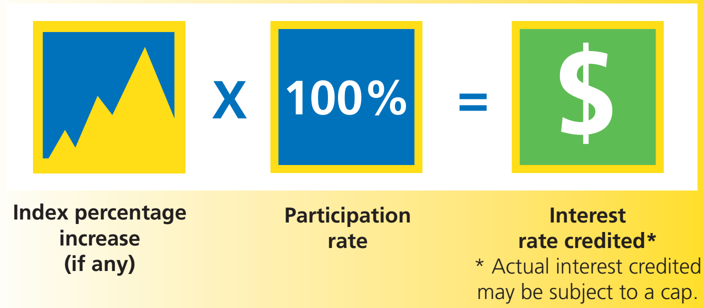
How do indexed strategies work?

Indexed interest-crediting strategies are formulas or methods used to measure the movement of the applicable index during a certain timeframe, up to a certain limit or **cap rate**.

Participation rates and **cap rates** are two important components of IUL indexed strategies. These features determine, and set limits on, the amount of interest that can be credited to your IUL policy.

Participation rate

The participation rate determines how much of the increase in the index's value applies to your IUL policy. **Aviva guarantees that the participation rate of all of its indexed life insurance products will be at least 100 percent for the life of the policy.**



Cap rates

The cap rate is the top amount of interest that Aviva will credit to an IUL policy. Cap rates vary by strategy and may be reset at the beginning of an interest crediting period at the discretion of Aviva.

Interest credit cannot exceed the cap*

For example, if the annual cap rate on the 1-Year Point-to-Point is 12 percent and the index increase is 13 percent, then 12 percent would be credited to your IUL account value.

* Some strategies apply the cap rate first.

The effects of participation rates and caps

	POLICY 1 - Aviva	POLICY 2 - Other Company
SCENARIO 1 **Market Index increases 20%**	**Aviva** 100% Participation | 12% Cap → **12% Credited**	50% Participation | No Cap → **10% Credited**
SCENARIO 2 **Market Index increases 10%**	**Aviva** 100% Participation | 12% Cap → **10% Credited**	50% Participation | No Cap → **5% Credited**

These scenarios are illustrative only and are not intended to be a predictor of actual results. Participation rates and caps are assumed to be constant in this example. For purposes of this comparison it is assumed the policies are identical except for the participation rates and caps.

Why are limits placed on the amount of interest credited to your policy?

Simply put, with Indexed UL you are giving up some of your upside potential in exchange for the downside guarantees.

What are your indexed strategy choices?

Here's an overview of the indexed strategies.

Note: The credited rate can never be less than zero even if the percentage change in the index is zero or negative.

Minimums for Participation Rates and Cap Rates describe the lowest rates Aviva contractually can set these percentages. Caps will likely be higher than the contractual minimum. Minimum cap rates vary by state.

Indexed strategy	Index used	Design	Participation rates (P) and Caps (C)	How it works
One-Year Point-to-Point	S&P 500© Index	Annual reset point-to-point	**(P)** 100% minimum floor **(C)** 4% minimum	Once a year, Aviva measures the growth of an index from the start of one segment period to the end of the segment period. This growth is then multiplied by the participation rate and credited up to the stated cap rate.
Two-Year Point-to-Point	S&P 500© Index	Biennial reset point-to-point	**(P)** 100% minimum floor **(C)** 8% minimum over the 2-year period	Every two years, Aviva measures the growth of an index from the start of one segment period to the end of the segment period. This growth is then multiplied by the participation rate and credited up to the stated cap rate.
One-Year Multi Index	S&P 500© Index, NASDAQ-100, and DJIA	Monthly averaging annual reset	**(P)** 100% minimum floor **(C)** 4% minimum	Each month, Aviva calculates the annual growth in three indices utilizing a monthly averaging formula and weights the results based on their performance. These values are then added together up to the stated cap rate, then multiplied by the participation rate to determine the credited rate for that year's segment period.
One-Year Monthly Cap	S&P 500© Index	Monthly reset point-to-point	**(P)** 100% minimum floor **(C)** 1% minimum monthly cap	Aviva measures the movement of the index on a monthly point-to-point basis. We note the percentage change, which can be positive or negative. Positive changes are subject to a cap, negative changes are not. At the end of the year, the 12 monthly changes are added together to determine the credited rate for that year's segment period.
One-Year Monthly Average	S&P 500© Index	Monthly averaging annual reset	**(P)** 100% minimum floor **(C)** 4% minimum (currently no cap)	Once a year, Aviva measures growth by comparing the average index value for an interest period in comparison to the initial index value. The percentage of growth, up to the stated cap rate, is multiplied by the participation rate to determine the credited rate for that year's segment period.

Strategy availability varies by product, state, and product issue date.

Regardless of which indexed strategy you choose, your IUL policy is protected from negative index performance.

When the market index rises, your IUL policy will receive interest credits based partly on the upward movement of the index, subject to any applicable caps and/or participation rates.

When the market index declines, your IUL policy is protected by contract guarantees. You may not receive any interest credits for that contract year, but you lose nothing based on a falling market.

These conceptual examples do not represent actual movements of a market index. Cap rates and participation rates vary by product and/or strategy. A downward movement in an index for a particular interest-crediting period could result in zero interest being credited for that contract year.

Additional features of the indexed strategies

Interest lock-in

Dollars directed to the indexed strategies (other than the Two-Year Point-to-Point) create a new five-year segment. Interest is calculated and credited every 12 months on the funds in a segment.

In effect, we lock in any interest every 12 months within a segment and protect it from potential future downturns in the index.

Dollars directed to the Two-Year Point-to-Point Strategy create a new six-year segment. Interest, if any, is calculated and credited each 24 months on the premiums in a segment.

Interest is locked in every 24 months within a segment and protected from potential future downturns in the index.

Dollars directed to a new indexed strategy will result in a newly created indexed segment with a new starting point, participation rate, and cap, if applicable. Over time, you will generally have a number of distinct indexed segments within the policy.

Resetting the index measurement

One of the advantages of the indexed strategy methodologies is that the index is reset at regular intervals for the purpose of measuring the movement in the index. In the case of the One-Year Monthly Cap Strategy, the index is reset at the beginning of every month during the interest-crediting period. For all other indexed strategies, the index is reset at the beginning of each interest-crediting period. This means that if the index declines over an interest-crediting period, you do not have to wait for the index to return to its previous level before you start participating in any subsequent index increases.

How does Aviva support your IUL policy?

Aviva indexed universal life policies are like any other fixed universal life policies in that they are backed by the company's general account. No separate account is established for IUL. Aviva does not directly invest in the stock market to support the product.

As it does with other general account products, Aviva chooses investments that closely mimic its liabilities. With an IUL product, this means that Aviva purchases assets to cover both the minimum guarantees of the contract, as well as the upside potential brought about by the index features. Bonds, mortgages, or other fixed-income assets may be purchased to support the minimum guarantees, while options or other equity-based securities may be purchased to support the upside potential. While there are several variables that go into establishing cap rates, they are in general, based on the costs of these investments.

For more information, please consult the Aviva financial strength brochure.

Why Aviva for indexed universal life?

We own the patent.

The patent involves Aviva's unique risk management processes related to the minimum guarantees on our indexed universal life insurance products, allowing Aviva to offer you IUL products with minimum rate guarantees that have greater benefits at lower costs.

We were among the first insurance companies to offer IUL.

And we know that the original is better than the copy!

Our illustrated rates have integrity.

Our knowledge and expertise of IUL helps us design products that will provide value regardless of actual index returns. In addition, we understand what a reasonable illustrated rate should be for these products.

We offer upside potential with guaranteed rates.

With a guaranteed 2% minimum interest rate, you know your policy has a solid foundation.

Our IUL products are battle tested.

During two of the worst bear markets in recent history (early 2000s and 2008-09), none of Aviva's IUL policyholders lost any accumulated value in the policies due to the declining stock market.

Our IUL products are flexible.

Aviva's portfolio offers multiple death benefit options, premium payment options, interest-crediting strategy choices, loan options, and several riders.

Our financial strength.

Guaranteeing our customers a minimum interest rate requires a strong financial backing. We are a highly rated company with a remarkable history.

Nobody has the experience and expertise of Aviva for indexed life insurance. **We are the industry leader!**

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Products issued by
Aviva Life and Annuity Company
7700 Mills Civic Parkway
West Des Moines, IA 50266-3862
www.avivausa.com

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Policy forms 2EDB08, 2JAF06, 2EBJ05 and 2ECI06. Rider forms 2JLPUFO6, 2PUEBI06 and 2PUUAB09. Availability may vary by state.

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Covered by United States Patent No. 7,376,609

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