

# Virtus IUL II (Indexed Universal Life)

## Specifications and Optional Riders

| Sales                | Product Strength   | Lower internal charges in order to offer affordable protection and attractive cash accumulation and distribution.   |                               |   |           |            |                  |      |          |       |           |       |          |       |           |
|----------------------|--|---|-------------------------------|---|-----------|------------|------------------|------|----------|-------|-----------|-------|----------|-------|-----------|
|                      | Sales Support  | 877.665.2468  |                               |   |           |            |                  |      |          |       |           |       |          |       |           |
| Protection           | Minimum Face Amount  | \$100,000   |                               |   |           |            |                  |      |          |       |           |       |          |       |           |
|                      | Issue Ages   | 0-17 Nonsmoker; 18-80 All Classes   |                               |   |           |            |                  |      |          |       |           |       |          |       |           |
|                      | Maturity Age   | There is no maturity age. No premiums are accepted and no charges are deducted after age 120. Any Index Loan will be converted to a Standard Loan at age 121.   |                               |   |           |            |                  |      |          |       |           |       |          |       |           |
|                      | Underwriting Classes   | Super Preferred Nonsmoker<br>Select Smoker  | Preferred Nonsmoker<br>Smoker | Select Nonsmoker<br>Substandard through Table P | Nonsmoker |            |                  |      |          |       |           |       |          |       |           |
|                      | Cost of Insurance  | Current or guaranteed maximum   |                               |   |           |            |                  |      |          |       |           |       |          |       |           |
|                      | COI Bands  | \$100,000-\$999,999; \$1,000,000+   |                               |   |           |            |                  |      |          |       |           |       |          |       |           |
|                      | No Lapse Guarantee   | <table><tr><th>Issue Ages</th><th>Guarantee Period</th></tr><tr><td>0-60</td><td>20 years</td></tr><tr><td>61-69</td><td>To age 80</td></tr><tr><td>70-75</td><td>10 years</td></tr><tr><td>76-80</td><td>To age 85</td></tr></table> |                               |   |           | Issue Ages | Guarantee Period | 0-60 | 20 years | 61-69 | To age 80 | 70-75 | 10 years | 76-80 | To age 85 |
|                      | Issue Ages   | Guarantee Period  |                               |   |           |            |                  |      |          |       |           |       |          |       |           |
|                      | 0-60   | 20 years  |                               |   |           |            |                  |      |          |       |           |       |          |       |           |
|                      | 61-69  | To age 80   |                               |   |           |            |                  |      |          |       |           |       |          |       |           |
| 70-75                | 10 years   |   |                               |   |           |            |                  |      |          |       |           |       |          |       |           |
| 76-80                | To age 85  |   |                               |   |           |            |                  |      |          |       |           |       |          |       |           |
| Death Benefit Option | Level (A) or increasing (B); policyholder may change options during the life of the policy |   |                               |   |           |            |                  |      |          |       |           |       |          |       |           |
| DEFRA Premium Test   | Selected at issue; may be Guideline Premium (GPT) or Cash Value Accumulation (CVAT)        |   |                               |   |           |            |                  |      |          |       |           |       |          |       |           |
| Cash Value           | Guaranteed Fixed Account Rate  | 2.0%  |                               |   |           |            |                  |      |          |       |           |       |          |       |           |
|                      | Fixed Account Rate (as of 5/1/20)  | 2.50%   |                               |   |           |            |                  |      |          |       |           |       |          |       |           |
|                      | Loan Rate Types  | Standard or Index. Current rate 4.20% (07/01/2022). Variable rate established July 1 each calendar year.  |                               |   |           |            |                  |      |          |       |           |       |          |       |           |
|                      | Partial Surrenders   | Up to 10% of prior year-end cash value with no partial surrender charge, pro-rata charge above 10%  |                               |   |           |            |                  |      |          |       |           |       |          |       |           |
|                      | Available Indexes  | S&P 500®, Russell 2000® and EuroStoxx 50® annual point-to-point indexes. Minimum cap: 3%.   |                               |   |           |            |                  |      |          |       |           |       |          |       |           |
|                      | Persistency Step-Up  | 30 basis points guaranteed and current. Payable on index segments that begin in year 11+, guaranteed. Payable years 11+ on the Interim and Fixed Account provided current credited rate is greater than 2.0%                          |                               |   |           |            |                  |      |          |       |           |       |          |       |           |
|                      | Account Value True-Up  | Minimum 2.0% true-up upon death or full surrender (years 6+)  |                               |   |           |            |                  |      |          |       |           |       |          |       |           |



|                 |                                  |  |
|-----------------|----------------------------------|--|
| Loads           | Premium Load                     | 6% on all premium paid years 1-20, 0% on all premium paid years 21+, current. 6% all years, guaranteed.  |
|                 | State Premium Tax                | Actual state premium tax in excess of 1.40% in all years   |
|                 | Policy Maintenance Charge        | \$10 per month   |
|                 | Surrender Charge                 | Varies by age, gender and class, grades to 0 in year 13  |
|                 | Per Unit Charge                  | Charge per \$1,000 of base face amount, varies by age, gender and class  |
|                 | Per Unit Charge Bands            | \$100,000-\$249,000; \$250,000-\$999,999; \$1,000,000+   |
| Optional Riders | Additional Insured Term Rider    | Purchases term insurance on someone other than the primary insured. Maximum limit is 4x the base policy face amount. This rider may be converted.                                |
|                 | Children's Term Rider            | Provides term life insurance on the children of the insured for a limited time. This rider may be converted.   |
|                 | Waiver of Premium Rider          | Pays a stipulated amount upon total disability as defined in the rider.  |
|                 | Guaranteed Purchase Option Rider | Guarantees the right to increase the face amount of the policy without evidence of insurability.   |
|                 | Overloan Protection Rider        | Prevents the policy from lapsing due to outstanding loan debt. May only be exercised under specific conditions described in the rider.   |
|                 | Accelerated Benefit Rider        | Accelerates a portion of the death benefit if an insured qualifies as either chronically or terminally ill under the rider. Places a lien upon the future death benefit payable. |

|               |                  |                            |                                      |                |
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|---------------|------------------|----------------------------|--------------------------------------|----------------|

The Index Accounts are accounts that earn interest based, in part, on the growth of a corresponding stock market index, excluding dividends. When premiums are allocated to Index Accounts the dollars are not invested directly in any index or security.

The optional Accelerated Benefit Rider provides for a partial acceleration of the policy death benefit in the event that the base policy insured is certified by a licensed physician as being chronically ill or terminally ill. By taking an accelerated death benefit payment, a lien is created against the policy death benefit. The lien accrues carrying charges at an adjustable rate we declare. The lien, including the lien carrying charges, will be deducted from the total death benefit otherwise payable to the policy beneficiary(ies) and will reduce the cash value available for policy loans, surrenders, or the exercise of any non-forfeiture option. The required premium for the policy must still be paid even if an accelerated death benefit is taken. If an accelerated benefit is taken and the policy lapses or otherwise terminates, a taxable event may occur.

Any accelerated benefit taken under this rider may be taxable. Clients should consult their tax advisor on all tax matters. Adding the rider to a life insurance policy or the taking of rider benefits may affect eligibility for certain public assistance programs and government benefits. The Accelerated Benefit Rider is not designed to be a substitute for long-term care insurance, health insurance, or nursing home insurance. Rider benefits and features may vary by state.

The potential tax consequences of the Overloan Protection Rider have not specifically been determined by the IRS or the courts. Clients should consult a tax advisor.

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Russell 2000® Index is an equity index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which is made up of 3,000 of the biggest U.S. stocks. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not affect the performance and characteristics of the true small-cap index.

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# How high are IUL policy expenses getting?

One way to compare is by measuring expenses as a percent of premium.

| Base expenses with/<br>added options fees<br><br>• Male age 45<br>• Preferred Best Non-Smoker<br>• Premium: \$25k/year for 20 years<br>• Solved for minimum non-MEC Death Benefit. Option B, switch to A in policy year 21. | Company           | Product  | Total expenses after 10 years | Expenses as a % of premium | Total expenses after 20 years | Expenses as a % of premium |
|---|-------------------|--|-------------------------------|----------------------------|-------------------------------|----------------------------|
|   | AuguStar Life     | Virtus IUL II  | \$41,200                      | 16.48%                     | \$73,113                      | 14.62%                     |
|   | John Hancock      | Accumulation IUL 21 (w/ Enhanced Capped Index Account)                   | \$119,106                     | 47.64%                     | \$422,995                     | 84.60%                     |
|   | Lincoln Financial | Wealth Accumulate® IUL (2020) (S&P 500 Multiplier Indexed Account)       | \$138,918                     | 55.57%                     | \$257,603                     | 51.52%                     |
|   | LSW               | Flex Life IUL (No Enhancer Rider/Option available)                       | \$43,458                      | 17.38%                     | \$89,352                      | 17.87%                     |
|   | National Life     | Peak Life II (w/ Enhancer Max)   | \$73,753                      | 29.50%                     | \$157,200                     | 31.44%                     |
|   | Nationwide        | Accumulator II IUL (1-Yr S&P 500 Index w/ 110% Account Value Multiplier) | \$98,954                      | 39.58%                     | \$174,282                     | 34.86%                     |
|   | North America     | Builder Plus IUL 3 (No Enhancer Rider/Option available)                  | \$46,744                      | 18.70%                     | \$128,548                     | 25.71%                     |
|   | Pacific Life      | Discovery Xelerator IUL 2 (w/ Performance Plus) AG49A                    | \$129,568                     | 51.83%                     | \$502,056                     | 100.41%                    |
|   | Pacific Life      | Indexed Accumulator 6 (w/ Performance Plus)                              | \$102,895                     | 41.16%                     | \$484,924                     | 96.98%                     |
|   | Symetra           | Accumulator Ascent IUL (No Enhancer Rider/Option available)              | \$33,539                      | 13.42%                     | \$49,983                      | 10.00%                     |
|   | Transamerica      | Financial Foundation IUL (No Enhancer Rider/Option available)            | \$100,918                     | 40.37%                     | \$180,773                     | 36.15%                     |
| Total premium collected:  |                   |  | \$250,000                     |                            | \$500,000                     |                            |

## Competitive accumulation and distribution potential

| • Male age 45<br>• Best Class,<br>• \$25,000 Annual premium to 65, maximum cash flow 66-90, minimum non-MEC death benefit<br><br>Competitor data from software deemed current in March and April 2023. | Company                  | Product              | Illustrated rate | Initial DB | Year 10 AV | Year 20 AV | Distribution year 21-25 |
|--|--------------------------|----------------------|------------------|------------|------------|------------|-------------------------|
|  | AuguStar Life            | Virtus IUL II        | 6.0%             | \$419,000  | \$291,455  | \$871,718  | \$68,295                |
|  | John Hancock             | Accumulation IUL     | 5.57%            | \$391,750  | \$280,519  | \$790,139  | \$59,168                |
|  | Lincoln                  | Wealth Accumulate II | 6.09%            | \$375,802  | \$277,839  | \$821,589  | \$62,244                |
|  | Nationwide               | Accumulator II       | 6.03%            | \$405,430  | \$301,131  | \$863,641  | \$64,730                |
|  | National Life            | Flex Life            | 5.77%            | \$453,070  | \$289,826  | \$814,938  | \$64,438                |
|  | North America            | Builder Plus IUL 3   | 5.89%            | \$328,251  | \$284,244  | \$811,729  | \$61,907                |
|  | Symetra                  | Accumulator Ascent   | 6.24%            | \$381,018  | \$304,589  | \$889,904  | \$66,074                |
|  | Transamerica             | FC IUL               | 6.0%             | \$390,000  | \$291,558  | \$848,694  | \$65,305                |
|  | Total premium collected: |                      |                  | \$250,000  |            | \$500,000  |                         |

#1

The optional Accelerated Benefit Rider provides for a partial acceleration of the policy death benefit in the event that the base policy insured is certified by a licensed physician as being chronically ill or terminally ill. By taking an accelerated death benefit payment, a lien is created against the policy death benefit. The lien accrues carrying charges at an adjustable rate we declare. The lien, including the lien carrying charges, will be deducted from the total death benefit otherwise payable to the policy beneficiary(ies) and will reduce the cash value available for policy loans, surrenders, or the exercise of any non-forfeiture option. The required premium for the policy must still be paid even if an accelerated death benefit is taken. If an accelerated benefit is taken and the policy lapses or otherwise terminates, a taxable event may occur.

Any accelerated benefit taken under this rider may be taxable. Clients should consult their tax advisor on all tax matters. Adding the rider to a life insurance policy or the taking of rider benefits may affect eligibility for certain public assistance programs and government benefits. The Accelerated Benefit Rider is not designed to be a substitute for long-term care insurance, health insurance, or nursing home insurance. Rider benefits and features may vary by state.

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|               |                  |                            |                                      |                |
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**Ohio National Life Assurance Corporation**  
One Financial Way | Cincinnati, Ohio 45242 | 513.794.6100 | constellationinsurance.com  
Post Office Box 237 | Cincinnati, Ohio 45201-0237  
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Top reasons to sell Ohio National

# Indexed Universal Life (IUL) insurance



## Virtus IUL II is built for today's client

Today's life insurance buyer is looking for affordable life insurance protection plus living benefits. Virtus IUL II delivers in a big way. It is designed for the accumulation and distribution marketplace, and has the key features clients look for in an IUL within a simple, straight-forward design.



## Affordable protection

Ohio National has been a leader in providing affordable universal life insurance death benefits and Virtus IUL II continues that tradition. Affordable cost of insurance rates and reasonable internal expenses make this a great product for a variety of sales and planning scenarios.<sup>1</sup>



## Remarkable cash flow capability

Life insurance can sometimes be used to supplement retirement income, once the need for high levels of protection goes away. Virtus IUL II provides your clients with an effective tool for delivering tax-preferred cash flow during their lifetimes.



## Important protection features

Virtus IUL II provides a competitive No-Lapse Guarantee to protect your clients' death benefit. The policy also has an Accelerated Benefit Rider, available at no additional cost, that gives access to part of the death benefit in cases of chronic or terminal illness. And for clients concerned about poor index performance, the Account Value True-Up feature provides a minimum 2% return for any death claim or full surrender after the fifth policy year.



## Valuable accumulation features

Virtus IUL II offers three Index Accounts that are linked to widely recognized, diverse indices. The Dollar Cost Averaging feature can help ensure a smoother allocation of premium for those who prefer lump sum or annual premium payments. Also, clients who continue their policy beyond ten years may be eligible to receive an interest rate step-up.



## Flexible distribution options

Clients who accumulate cash value in their policy may later wish to take distributions. Virtus IUL II provides both an Index Loan option and a Standard Loan option<sup>2</sup> with the ability to move between the two as your client chooses. The Standard Loan option provides for a zero net interest loan after the tenth policy year. For added protection, Virtus IUL II offers an Overloan Protection Rider at no additional premium charge.



## Financially strong company

Help give your clients peace-of-mind in knowing they are insured by a financially secure and highly rated company. Your clients can count on Ohio National to deliver value and security today and for years to come. See [ohionational.com](http://ohionational.com) for the latest financial information and company ratings.



Your business. Your vision. We'll help.®

TERM | WHOLE LIFE | INDEXED WL | UL | INDEXED UL | ANNUITIES

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<sup>1</sup> Cost of insurance and expense charges subject to change as provided in the policy.

<sup>2</sup> Once a loan option is elected it cannot be changed for 12 months.

The Index Accounts are accounts that earn interest based, in part, on the growth of a corresponding stock market index. When premiums are allocated to Index Accounts the dollars are not invested directly in any index or security.

The Accelerated Benefit Rider is an acceleration of the death benefit for an individual that is certified as being permanently chronically ill or terminally ill. It is not designed to be a substitute for long-term care insurance, health insurance, or nursing home insurance. An acceleration creates a lien against the policy death benefit and accrues carrying charges. Please review available marketing materials, as well as policy and rider language for complete details.

The potential tax consequences of the Overloan Protection Rider have not specifically been determined by the IRS or the courts. Clients should consult a tax advisor.

Withdrawals and loans reduce the death benefit and cash surrender value.

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One Financial Way | Cincinnati, Ohio 45242 | 513.794.6100 | [constellationinsurance.com](http://constellationinsurance.com)  
Post Office Box 237 | Cincinnati, Ohio 45201-0237

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Financial Services®**  
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VIRTUS IUL II (INDEXED UNIVERSAL LIFE INSURANCE)

# Marketing Guide

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# Virtus IUL II

Virtus IUL is an indexed universal life insurance policy that can provide both a strong death benefit and effective account value growth within the policy. Virtus IUL retains the hallmarks of Ohio National's traditional UL line through affordable cost of insurance (COI) rates, and competitive internal charges and loads. With a fixed interest account and three index accounts composed of index-linked interest options, Virtus IUL gives you an opportunity to offer flexibility to your clients who desire cash value accumulation and protection.

## Target markets

### Personal

Virtus IUL provides important death benefit protection for your clients as their policy builds up cash value to help cover future needs – like paying for a child's education or supplementing retirement income. The product balances a simple, flexible design with strong guarantees that help it align to a wide-range of planning needs.

### Business

Business owners can use Virtus IUL for their own planning needs, like funding a buy-sell agreement or having a flexible source of protection and capital for the business. It can also be used to attract, retain and reward talent, whether through a split-dollar arrangement, an executive bonus strategy, or as part of a supplemental executive retirement plan (SERP).

# Accumulation features

## Index and fixed accounts

The Index Accounts are accounts that earn interest based, in part, on the growth of a corresponding stock market index. When premiums are allocated to Index Accounts the dollars are not invested directly in any index or security.

### 1-Year S&P 500® Index Account

This account offers clients the ability to grow account value through 1 year point-to-point interest crediting based upon the performance of the S&P 500® Index, (excluding dividends), subject to the cap in effect at the beginning of the segment. The minimum cap rate is 3%. The Index represents a broad group of large U.S. based companies. This type of account remains one of the most commonly used in the indexed universal life market.

### 1-Year Russell 2000® Index Account

This account offers clients the ability to grow account value through 1 year point-to-point interest crediting based upon the performance of the Russell 2000®, (excluding dividends), subject to the cap in effect at the beginning of the segment. The minimum cap rate is 3%. The Index represents a broad group of smaller U.S. based companies.

### 1-Year Dow Jones EuroStoxx 50® Index Account

This account offers clients the ability to grow account value through 1 year point-to-point interest crediting based upon the performance of the EuroStoxx 50® Index, (excluding dividends), subject to the cap in effect at the beginning of the segment. The minimum cap rate is 3%. The Index represents a diversified group of large European based companies.

All three Index Accounts have a floor of 0% and a minimum Participation Rate of 100%. Index interest will be credited on the last day of the segment period and is based on the average segment value during the segment period.

### Fixed Account

The Fixed Account credits interest according to a rate declared periodically by Ohio National. This rate is guaranteed to be no less than 2% and will be adjusted based upon movements in the portfolio rate of the general account. Interest is credited daily using a 365 day crediting year.

## How a point-to-point index account credits interest

In order to determine index credits, you must first understand some basic terminology.

**Participation Rate:** Determines how much of the change in the index will be used when determining interest crediting. All of Ohio National's Index Accounts use a 100% Participation Rate, guaranteed.

**Floor:** The minimum interest that will be credited to any given segment. All of Ohio National's Index Accounts use a 0% floor, guaranteed. There can be no loss of value due to index performance.

**Cap:** The maximum interest that will be credited to any given segment. This rate is declared periodically and will not be changed once a segment begins.

**Segment:** Point-to-point accounts credit interest only at the end of an index segment. Index segments are created on each sweep date on which your client has account value moved into an Index Account. All of the Virtus IUL Index Accounts use 1-year segments. This means they will expire exactly 1 year later, on the sweep date.

Interest is credited to the average segment value during the preceding 12 months.

The amount of interest credited at the end of an index segment is determined by dividing the index value on the end date by the index value on the beginning date, and subtracting 1, to determine the percentage change in the index. The percentage change in the index is multiplied by the Participation Rate (100%) and is then compared to the floor and cap for that segment to determine the crediting rate.

Example: Your client has an index segment with a beginning value of 1,000. Let's assume that the cap for your client when the index began was 10%. One year later, the ending value is 1,140. The change in the index is +14%. This is greater than the cap, so your client will receive an interest credit equal to 10% of the average segment value. Your client will not receive an interest credit greater than the cap or less than the 0% floor at the end of any segment.

## Features

### Interest rate step-up bonus

We will credit a step-up for all index segments that begin in the 11th policy year and later. The step-up is additional interest credit that will be added to the total interest credited at the end of each segment. The step-up can increase total interest credited to a level greater than the cap for the segment.

The current and guaranteed step-up is 30 basis points (bps). For account value in the Fixed and Interim accounts, the step up will only be credited provided the current interest crediting rate is greater than two percent.

Example: If a segment calculation was determined to create a 10% interest credit, the 30 bps step-up would cause the total credit to be 10.3%.

### Sweep Dates and the Interim Account

The Interim Account is the holding account for premium payments prior to the next sweep date. The Interim Account will have interest credited to it at the same rate as the Fixed Account and is subject to a guaranteed minimum interest rate of 2%.

The sweep date is the date on which values from the Interim Account will move into the Index Accounts based upon a policyholder's allocations. It is also the date upon which expiring index segments will be reallocated back into the Index Accounts based upon a policy's renewal allocations. The sweep date is the 15th of each month. If the 15th is a day on which the company is not open for business or the index is not valued, the ending index value of the prior business day will be the value used as the beginning or ending value of the index.

### Premium allocations and renewal allocations

Policyholders elect the accounts for their premium allocations at the time they apply for the policy. Future premium allocations may be changed at any time. Policyholders may also elect to have Index Accounts renew the segment values into multiple accounts, similar to rebalancing a portfolio. Renewal allocations and premium allocations are established separately.

### Transfers from the Fixed Account

Transfers from the Fixed Account to the Index Accounts are available upon request, with no limitation as to amount. The policyholder will select how the transferred amount will be allocated among the Index accounts (it does not automatically follow the premium allocations). Transfers can be scheduled at any time, but cannot be carried out until the next sweep date.

### Transfers from the Index Accounts

Transfers from Index Accounts are not allowed during the segment period (1 year). Transfers from and between Index Accounts are done through the renewal allocation process at the end of every segment.

## Dollar Cost Averaging

Automatic Transfers can be set up to help policyholders divide a larger premium payment across multiple segments to improve diversification and help reduce sequence of returns risk. This strategy is commonly called Dollar Cost Averaging (DCA), and is often used for single premiums, 1035 exchanges, or annual/semi-annual/quarterly premium payment frequencies.

The policyholder may specify a dollar amount of Interim Account value to transfer on the monthly sweep dates, out of the Interim Account into the Fixed Account and Index Accounts. The policyholder also specifies how many months these instructions should stay in place. When the automatic transfer period is over, or if no automatic transfer is elected at issue, all Interim Account Value will transfer to the Fixed Account and Index Accounts on the next sweep date and each sweep date thereafter, following the premium allocation.

The policyholder may change the transfer amount and/or the allocation for future automatic transfers.

If there is insufficient value in the Interim Account to transfer the specified amount, the entire Interim Account value will transfer. If there is no value in the Interim Account at the time of an automatic transfer, no transfer will occur, but the instructions will stay in place through the scheduled end date.

## Deduction order

Monthly charges will first be deducted from the Interim Account, then the Fixed Account, then pro-rata from each index segment. This deduction order also applies to partial withdrawals, transfers to the Loan Collateral Account, surrender charges, decrease charges, and all other charges incurred in addition to monthly charges. The deduction order allows for money to remain in the Index Accounts longer than if deductions were taken on a pro-rata basis from all accounts.

# Protection features

## Death benefit choices

Your client has two choices when it comes to their death benefit. They can choose an Option A (level) or Option B (increasing) death benefit. The Option A death benefit will remain level until the Account Value in the policy approaches the death benefit. At that point, the death benefit will rise in order to maintain a portion of the death benefit as insurance. Option A is typically chosen when a client wants to maintain their initial death benefit and is less concerned about accumulation.

The Option B death benefit is equal to the stated amount of the policy, plus the Account Value of the policy. Thus, the Option B death benefit will rise as the Account Value rises. Although this increases costs in the policy, using an Option B death benefit and the Guideline Premium Test allows more premium to be paid into the policy to improve cash value accumulation during the premium paying period. Once distributions begin, policyholders will normally switch to an Option A death benefit to reduce costs in the policy.

Policyholders may switch between death benefits options at any time. However, a change that would decrease the stated amount of the policy to less than the minimum or cause the policy to fail to qualify as life insurance under the life insurance qualification test is not allowed. Additionally, switching from a level or an increasing death benefit (A to B) is subject to underwriting approval.

## Changing from Option B to Option A

Virtus IUL offers a policyholder two options when using GPT and switching from an Option B death benefit to an Option A death benefit. The default method will be to leave the stated amount unchanged which reduces the death benefit to equal the stated amount. This will reduce the net amount at risk and allow for higher levels of cash flow. The alternate choice is to leave the death benefit at the level it was on the day before the switch occurred. This will allow for a higher death benefit for those clients who are more protection oriented.

## Life Insurance Qualification Test (GPT vs CVAT)

Virtus IUL offers two tests for determining whether a policy passes the DEFRA life insurance test. The choice of which test to use must be made at issue, and should be marked in section 10 of the life insurance application. The two choices available are the Guideline Premium Test (GPT) and the Cash Value Accumulation Test (CVAT).

### Guideline Premium Test

GPT limits the amount of premium that may be paid into a policy based upon the death benefit of the policy.

- The GPT will calculate the Guideline Single Premium and the Guideline Annual Premium. They are respectively, the amount of premium that can be paid into a policy during its lifetime, and the maximum annual premium that may be paid during every year of the policy.
- GPT is typically used to fund a given death benefit at a low level premium, or to maximum fund a policy with the intention of generating cash flow later in the policy life. When funding for cash flow, policy design typically starts with an increasing death benefit (Option B) and switches to a level death benefit (Option A) during distribution. See above for more information on death benefit options.

### Cash Value Accumulation Test

CVAT uses a net single premium test to determine the level of death benefit relative to cash value in a policy.

- Using CVAT allows a client to put in substantially more money than the GPT method in the early years of the policy, which can be used to drive up death benefit, short-pay a policy, or generate early cash values.
- Generally, CVAT is most often used in very high funding situations, such as a single-premium solution.
- CVAT product designs typically use the Option A death benefit, whether the policy is meant for death benefit for accumulation and distribution.

## Account Value True-Up

Upon death or full surrender in policy year 6 and later, the death benefit or full surrender value will not be less than it would have been if all premiums had been allocated to the Fixed Account and 2% interest had been credited since issue.

## No Lapse Guarantee

During the policy's No Lapse Guarantee Period, the policy is guaranteed not to lapse, even if the cash surrender value is zero, as long as the cumulative premium paid (less any outstanding loans and withdrawals) equals or exceeds the cumulative monthly No Lapse Premiums.

|                   |                      |
|-------------------|----------------------|
| <b>Ages 0-60</b>  | 20 years             |
| <b>Ages 61-69</b> | Guaranteed to age 80 |
| <b>Ages 70-75</b> | 10 years             |
| <b>Ages 76-80</b> | Guaranteed to age 85 |

# Distribution features

## Standard and Index Loans

Virtus IUL has two loan types available, a Standard Loan and an Index Loan.

### Standard Loans

- Account value equal to the amount of money borrowed by the policyholder is transferred to the Loan Collateral Account following the deduction order (described in an earlier section).
- Loan interest will accrue and be billed at a variable rate as defined in the contract. Interest will be credited in the Loan Collateral Account such that, on a current basis, the net cost of the loan in policy years 1-10 will be 100 basis points and in policy years 11+ will be 0 basis points (zero net interest, or “wash loan”). Interest credited in the Loan Collateral Account is subject to a guaranteed minimum interest rate of 2%.
- Repaying standard loans or loan interest will trigger transfers from the Loan Collateral Account to the Interim Account.

### Index Loans

- No account value is transferred to the Loan Collateral Account, it remains in the accounts to which it is already allocated.
- Loan interest will accrue and be billed at a variable rate as defined in the policy. The Account Value will have interest credited based upon the interest crediting method for each account.

The policyholder cannot have loans of different types in place at the same time. The loan type can be changed. This is substantially the same thing as paying off the loan and taking out a new loan of the other type in the amount of the existing loan balance. The loan type may only be changed after a 12-month waiting period following the time a loan is taken or the loan type was last changed.

## Partial surrenders

Partial surrenders up to 10% of the end of the previous year's cash value incur no surrender charge.

- There is a \$25 service fee for each partial surrender.
- Partial surrenders in excess of 10% incur a pro rata surrender charge. The amount of the charge will be proportional to the amount of the reduction in the face amount. *For example: A client requests a partial surrender of \$25,000 from a policy with a \$500,000 face amount and a surrender charge of \$10,000. The withdrawal will reduce the face amount by \$25,000 (5%) and thereby trigger a charge of \$500. This will reduce the remaining surrender charge to \$9,500.*
- No more than two partial surrenders are allowed each policy year.
- The partial surrender will be deducted from the Account Value, based upon the deduction order (described in an earlier section).

# Optional riders

## Additional Insured Term Rider

This rider provides level term death benefit coverage on an individual other than the primary insured. Coverage is not limited to a spouse. Rider is subject to underwriting. Others, such as a business partner, may obtain coverage, but only one additional insured rider may be purchased on any policy.

|                     |                |
|---------------------|----------------|
| <b>Issue Ages</b>   | 18-80          |
| <b>Maximum Face</b> | 4x base policy |
| <b>Minimum Face</b> | \$10,000       |

- This rider is convertible to any available permanent life insurance policy issued by Ohio National at the time of conversion.
- The rider is convertible through the policy anniversary nearest the additional insured's age 70 birthday, or at the death of the primary insured, if earlier. If the rider is not converted prior to age 70, it will continue until the additional insured's age 121, maturity of the base contract, or death of the primary insured, whichever is earliest.
- After the first policy year, the policyholder may increase (subject to underwriting) or decrease the rider face amount (minimum change of \$5,000).
- This rider may be added after issue (subject to underwriting). If added after issue, there is an administrative fee of \$3 per month.

## Children's Term Rider

This rider provides death benefits for children of the insured in an amount of \$1,000 for every \$5,000 of the base policy death benefit.

|                                     |                      |
|-------------------------------------|----------------------|
| <b>Issue ages (primary insured)</b> | 18-50                |
| <b>Issue ages (children)</b>        | 15 days up to age 25 |
| <b>Minimum amount</b>               | \$1,000              |
| <b>Maximum amount</b>               | \$25,000             |

- This rider may be added after issue.
- Coverage expires on the day before the child's 25th birthday or, if earlier, the policy anniversary date nearest the insured's 65th birthday.

- Upon reaching age 18, a child may convert to any available permanent policy issued by Ohio National before expiry of the rider. The new policy risk class will be Standard Smoker, but the child can request a better class, subject to underwriting. The conversion amount may range from the term face amount to five times the face amount, up to a maximum of \$50,000, at the insured's option.

## Waiver of Premium for Disability Rider

In the event of total disability of the insured, this rider credits a premium to the policy in the amount selected by the policyholder. A waiver amount equal to, or exceeding, the No Lapse Premium is encouraged to maintain the No Lapse Guarantee of the death benefit.

|                           |  |
|---------------------------|--|
| <b>Issue ages</b>         | 0-55   |
| <b>Maximum amount</b>     | Maximum waiver amount is \$15,000 monthly premium (\$180,000 annually). No waiver is available for policies with face amounts greater than \$5,000,000. CVAT policies are limited to the MEC premium limit. GPT policies are limited to the DEFRA premium limit. |
| <b>Minimum amount</b>     | \$10/month   |
| <b>Elimination period</b> | Six months   |

- Waiver of Premium may be added after issue (subject to underwriting).
- The rider is not available if the insured is rated beyond Table D, and will not cover any flat extras. Though rare, the rider and the base policy may have different risk classes.
- Disability is "own occupation" for the first five years and "any occupation" for disabilities over five years.
- If disability occurs on or after the policy anniversary nearest age 60, then premiums are credited only to the anniversary date nearest age 65. If disability occurs prior to the policy anniversary nearest age 60, then premiums are credited for the duration of the disability.



## Optional riders

### Guaranteed Purchase Option

This rider guarantees the policyholder's right to purchase additional coverage at prescribed points in the future that correspond with the insured's age, without providing evidence of insurability. Additional insurance may be purchased on the specified ages shown below.

| Issue ages | Periodic Option Date<br>(Policy anniversary nearest the insured's age) |    |    |    |    |    |
|------------|--|----|----|----|----|----|
|            | 25   | 28 | 31 | 34 | 37 | 40 |
| Under 25   | 25   | 28 | 31 | 34 | 37 | 40 |
| 25-27      |  | 28 | 31 | 34 | 37 | 40 |
| 28-30      |  |    | 31 | 34 | 37 | 40 |
| 31-33      |  |    |    | 34 | 37 | 40 |
| 34-36      |  |    |    |    | 37 | 40 |
| 37-39      |  |    |    |    |    | 40 |

If the insured marries or has a child through birth or adoption, after 90 days the policyholder can exercise the next option to increase coverage. Exercising this option will take the place of the next periodic option age.

|              |           |
|--------------|-----------|
| Issue ages   | 0-39      |
| Minimum face | \$10,000  |
| Maximum face | \$100,000 |

### Overloan Protection Rider

This rider protects the policyholder from a policy lapse (and potentially the resulting taxation) under specific circumstances. There is a one-time charge for this rider that will be applied upon exercising the rider. The one-time charge varies based upon attained age at the time the rider is exercised.

This rider is only available for policies using the Guideline Premium Test.

**The rider may be exercised if the following conditions are met:**

1. The policy uses the Guideline Premium Test.
2. The sum of the outstanding loan equals or exceeds the policy stated amount, plus any primary insured term rider in effect.
3. The insured is at least 75 years of age.
4. The policy has been in force for at least 15 years.
5. The policy is not a Modified Endowment Contract (MEC).
6. There is no existing lien under the Accelerated Benefit Rider.
7. The loan is greater than the lesser of a) 94% of the Cash Value; and b) 99% of the Cash Value minus the overloan protection charge.
8. There must be sufficient cash surrender value to cover the one-time charge.
9. The death benefit option must be option A.

**Once the rider is exercised the following will occur:**

1. The policy death benefit option and the stated amount of the policy and any term rider on the base insured may not be changed.
2. The policy loan type will be the Standard Loan and may not be changed.
3. Any riders that have associated monthly charges will be terminated except for the Term Rider on the base insured.
4. The one-time charge will be deducted from the policy.
5. The premium allocation and the renewal allocations for each Index Account will be set at 100% to the Fixed Account and may not be changed.
6. Any automatic transfer instructions will be terminated and no future transfers from the Fixed Account will be allowed.
7. The Accelerated Benefit Rider will be terminated and may not be added after the overloan protection rider is exercised.
8. Future monthly deductions will be waived and no more premiums will be accepted.
9. No additional loans or partial surrenders will be allowed.
10. Interest will continue to be credited to the Account Value and charged against outstanding loan amounts.

## Accelerated Benefit Rider (ABR)

### For Chronic Illness

This rider accelerates a portion of the death benefit if the insured is defined as chronically ill under the rider. This rider is intended to provide tax free benefits under Section 101(g) of the Internal Revenue Code. Your clients should consult their tax advisor before accessing benefits under the rider.

An insured is considered chronically ill if a physician certifies that they can not perform two of six Activities of Daily Living (ADL) without substantial assistance, or is permanently, severely, cognitively impaired (similar to Alzheimer's or dementia).

There is both a lifetime limit to the benefit and an annual limit to the chronic illness benefit.

### Annual Limit

The annual limit is the lesser of 25% of the total death benefit (before loans/liens) on the date of the first claim in that calendar year, or the IRS per diem limitation multiplied by the number of days remaining in the calendar year that the insured has been certified as chronically ill.

### Lifetime Limit

The lifetime limit for the chronic illness benefit is determined at the time of first claim. It is the Account Value plus a percentage of the Net Amount at Risk (NAR), which varies by age. The calculated lifetime benefit limit cannot exceed \$5,000,000 for chronic illness claims. The percentage of NAR is given in the table below.<sup>1</sup>

| Attained Age  | % of NAR | Attained Age | % of NAR |
|---------------|----------|--------------|----------|
| 65 or younger | 20.0%    | 76           | 36.5%    |
| 66            | 21.5%    | 77           | 38.0%    |
| 67            | 23.0%    | 78           | 39.5%    |
| 68            | 24.5%    | 79           | 41.0%    |
| 69            | 26.0%    | 80           | 42.5%    |
| 70            | 27.5%    | 81           | 44.0%    |
| 71            | 29.0%    | 82           | 45.5%    |
| 72            | 30.5%    | 83           | 47.0%    |
| 73            | 32.0%    | 84           | 48.5%    |
| 74            | 33.5%    | 85 or older  | 50.0%    |
| 75            | 35.0%    |              |          |

<sup>1</sup> California and Florida have different NAR percentages and administrative charges than other states. Montana has no administrative charge. Please consult your illustration software for specifics.

- The ABR may be added after issue, with no underwriting.
- The rider is not available if the insured is table rated beyond Table B, has a flat extra of greater than \$5, or has any combination of flat extra and table rating.
- There is no charge for the rider other than an administrative fee of up to \$200 at the time of first claim.<sup>1</sup>
- At the time a benefit payment is made, the company will establish a lien against the future death benefit payable. The cash surrender value of the policy that is available for surrender, partial surrender or loan is reduced by any lien. The policy will terminate if the sum of the lien and the carrying charges equals or exceeds the policy death benefit. The lien may not be repaid.
- The lien will be assessed carrying charges at the rate then in effect. The lien carrying charge rate is subject to change each July 1st, as stated in the rider. The rate will be equal to the policy loan interest rate.
- If there is an outstanding loan on the policy, proceeds from the benefit payment will be apportioned on a pro rata basis to reduce the outstanding loan.

The rider does not waive monthly charges. The Cash Surrender Value must continue to be large enough to pay ongoing monthly expenses in order for the policy to remain in force.

### For Terminal Illness

This rider accelerates a portion of the death benefit if the insured is defined as terminally ill under the rider.

A client is considered terminally ill if a physician certifies that they have an illness or physical condition which can reasonably be expected to result in death within 12 months.

The lifetime benefit limit for terminal illness is the sum of the Account Value and 80% of the NAR. The calculated lifetime benefit limit cannot exceed \$2,000,000 for terminal illness claims.<sup>2</sup> There is no annual limit for the terminal illness benefit.

All other features of the rider are substantially similar to the Chronic Illness ABR.

<sup>2</sup> If the policy is issued as the result of a term conversion from a term policy issued prior to 2008, the maximum lifetime limit is \$250,000.

# Specifications and Optional Riders

|                    |   |  |                               |   |           |
|--------------------|---|--|-------------------------------|---|-----------|
| Sales              | Product Strength  | Lower internal charges in order to offer affordable protection and attractive cash accumulation and distribution.  |                               |   |           |
|                    | Sales Support   | 877.665.2468   |                               |   |           |
| Protection         | Minimum Face Amount   | \$100,000  |                               |   |           |
|                    | Issue Ages  | 0-17 Nonsmoker; 18-80 All Classes  |                               |   |           |
|                    | Maturity Age  | There is no maturity age. No premiums are accepted and no charges are deducted after age 120. Any Index Loan will be converted to a Standard Loan at age 121.  |                               |   |           |
|                    | Underwriting Classes  | Super Preferred Nonsmoker<br>Select Smoker   | Preferred Nonsmoker<br>Smoker | Select Nonsmoker<br>Substandard through Table P | Nonsmoker |
|                    | Cost of Insurance   | Current or guaranteed maximum  |                               |   |           |
|                    | COI Bands   | \$100,000-\$999,999; \$1,000,000+  |                               |   |           |
|                    | No Lapse Guarantee  | Issue Ages   | Guarantee Period              |   |           |
|                    |   | 0-60   | 20 years                      |   |           |
|                    |   | 61-69  | To age 80                     |   |           |
|                    |   | 70-75  | 10 years                      |   |           |
|                    |   | 76-80  | To age 85                     |   |           |
|                    | Death Benefit Option  | Level (A) or increasing (B); policyholder may change options during the life of the policy   |                               |   |           |
| DEFRA Premium Test | Selected at issue; may be Guideline Premium (GPT) or Cash Value Accumulation (CVAT) |  |                               |   |           |
| Cash Value         | Guaranteed Fixed Account Rate   | 2.0%   |                               |   |           |
|                    | Fixed Account Rate (as of 5/1/2020)   | 2.50%  |                               |   |           |
|                    | Loan Rate Types   | Standard or Index. Current rate 4.20% (07/01/2022). Variable rate established July 1 each calendar year.   |                               |   |           |
|                    | Partial Surrenders  | Up to 10% of prior year-end cash value with no partial surrender charge, pro-rata charge above 10%   |                               |   |           |
|                    | Available Indexes   | S&P 500®, Russell 2000® and EuroStoxx 50® annual point-to-point indexes. Minimum cap: 3%   |                               |   |           |
|                    | Persistency Step-Up   | 30 basis points guaranteed and current. Payable on index segments that begin in year 11+, guaranteed. Payable years 11+ on the Interim and Fixed Account provided current credited rate is greater than 2.0% |                               |   |           |
|                    | Account Value True-Up   | Minimum 2.0% true-up upon death or full surrender (years 6+)   |                               |   |           |
| Loads              | Premium Load  | 6% on all premium paid years 1-20, 0% on all premium paid years 21+, current. 6% all years, guaranteed.  |                               |   |           |
|                    | State Premium Tax   | Actual state premium tax in excess of 1.40% in all years   |                               |   |           |
|                    | Policy Maintenance Charge   | \$10 per month   |                               |   |           |
|                    | Surrender Charge  | Varies by age, gender and class, grades to zero in year 13   |                               |   |           |
|                    | Per Unit Charge   | Charge per \$1,000 of base face amount, varies by age, gender, class and face amount band.   |                               |   |           |
|                    | Per Unit Charge Bands   | \$100,000-\$249,000; \$250,000-\$999,999; \$1,000,000+   |                               |   |           |

|                 |   |  |
|-----------------|---|--|
| Optional Riders | <b>Additional Insured Term Rider</b>    | Purchases term insurance on someone other than the primary insured. Maximum limit is 4x the base policy face amount. This rider may be converted.                                |
|                 | <b>Children's Term Rider</b>            | Provides term life insurance on the children of the insured for a limited time. This rider may be converted.   |
|                 | <b>Waiver of Premium Rider</b>          | Pays a stipulated amount upon total disability as defined in the rider.  |
|                 | <b>Guaranteed Purchase Option Rider</b> | Guarantees the right to purchase additional permanent insurance on the primary insured without evidence of insurability.   |
|                 | <b>Overloan Protection Rider</b>        | Prevents the policy from lapsing due to outstanding loan debt. May only be exercised under specific conditions described in the rider.   |
|                 | <b>Accelerated Benefit Rider</b>        | Accelerates a portion of the death benefit if an insured qualifies as either chronically or terminally ill under the rider. Places a lien upon the future death benefit payable. |

The optional Accelerated Benefit Rider provides for a partial acceleration of the policy death benefit in the event that the base policy insured is certified by a licensed physician as being chronically ill or terminally ill. By taking an accelerated death benefit payment, a lien is created against the policy death benefit. The lien accrues carrying charges at an adjustable rate we declare. The lien, including the lien carrying charges, will be deducted from the total death benefit otherwise payable to the policy beneficiary(ies) and will reduce the cash value available for policy loans, surrenders, or the exercise of any non-forfeiture option. The required premium for the policy must still be paid even if an accelerated death benefit is taken. If an accelerated benefit is taken and the policy lapses or otherwise terminates, a taxable event may occur.

Any accelerated benefit taken under this rider may be taxable. Clients should consult their tax advisor on all tax matters. Adding the rider to a life insurance policy or the taking of rider benefits may affect eligibility for certain public assistance programs and government benefits. The Accelerated Benefit Rider is not designed to be a substitute for long-term care insurance, health insurance, or nursing home insurance. Rider benefits and features may vary by state.

The potential tax consequences of the Overloan Protection Rider have not specifically been determined by the IRS or the courts. Clients should consult a tax advisor.

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**The Ohio National Life Insurance Company | Ohio National Life Assurance Corporation**  
One Financial Way | Cincinnati, Ohio 45242 | 513.794.6100 | ohionational.com  
Post Office Box 237 | Cincinnati, Ohio 45201-0237

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