

<i>SERFF Tracking Number:</i>	<i>NALF-125804777</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>Life Insurance Company of the Southwest</i>	<i>State Tracking Number:</i>	<i>40306</i>
<i>Company Tracking Number:</i>	<i>7877</i>		
<i>TOI:</i>	<i>A02I Individual Annuities- Deferred Non-Variable</i>	<i>Sub-TOI:</i>	<i>A02I.002 Flexible Premium</i>
<i>Product Name:</i>	<i>403(b) Endorsements</i>		
<i>Project Name/Number:</i>	<i>/</i>		

## Filing at a Glance

Company: Life Insurance Company of the Southwest

Product Name: 403(b) Endorsements

SERFF Tr Num: NALF-125804777 State: ArkansasLH

TOI: A02I Individual Annuities- Deferred Non-Variable

SERFF Status: Closed

State Tr Num: 40306

Sub-TOI: A02I.002 Flexible Premium

Co Tr Num: 7877

State Status: Approved-Closed

Filing Type: Form

Co Status:

Reviewer(s): Linda Bird

Authors: Junan Boldrey, Rhonda Anderson

Disposition Date: 10/01/2008

Date Submitted: 09/19/2008

Disposition Status: Approved

Implementation Date Requested:

Implementation Date:

State Filing Description:

## General Information

Project Name:

Status of Filing in Domicile: Pending

Project Number:

Date Approved in Domicile:

Requested Filing Mode: Review & Approval

Domicile Status Comments: These forms are being filed simultaneously in our domiciliary state, Texas, as an "exempt" filing under 28 TAX §3.4004(a) (6) of the Texas Insurance Code.

Explanation for Combination/Other:

Market Type: Individual

Submission Type: New Submission

Group Market Size:

Overall Rate Impact:

Group Market Type:

Filing Status Changed: 10/01/2008

State Status Changed: 10/01/2008

Deemer Date:

Corresponding Filing Tracking Number: 7877

Filing Description:

Submission: This filing is meant to comply with the newly enacted Internal Revenue Code regulations concerning Section 403(b) Tax-Sheltered annuity contracts. The effective date of the regulations is January 1, 2009. The new



SERFF Tracking Number: NALF-125804777 State: Arkansas  
 Filing Company: Life Insurance Company of the Southwest State Tracking Number: 40306  
 Company Tracking Number: 7877  
 TOI: A02I Individual Annuities- Deferred Non- Sub-TOI: A02I.002 Flexible Premium  
 Variable  
 Product Name: 403(b) Endorsements  
 Project Name/Number: /

## Company and Contact

### Filing Contact Information

Junan Boldrey, Policy Filing Coordinator jboldrey@nationallife.com  
 1300 West Mockingbird Lane (800) 543-3794 [Phone]  
 Dallas, TX 75247 (214) 638-9196[FAX]

### Filing Company Information

Life Insurance Company of the Southwest CoCode: 65528 State of Domicile: Texas  
 1300 West Mockingbird Lane Group Code: -99 Company Type:  
 Dallas, TX 75247 Group Name: State ID Number: 1117  
 (214) 638-9316 ext. [Phone] FEIN Number: 75-0953004  
 -----

## Filing Fees

Fee Required? Yes  
 Fee Amount: \$150.00  
 Retaliatory? Yes  
 Fee Explanation: Texas charges a filing fee of \$50.00 for a form filed as an exempt filing under Chapter 1701.005, TIC AND §3.5(a)(3)  
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Life Insurance Company of the Southwest	\$150.00	09/19/2008	22612258

SERFF Tracking Number: NALF-125804777 State: Arkansas  
Filing Company: Life Insurance Company of the Southwest State Tracking Number: 40306  
Company Tracking Number: 7877  
TOI: A021 Individual Annuities- Deferred Non- Sub-TOI: A021.002 Flexible Premium  
Variable  
Product Name: 403(b) Endorsements  
Project Name/Number: /

## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Approved	Linda Bird	10/01/2008	10/01/2008

*SERFF Tracking Number:* NALF-125804777      *State:* Arkansas  
*Filing Company:* Life Insurance Company of the Southwest      *State Tracking Number:* 40306  
*Company Tracking Number:* 7877  
*TOI:* A021 Individual Annuities- Deferred Non-      *Sub-TOI:* A021.002 Flexible Premium  
Variable  
*Product Name:* 403(b) Endorsements  
*Project Name/Number:* /

## **Disposition**

Disposition Date: 10/01/2008

Implementation Date:

Status: Approved

Comment:

Rate data does NOT apply to filing.

SERFF Tracking Number: NALF-125804777 State: Arkansas  
 Filing Company: Life Insurance Company of the Southwest State Tracking Number: 40306  
 Company Tracking Number: 7877  
 TOI: A021 Individual Annuities- Deferred Non- Sub-TOI: A021.002 Flexible Premium  
 Variable  
 Product Name: 403(b) Endorsements  
 Project Name/Number: /

Item Type	Item Name	Item Status	Public Access
Supporting Document	Certification/Notice		Yes
Supporting Document	Application		No
Supporting Document	Life & Annuity - Actuarial Memo		No
Supporting Document	Statement of Variability		Yes
Form	403(b) Endorsement		Yes
Form	ROTH 403(b) Endorsement		Yes
Form	ERISA 403(b) Endorsement		Yes

SERFF Tracking Number: NALF-125804777 State: Arkansas  
 Filing Company: Life Insurance Company of the Southwest State Tracking Number: 40306  
 Company Tracking Number: 7877  
 TOI: A021 Individual Annuities- Deferred Non- Sub-TOI: A021.002 Flexible Premium  
 Variable  
 Product Name: 403(b) Endorsements  
 Project Name/Number: /

## Form Schedule

Lead Form Number: 7877

Review Status	Form Number	Form Type Form Name	Action	Action Specific Data	Readability	Attachment
	7877	Policy/Cont ract/Fratern al Certificate: Amendmen t, Insert Page, Endorseme nt or Rider	Revised	Replaced Form #: 7807 Previous Filing #: none	26	Form No. 7877 403b.pdf
	7878	Policy/Cont ract/Fratern al Certificate: Amendmen t, Insert Page, Endorseme nt or Rider	Revised	Replaced Form #: 7817 Previous Filing #: none	25	Form No. 7878 Roth 403b.pdf
	7883	Policy/Cont ract/Fratern al Certificate: Amendmen t, Insert Page, Endorseme nt or Rider	Revised	Replaced Form #: 7867 Previous Filing #: none	26	Form No. 7883 ERISA 403(b) Endorsement. pdf

# 403(b) ENDORSEMENT

Life Insurance Company of the Southwest (LSW) • www.lifeofsouthwest.com  
1300 West Mockingbird Lane • Dallas, Texas 75247-4921 • Customer Service 800-579-2878

This [Policy] to which this endorsement is attached is amended to qualify as a tax-sheltered annuity under sec. 403(b) of the Internal Revenue Code of 1986, as amended (*IRC*), and applicable Income Tax Regulations (*regulations*), and which is not issued in conjunction with an arrangement that is subject to the requirements of the Employee Retirement Income Security Act of 1974, as amended (*ERISA*). All provisions of the [Policy] and this endorsement shall be interpreted in accordance with qualification as a tax-sheltered annuity under IRC sec. 403(b). Certain provisions of this [Policy] are hereby added, amended, or deleted and replaced by the following:

## 1. The Employer and the Plan

As used in this endorsement, the term *Employer* refers to the organization described in IRC sec. 403(b) (1) (A) that established the annuity program under IRC sec. 403(b) in connection with which the [Policy] was purchased. The term *Plan* refers to the tax-sheltered annuity plan that the Employer established under IRC sec. 403(b) pursuant to which the [Policy] was issued, or any agreement between the Employer and Life Insurance Company of the Southwest (the *Company*) regarding the sharing of information with respect to this [Policy] and the tax-sheltered annuity plan pursuant to which the [Policy] was issued.

## 2. Ownership

This endorsement may be issued with an individual Policy, a group annuity Policy, or a Certificate issued under a group annuity Policy. Except as otherwise permitted by applicable federal tax law:

- (a) In the case of an individual Policy, the sole Owner of the Policy must be an employee or former employee of the Employer for whose benefit the Employer established the Plan, and such Owner must be the Annuitant.
- (b) In the case of a group annuity Policy, the sole Owner of a Certificate issued under the group annuity Policy must be, at the time the Certificate is issued, an employee or former employee of the Employer for whose benefit the Employer established the Plan, and such Owner must be the Annuitant.
- (c) The Owner and Annuitant cannot be changed. This [Policy] may not be sold, assigned, discounted, or pledged as collateral security for any loan or other obligation except to the Company, is nonforfeitable, and is for the exclusive benefit of the Annuitant and the Beneficiaries. Special rules may apply in the case of a transfer under the terms of a qualified domestic relations order, as defined in IRC sec. 414(p) (a *QDRO*), or in the case of an intra-plan exchange or plan-to-plan transfer as described in Section 5 below.

Except as permitted under Section 10 of this endorsement, all distributions made while the Annuitant is alive must be made to the Annuitant, and all distributions made under a joint and survivor annuity payment option after the Annuitant's death, and while the Joint Annuitant is alive, must be made to the Joint Annuitant.

### **3. Limitations on Withdrawal from 403(b) Annuities**

Except as otherwise provided under federal tax law, distributions from the [Policy] shall be made only in accordance with the requirements of IRC sec. 403(b), the regulations, and the Plan.

- (a) *Elective Deferrals.* As required by IRC sec. 403(b) (11) and IRC sec. 403(b) (7), withdrawals of Elective Deferrals may not be made before one of the following events occurs:
  - (i) The Annuitant attains age 59½;
  - (ii) The Annuitant has a severance from employment;
  - (iii) The Annuitant becomes disabled as defined in IRC sec. 72(m) (7);
  - (iv) The Annuitant dies; or
  - (v) A hardship occurs within the meaning of IRC sec. 403(b) (11) and the regulations issued thereunder, although such hardship distributions shall be limited to actual salary deferral contributions (excluding earnings thereon).

For this purpose, the term *Elective Deferrals* means Cash Value attributable to Premium Payments made after December 31, 1988, through a salary reduction agreement and any earnings on any pre-1989 Premium Payments and on any amounts held as of December 31, 1988. Elective Deferrals also include amounts received in a non-taxable transfer, or in an intra-plan exchange or plan-to-plan transfer described in Section 5 below, that are subject to the withdrawal restrictions under IRC sec. 403(b) (7).

- (b) *Employer Annuity Contributions.* If this [Policy] was issued after 2008, then withdrawals of Employer Annuity Contributions may be made only upon the Annuitant's severance from employment or upon the prior occurrence of some event, such as after a fixed number of years, the attainment of a stated age, or disability, as provided in the Plan. For this purpose, the term *Employer Annuity Contributions* means Cash Value that is attributable to contributions made to an annuity contract under IRC sec. 403(b) (1) (including earnings thereon) that are not Elective Deferrals. Employer Annuity Contributions do not include any amounts attributable to after-tax employee contributions.
- (c) *Employer Custodial Account Contributions.* Withdrawals of Employer Custodial Account Contributions (and any interest or earnings thereon) may be made only when one of the following events occurs:

- (i) The Annuitant attains age 59½;
- (ii) The Annuitant has a severance from employment;
- (iii) The Annuitant becomes disabled as defined in IRC sec. 72(m) (7); or
- (iv) The Annuitant dies.

For this purpose, the term *Employer Custodial Account Contributions* means Cash Value attributable to contributions made to a custodial account under IRC sec. 403(b)(7) that are not Elective Deferrals, and which are contributed to this Policy pursuant to an intra-plan exchange or plan-to-plan transfer described in Section 5 of this endorsement.

- (d) *Separate Accounting.* If this [Policy] includes both Elective Deferrals and other contributions and the amounts attributable to Elective Deferrals are not accounted for separately, then distributions may not be made before the latest of the date permitted under paragraph (a), (b), or (c) of this Section 3. The Company is not obligated to separately account for any such amounts.
- (e) *Exchanges and Transfers.* Amounts exchanged or transferred to this [Policy] are subject to distribution restrictions that are not less stringent than those imposed under the contract being exchanged or under the transferor plan, whichever is applicable, in accordance with sec. 1.403(b)-10(b) of the regulations. Thus, for example, to the extent permitted under federal tax law, amounts received in a non-taxable transfer, or in an intra-plan exchange or plan-to-plan transfer described in Section 5 below, that are subject to the withdrawal restrictions under IRC sec. 403(b) (11) or IRC sec. 403(b) (7) will be treated as subject to the limitations in Section 3(a) applicable to Elective Deferrals.
- (f) *Exceptions.*
  - (i) Notwithstanding any other provision in this Section 3, withdrawals and other distributions are permitted to be paid from this [Policy] to the extent (a) described in Section 5 of this endorsement, (b) required by a QDRO, (c) described in IRC sec. 72(t) (2) (G), (d) permitted by IRC sec. 414(w) (2), or (e) otherwise allowed by applicable federal tax law.
  - (ii) If the Employer informs the Company that the Plan has been terminated in accordance with sec. 1.403(b)-10(a) of the regulations, the Company shall follow the instructions of the Employer with regard to how this [Policy] or the accumulated benefits thereunder are to be distributed, provided that such instructions are in accordance with the requirements of IRC sec. 403(b) and the regulations.

- (iii) To the extent that the Company separately accounts for contributions to this [Policy] that are eligible rollover distributions described in sec. 1.403(b)-6(i) and sec. 1.403(b)-10(d) of the regulations, such contributions (and any earnings thereon) are not subject to the withdrawal restrictions of this Section 3. The Company is not obligated to separately account for any such amounts.

#### **4. Premiums**

All Premium Payments must be made

- (a) on behalf of the Annuitant by the Employer during the Annuitant's life,
- (b) as a rollover contribution permitted under IRC sections 402(c), 402(e)(6), 403(a)(4), 403(b)(8), 403(b)(10), 408(d)(3), and 457(e)(16), or
- (c) as a nontaxable exchange or transfer from another contract qualifying under IRC sec. 403(b) or a custodial account qualifying under IRC sec. 403(b)(7).

A Premium Payment, including a rollover contribution or a non-taxable transfer or exchange, must consist only of amounts which are not subject to the requirements of ERISA.

Except as otherwise permitted by IRC sec. 414(u), IRC sec. 414(v), or other provisions under the federal tax law, Premium Payments made pursuant to a salary reduction agreement shall not exceed the limits set forth in IRC sec. 402(g). To the extent any Premium Payments exceed this limit, the Company may distribute amounts equal to such excess, together with any income allocable thereto, to the Annuitant as permitted by applicable federal tax law.

In addition, Premium Payments shall not exceed the limits of IRC sec. 415. The Company will not accept any contributions in excess of this limit and does not intend to maintain such excess amounts in a separate account under the [Policy] in any way.

#### **5. Intra-Plan Exchanges and Plan-to-Plan Transfers**

Subject to the terms of the Plan, if applicable, tax-free exchanges within the Plan and plan-to-plan transfers involving this [Policy] will be allowed to the extent permitted by federal tax law.

#### **6. Commencement of Distribution**

Distributions of the entire interest from this [Policy] must begin by the required beginning date. For this purpose, the term *required beginning date* means April 1 of the calendar year following the latest of:

- (a) the calendar year in which the Annuitant attains age 70-1/2;
- (b) the calendar year in which the Annuitant retires from employment with the Employer (unless the Annuitant is a 5-percent owner within the meaning of sec. 1.401(a)(9)-2, Q&A-2(c), of the regulations and the Plan is not part of a governmental plan or a church plan), or

- (c) such later date provided by law.

If annuity payments commence under an annuity option prior to the date determined in the preceding sentence, then the annuity starting date is treated as the required beginning date pursuant to sec. 1.401(a)(9)-6, Q&A-10, of the regulations. Unless otherwise provided under applicable federal tax law, prior to the date that the [Policy] is annuitized, the *entire interest* in this [Policy] includes the actuarial present value of any additional benefits that will be provided under the [Policy], such as guaranteed Death Benefits.

### **7. Distribution Frequency and Amount**

The Annuitant's entire interest will be distributed as required under IRC sec. 403(b) (10), IRC sec. 401(a) (9), and applicable regulations, including the requirement that payments to persons other than the Annuitant are incidental. Such provisions are herein incorporated by reference. Unless deferral is otherwise permitted under applicable regulations, the Annuitant's entire interest will be distributed or commence to be distributed no later than the required beginning date, over

- (a) the life of the Annuitant or the lives of the Annuitant and spouse who is the Annuitant's designated Beneficiary, or
- (b) a period not extending beyond the life expectancy of the Annuitant or the joint and last survivor expectancy of the Annuitant and the Annuitant's designated Beneficiary.

Payments must be made in periodic payments at intervals of no longer than one year. In addition, unless otherwise provided by applicable federal tax law, payments must be either nonincreasing or they may increase only as provided in IRC sec. 401(a) (9) and the regulations thereunder. If the Annuitant's interest is to be distributed over a period greater than one year, then the amount to be distributed by December 31 of each year (including the year in which the required beginning date occurs) shall be made in accordance with the requirements of IRC sec. 401(a)(9) and the regulations thereunder.

The annuity options listed herein and in the [Policy] are subject to, and may be limited in accordance with, IRC sec. 403(b)(10), IRC sec. 401(a)(9), and the regulations thereunder. If guaranteed payments are to be made under the [Policy], the period over which the guaranteed payments are to be made must not exceed the period permitted under sec. 1.401(a)(9)-6 of the regulations (except as otherwise provided by applicable federal tax law).

### **8. Death of the Annuitant**

If the Annuitant dies on or after the required beginning date as stated in Section 6 of this endorsement, the remaining interest, if any, shall be distributed at least as rapidly as under the method of distribution in effect on the date of the Annuitant's death. If the Annuitant dies before the required beginning date, the entire interest shall be distributed within five years of his or her death (or such later date as permitted under applicable federal tax law), except that:

- (a) the entire interest may be distributed to an individual who is the Annuitant's designated Beneficiary, provided that payments begin by December 31 of the calendar year following the year of the Annuitant's death (or such later date as permitted under applicable regulations) and are made, in accordance with the regulations issued under IRC sec. 401(a) (9), over the life of the designated Beneficiary or over a period not extending beyond the life expectancy of the designated Beneficiary; or
- (b) if the sole designated Beneficiary is the Annuitant's surviving spouse, the entire interest may be distributed (in accordance with the regulations under IRC sec. 401(a) (9)) to such spouse over his or her life or over a period not extending beyond his or her life expectancy, provided that the payments begin no later than December 31 of the later of
  - (i) the calendar year following the year of the Annuitant's death (or such later date as permitted under the applicable regulations) or
  - (ii) the calendar year in which the Annuitant would have attained age 70-1/2.

If the surviving spouse who is the sole designated Beneficiary dies before the distribution commences, the limitations of this paragraph shall be applied as if the spouse had been the Annuitant. As used in this endorsement, the term *designated Beneficiary* has same meaning as set forth in IRC sec. 401(a) (9) (E) and the regulations thereunder.

### **9. Life Expectancies**

Unless otherwise provided by applicable federal tax law, life expectancy is computed using the tables in sec. 1.401(a) (9)-9 of the regulations and in accordance with IRC sec. 401(a) (9). Life expectancy will not be recalculated with respect to payments under an annuity option under the [Policy]. In other situations, life expectancy will not be recalculated unless otherwise permitted under IRC sec. 401(a) (9) and the regulations thereunder.

### **10. Subsequent Rollovers**

A distributee may elect, at the time and in the manner prescribed by the Company, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

A distributee includes an Annuitant. In addition, the Annuitant's surviving spouse and the Annuitant's spouse or former spouse who is the alternative payee under a QDRO are distributees with regard to the interest of the spouse or former spouse.

An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except:

- (a) Any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for:

- (i) the life of the distributee or the joint lives of the distributee and the distributee's designated Beneficiary,
  - (ii) the life expectancy of the distributee or the joint life and last survivor expectancy of the distributee and the distributee's designated Beneficiary, or
  - (iii) a specified period of ten (10) years or more;
- (b) Any distribution to the extent such distribution is required under IRC sec. 401(a) (9);
- (c) The portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities). To the extent permitted by federal tax law, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such after-tax portion may be transferred only to an eligible retirement plan that is permitted by law to accept such contributions. If required by law, the receiving plan must agree to account for amounts so transferred separately, including separately accounting for the portion of the distribution which is includable in gross income and the portion of the distribution which is not so includible;
- (d) Any amount that is distributed on account of hardship; or
- (e) Any other amounts designated in published federal income tax guidance.

An eligible retirement plan is a plan described in IRC sections 401(a), 403(a), 408(a) and 408(b), 403(b) and 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state which separately accounts for amounts transferred into such a plan from this [Policy] and that accepts the distributee's eligible rollover distribution. The definition of an eligible retirement plan shall apply in the case of an eligible rollover distribution to a surviving spouse or to a spouse or former spouse who is the alternate payee under a QDRO.

A direct rollover is a payment by the plan administrator or the Company to the eligible retirement plan specified by the distributee. All eligible rollover distributions shall be made in accordance with the requirements of IRC sections 403(b) (8), 403(b) (10), and 401(a) (31) applicable to tax-sheltered annuity contracts.

### **11. Coordination with the Plan**

Except to the extent this [Policy] is exempt from the written plan requirement of sec. 1.403(b)-3(b) (3) of the regulations, this [Policy] is subject to the terms of the Plan and in the event of any conflict between the terms of the [Policy] and any other terms of the Plan such other terms of the Plan shall govern if necessary to ensure compliance with IRC sec. 403(b). For example, if the Plan does not permit Elective Deferrals to be distributed in the case of hardship, then such distributions are not allowed under this [Policy]. Even if this [Policy] is subject to the terms of the Plan, those terms do not impose any responsibilities or duties on the Company greater than

those set forth in the [Policy]. For example, if the Company does not permit loans in connection with this [Policy], then no loans are available even if the Plan permits (but does not require) them to be offered.

Federal tax law may require the Employer to share information with the Company that is necessary for the Company to administer the [Policy] in accordance with the terms of the Plan and the IRC. In such case, the Company shall rely upon such information in administering the [Policy] in accordance with the terms of the Plan and the IRC. If the Company does not receive such necessary information from the Employer in the form and manner the Company deems acceptable, the Company will administer the [Policy] in the manner it deems appropriate. In some cases, this could mean that the Company has no responsibility to make any distribution (including a loan) from the [Policy] before it has received the information it requires from the Employer.

Federal tax law also may require the Company to share information regarding this [Policy] that the Employer reasonably requests in order to ensure compliance with the terms of the Plan and the IRC. The Company will share such information as required by federal tax law and any agreement between the Company and the Employer.

The Employer may identify a delegate to provide or receive the information described above.

## **12. General Terms**

References to IRC sections and to regulations are intended also to reference those items as amended and supplemented.

We may amend the terms of this [Policy] without the prior consent of the Owner if such amendment:

- (a) applies to all Policies and Certificates with this endorsement; and
- (b) is in response to changes to federal law.

We will send annual reports to the Owner concerning the status of this [Policy] and such information concerning required minimum distributions as is prescribed by the Commissioner of Internal Revenue.

The effective date of this [Policy] amendment for 403(b) is the effective date of the [Policy]. If the [Policy] was issued prior to 2009 and another endorsement or rider designed to modify the [Policy] to qualify as a tax-sheltered annuity under IRC sec. 403(b) is attached to the [Policy], this endorsement replaces that other endorsement effective January 1, 2009.

SIGNED at the Home Office of Life Insurance Company of the Southwest.



Secretary

# ROTH 403(b) ENDORSEMENT

Life Insurance Company of the Southwest (LSW) • www.lifeofsouthwest.com  
1300 West Mockingbird Lane • Dallas, Texas 75247-4921 • **Customer Service** 800-579-2878

This [Policy] to which this endorsement is attached is amended to qualify as a tax-sheltered annuity under sec. 403(b) of the Internal Revenue Code of 1986, as amended (*IRC*), and applicable Income Tax Regulations (*regulations*), and which is a designated Roth account under a qualified Roth contribution program under IRC sec. 402A and which is not issued in conjunction with an arrangement that is subject to the requirements of the Employee Retirement Income Security Act of 1974, as amended (*ERISA*). All contributions to this [Policy] must be designated Roth contributions under IRC sec. 402A and, as such, are required to be treated as elective deferrals within the meaning of IRC sec. 402(g)(3)(C), except to the extent provided by federal tax law. All provisions of the [Policy] and this endorsement shall be interpreted in accordance with qualification as a tax-sheltered annuity under IRC sec. 403(b) and as a qualified Roth contribution program under IRC sec. 402A. Certain provisions of this [Policy] are hereby added, amended, or deleted and replaced by the following:

## 1. The Employer and the Plan

As used in this endorsement, the term *Employer* refers to the organization described in IRC sec. 403(b)(1)(A) that established the annuity program under IRC sec. 403(b) in connection with which the [Policy] was purchased. The term *Plan* refers to the tax-sheltered annuity plan that the Employer established under IRC sec. 403(b) pursuant to which the [Policy] was issued, or any agreement between the Employer and Life Insurance Company of the Southwest (the *Company*) regarding the sharing of information with respect to this [Policy] and the tax-sheltered annuity plan pursuant to which the [Policy] was issued.

## 2. Ownership

This endorsement may be issued with an individual Policy, a group annuity Policy, or a Certificate issued under a group annuity Policy. Except as otherwise permitted by applicable federal tax law:

- (a) In the case of an individual Policy, the sole Owner of the Policy must be an employee or former employee of the Employer for whose benefit the Employer established the Plan, and such Owner must be the Annuitant.
- (b) In the case of a group annuity Policy, the sole Owner of a Certificate issued under the group annuity Policy must be, at the time the Certificate is issued, an employee or former employee of the Employer for whose benefit the Employer established the Plan, and such Owner must be the Annuitant.
- (c) The Owner and Annuitant cannot be changed. This Policy may not be sold, assigned, discounted, or pledged as collateral security for any loan or other obligation except to the Company, is nonforfeitable, and is for the exclusive benefit of the Annuitant and the Beneficiaries. Special rules may apply in the case of a transfer under the terms of a qualified domestic relations order, as defined in IRC

sec. 414(p) (a *QDRO*), or in the case of an intra-plan exchange or plan-to-plan transfer as described in Section 5 below.

Except as permitted under Section 10 of this endorsement, all distributions made while the Annuitant is alive must be made to the Annuitant, and all distributions made under a joint and survivor annuity payment option after the Annuitant's death, and while the Joint Annuitant is alive, must be made to the Joint Annuitant.

### **3. Limitations on Withdrawal from 403(b) Annuities**

Except as otherwise provided under federal tax law, distributions from the [Policy] shall be made only in accordance with the requirements of IRC sec. 403(b), the regulations, and the Plan, and may not be made before one of the following events occurs:

- (a) The Annuitant attains age 59½;
- (b) The Annuitant has a severance from employment;
- (c) The Annuitant becomes disabled as defined in IRC sec. 72(m)(7);
- (d) The Annuitant dies;
- (e) A hardship occurs within the meaning of IRC sec. 403(b)(11) and the regulations issued thereunder, although such hardship distributions shall be limited to actual salary deferral contributions (excluding earnings thereon);
- (f) A QDRO requires the amounts to be distributed;
- (g) The amounts are described in IRC sec. 72(t)(2)(G);
- (h) The amounts are permitted to be distributed by IRC sec. 414(w)(2); or
- (i) The amounts are described in Section 5 of this endorsement.

Amounts exchanged or transferred to this [Policy] are subject to distribution restrictions that are not less stringent than those imposed under the contract being exchanged or under the transferor plan, whichever is applicable, in accordance with sec. 1.403(b)-10(b) of the regulations. Thus, for example, to the extent permitted under federal tax law, amounts received in a non-taxable transfer, or in an intra-plan exchange or plan-to-plan transfer described in Section 5 below, that are subject to the withdrawal restrictions under IRC sec. 403(b)(11) or sec. 403(b)(7) will be treated as subject to the limitations in this Section 3.

If the Employer informs the Company that the Plan has been terminated in accordance with sec. 1.403(b)-10(a) of the regulations, the Company shall follow the instructions of the Employer with regard to how this [Policy] or the accumulated benefits thereunder are to be distributed, provided that such instructions are in accordance with the requirements of IRC sec. 403(b) and the regulations.

To the extent that the Company separately accounts for contributions to this [Policy] that are eligible rollover distributions described in sec. 1.403(b)-6(i) and sec. 1.403(b)-10(d) of the regulations, such contributions (and any earnings thereon) are not subject to the withdrawal restrictions of this Section 3. The Company is not obligated to separately account for any such amounts.

#### **4. Premiums**

All Premium Payments must be designated Roth contributions made pursuant to IRC sec. 402A and made:

- (a) on behalf of the Annuitant by the Employer during the Annuitant's life;
- (b) as a rollover contribution from another designated Roth account of the Annuitant to the extent permitted under IRC sec. 402A and other applicable law; or
- (c) as a non-taxable exchange or transfer from another designated Roth account of the Annuitant that was established under IRC sec. 402A in connection with a plan described in IRC sec. 403(b), to the extent permitted under federal tax law.

A Premium Payment, including a rollover contribution or a non-taxable transfer or exchange, must consist only of amounts which are designated Roth contributions within the meaning of IRC sec. 402A(c)(1) and which are not subject to the requirements of ERISA. By making a Premium Payment to this [Policy], the Annuitant designates such Premium Payment as a designated Roth contribution within the meaning of IRC sec. 402A(c)(1).

Except as otherwise permitted by IRC sec. 414(u), IRC sec. 414(v), or other provisions under the federal tax law, Premium Payments made pursuant to a salary reduction agreement shall not exceed the limits set forth in IRC sec. 402(g). To the extent any Premium Payments exceed this limit, the Company may distribute amounts equal to such excess, together with any income allocable thereto, to the Annuitant as permitted by applicable federal tax law.

The amount that the Annuitant may designate as designated Roth contributions shall not exceed the amount specified in IRC sec. 402A(c)(2).

In addition, Premium Payments shall not exceed the limits of IRC sec. 415. The Company will not accept any contributions in excess of this limit and does not intend to maintain such excess amounts in a separate account under the [Policy] in any way.

#### **5. Intra-Plan Exchanges and Plan-to-Plan Transfers**

Subject to the terms of the Plan, if applicable, tax-free exchanges within the Plan and plan-to-plan transfers involving this [Policy] will be allowed to the extent permitted by federal tax law.

#### **6. Commencement of Distribution**

Distributions of the entire interest from this [Policy] must begin by the required beginning date. For this purpose, the term *required beginning date* means April 1 of the calendar year following the latest of:

- (a) the calendar year in which the Annuitant attains age 70-1/2,
- (b) the calendar year in which the Annuitant retires from employment with the Employer (unless the Annuitant is a 5-percent owner within the meaning of sec. 1.401(a)(9)-2, Q&A-2(c), of the regulations and the Plan is not part of a governmental plan or a church plan), or
- (c) such later date provided by law.

If annuity payments commence under an annuity option prior to the date determined in the preceding sentence, then the annuity starting date is treated as the required beginning date pursuant to sec. 1.401(a)(9)-6, Q&A-10, of the regulations. Unless otherwise provided under applicable federal tax law, prior to the date that the [Policy] is annuitized, the *entire interest* in this [Policy] includes the actuarial present value of any additional benefits that will be provided under the [Policy], such as guaranteed Death Benefits.

#### **7. Distribution Frequency and Amount**

The Annuitant's entire interest will be distributed as required under IRC sec. 403(b)(10), IRC sec. 401(a)(9), and applicable regulations, including the requirement that payments to persons other than the Annuitant are incidental. Such provisions are herein incorporated by reference. Unless deferral is otherwise permitted under applicable regulations, the Annuitant's entire interest will be distributed or commence to be distributed no later than the required beginning date, over:

- (a) the life of the Annuitant or the lives of the Annuitant and spouse who is the Annuitant's designated Beneficiary, or
- (b) a period not extending beyond the life expectancy of the Annuitant or the joint and last survivor expectancy of the Annuitant and the Annuitant's designated Beneficiary.

Payments must be made in periodic payments at intervals of no longer than one year. In addition, unless otherwise provided by applicable federal tax law, payments must be either nonincreasing or they may increase only as provided in IRC sec. 401(a)(9) and the regulations thereunder. If the Annuitant's interest is to be distributed over a period greater than one year, then the amount to be distributed by December 31 of each year (including the year in which the required beginning date occurs) shall be made in accordance with the requirements of IRC sec. 401(a)(9) and the regulations thereunder.

The annuity options listed herein and in the [Policy] are subject to, and may be limited in accordance with, IRC sec. 403(b)(10), IRC sec. 401(a)(9), and the regulations thereunder. If guaranteed payments are to be made under the [Policy], the period over which the guaranteed

payments are to be made must not exceed the period permitted under sec. 1.401(a)(9)-6 of the regulations (except as otherwise provided by applicable federal tax law).

### **8. Death of the Annuitant**

If the Annuitant dies on or after the required beginning date as stated in Section 6 of this endorsement, the remaining interest, if any, shall be distributed at least as rapidly as under the method of distribution in effect on the date of the Annuitant's death. If the Annuitant dies before the required beginning date, the entire interest shall be distributed within five years of his or her death (or such later date as permitted under applicable federal tax law), except that:

- (a) the entire interest may be distributed to an individual who is the Annuitant's designated Beneficiary, provided that payments begin by December 31 of the calendar year following the year of the Annuitant's death (or such later date as permitted under applicable regulations) and are made, in accordance with the regulations issued under IRC sec. 401(a)(9), over the life of the designated Beneficiary or over a period not extending beyond the life expectancy of the designated Beneficiary; or
- (b) if the sole designated Beneficiary is the Annuitant's surviving spouse, the entire interest may be distributed (in accordance with the regulations under IRC sec. 401(a)(9)) to such spouse over his or her life or over a period not extending beyond his or her life expectancy, provided that the payments begin no later than December 31 of the later of
  - (i) the calendar year following the year of the Annuitant's death (or such later date as permitted under the applicable regulations); or
  - (ii) the calendar year in which the Annuitant would have attained age 70-1/2.

If the surviving spouse who is the sole designated Beneficiary dies before the distribution commences, the limitations of this paragraph shall be applied as if the spouse had been the Annuitant. As used in this endorsement, the term *designated Beneficiary* has same meaning as set forth in IRC sec. 401(a)(9)(E) and the regulations thereunder.

### **9. Life Expectancies**

Unless otherwise provided by applicable federal tax law, life expectancy is computed using the tables in sec. 1.401(a)(9)-9 of the regulations and in accordance with IRC sec. 401(a)(9). Life expectancy will not be recalculated with respect to payments under an annuity option under the [Policy]. In other situations, life expectancy will not be recalculated unless otherwise permitted under IRC sec. 401(a)(9) and the regulations thereunder.

### **10. Subsequent Rollovers**

A distributee may elect, at the time and in the manner prescribed by the Company, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover. Because this [Policy] is issued as a tax-sheltered annuity under IRC sec. 403(b) that is part of a qualified Roth contribution program described in IRC sec.

402A, eligible rollover distributions from this [Policy] may be rolled over only to a designated Roth account of another plan maintaining a designated Roth contribution program under IRC sec. 402A or to a Roth IRA described in IRC sec. 408A, unless otherwise permitted by applicable law.

A distributee includes an Annuitant. In addition, the Annuitant's surviving spouse and the Annuitant's spouse or former spouse who is the alternative payee under a QDRO are distributees with regard to the interest of the spouse or former spouse.

An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except:

- (a) Any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for:
  - (i) the life of the distributee or the joint lives of the distributee and the distributee's designated Beneficiary,
  - (ii) the life expectancy of the distributee or the joint life and last survivor expectancy of the distributee and the distributee's designated Beneficiary, or
  - (iii) a specified period of ten (10) years or more;
- (b) Any distribution to the extent such distribution is required under IRC sec. 401(a)(9);
- (c) The portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities). To the extent permitted by federal tax law, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such after-tax portion may be transferred only to an eligible retirement plan that is permitted by law to accept such contributions. If required by law, the receiving plan must agree to account for amounts so transferred separately, including separately accounting for the portion of the distribution which is includable in gross income and the portion of the distribution which is not so includible;
- (d) Any amount that is distributed on account of hardship; or
- (e) Any other amounts designated in published federal income tax guidance.

In general, an eligible retirement plan is a plan described in IRC sections 401(a), 403(a), 408(a) and 408(b), 403(b) and 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state which separately accounts for amounts transferred into such a plan from this [Policy] and that accepts the distributee's eligible rollover distribution. The definition of an eligible retirement plan shall apply in the case of an eligible rollover distribution to a surviving spouse or to a spouse or

former spouse who is the alternate payee under a QDRO. If any portion of an eligible rollover distribution is attributable to payments or distributions from a designated Roth account (as defined in IRC sec. 402A), an eligible retirement plan with respect to such portion includes only another designated Roth account and a Roth IRA.

A direct rollover is a payment by the plan administrator or the Company to the eligible retirement plan specified by the distributee. All eligible rollover distributions shall be made in accordance with the requirements of IRC sections 402A(c)(3), 403(b)(8), 403(b)(10), and 401(a)(31) applicable to tax-sheltered annuity contracts and designated Roth accounts.

### **11. Coordination with the Plan**

Except to the extent this [Policy] is exempt from the written plan requirement of sec. 1.403(b)-3(b)(3) of the regulations, this [Policy] is subject to the terms of the Plan and in the event of any conflict between the terms of the [Policy] and any other terms of the Plan such other terms of the Plan shall govern if necessary to ensure compliance with IRC sec. 403(b). For example, if the Plan does not permit elective deferrals to be distributed in the case of hardship, then such distributions are not allowed under this [Policy]. Even if this [Policy] is subject to the terms of the Plan, those terms do not impose any responsibilities or duties on the Company greater than those set forth in the [Policy]. For example, if the Company does not permit loans in connection with this [Policy], then no loans are available even if the Plan permits (but does not require) them to be offered.

Federal tax law may require the Employer to share information with the Company that is necessary for the Company to administer the [Policy] in accordance with the terms of the Plan and the IRC. In such case, the Company shall rely upon such information in administering the [Policy] in accordance with the terms of the Plan and the IRC. If the Company does not receive such necessary information from the Employer in the form and manner the Company deems acceptable, the Company will administer the [Policy] in the manner it deems appropriate. In some cases, this could mean that the Company has no responsibility to make any distribution (including a loan) from the [Policy] before it has received the information it requires from the Employer.

Federal tax law also may require the Company to share information regarding this [Policy] that the Employer reasonably requests in order to ensure compliance with the terms of the Plan and the IRC. The Company will share such information as required by federal tax law and any agreement between the Company and the Employer.

The Employer may identify a delegate to provide or receive the information described above.

### **12. General Terms**

References to IRC sections and to regulations are intended also to reference those items as amended and supplemented.

We may amend the terms of this [Policy] without the prior consent of the Owner if such amendment:

(a) applies to all Policies with this endorsement; and

(b) is in response to changes to federal law.

We will send annual reports to the Owner concerning the status of this [Policy] and such information concerning required minimum distributions as is prescribed by the Commissioner of Internal Revenue.

The effective date of this [Policy] amendment is the later of the effective date of the [Policy] or the date the [Policy] is approved by the Company for conversion to a Roth 403(b). If the [Policy] was issued prior to 2009 and another endorsement or rider designed to modify the [Policy] to qualify as a tax-sheltered annuity under IRC sec. 403(b) and a qualified Roth contribution program under IRC Sec. 402A is attached to the [Policy], this endorsement replaces that other endorsement effective January 1, 2009.

SIGNED at the Home Office of Life Insurance Company of the Southwest.

A handwritten signature in black ink that reads "Jacquie Crawford". The signature is written in a cursive, flowing style.

Secretary

# ERISA 403(b) ENDORSEMENT

Life Insurance Company of the Southwest (LSW) • www.lifeofsouthwest.com  
1300 West Mockingbird Lane • Dallas, Texas 75247-4921 • Customer Service 800-579-2878

This [Policy] to which this endorsement is attached is amended to qualify as a tax-sheltered annuity under sec. 403(b) of the Internal Revenue Code of 1986, as amended (IRC), and applicable Income Tax Regulations (regulations), and which is issued in conjunction with an arrangement that is subject to the requirements of the Employee Retirement Income Security Act of 1974, as amended (ERISA). All provisions of the [Policy] and this endorsement shall be interpreted in accordance with qualification as a tax-sheltered annuity under IRC sec. 403(b) and with the rules governing tax-sheltered annuities under ERISA. All rights exercised under this [Policy] must be done on such form and in such manner as approved by Life Insurance Company of the Southwest (the Company). See Sections 11 and 12 of this endorsement for more information on how ERISA affects your rights under this [Policy]. Certain provisions of this [Policy] are hereby added, amended, or deleted and replaced by the following:

## 1. The Employer and the Plan

As used in this endorsement, the term *Employer* refers to the organization described in IRC sec. 403(b) (1) (A) that established the annuity program under IRC sec. 403(b) in connection with which the [Policy] was purchased. The term *Plan* refers to the tax-sheltered annuity plan that the Employer established under IRC sec. 403(b) pursuant to which the [Policy] was issued, including any agreement between the Employer and the Company regarding the sharing of information with respect to this [Policy] and the tax-sheltered annuity plan pursuant to which the [Policy] was issued.

## 2. Ownership

This endorsement may be issued with an individual Policy, a group annuity Policy, or a Certificate issued under a group annuity Policy. Except as otherwise permitted by applicable federal tax law:

- (a) In the case of an individual Policy, the sole Owner of the Policy must be an employee or former employee of the Employer for whose benefit the Employer established the Plan, and such Owner must be the Annuitant.
- (b) In the case of a group annuity Policy, the sole Owner of a Certificate issued under the group annuity Policy must be, at the time the Certificate is issued, an employee or former employee of the Employer for whose benefit the Employer established the Plan, and such Owner must be the Annuitant.
- (c) The Owner and Annuitant cannot be changed. This [Policy] may not be sold, assigned, discounted, or pledged as collateral security for any loan or other obligation except to the Company, is nonforfeitable, and is for the exclusive benefit of the Annuitant and the Beneficiaries. Special rules may apply in the case of a transfer under the terms of a qualified domestic relations order, as defined in IRC sec. 414(p) (a *QDRO*), or in the case of an intra-plan exchange or plan-to-plan transfer as described in Section 5 below.

Except as permitted under Section 10 of this endorsement, all distributions made while the Annuitant is alive must be made to the Annuitant, and all distributions made under a joint and survivor annuity payment option after the Annuitant's death, and while the Joint Annuitant is alive, must be made to the Joint Annuitant.

### **3. Limitations on Withdrawal from 403(b) Annuities**

Except as otherwise provided under federal law, distributions from the [Policy] shall be made only in accordance with the requirements of IRC sec. 403(b), the regulations, and the Plan.

- (a) *Elective Deferrals.* As required by IRC sec. 403(b) (11) and IRC sec. 403(b) (7), withdrawals of Elective Deferrals may not be made before one of the following events occurs:
- 1) The Annuitant attains age 59-1/2;
  - 2) The Annuitant has a severance from employment;
  - 3) The Annuitant becomes disabled as defined in IRC sec. 72(m) (7);
  - 4) The Annuitant dies; or
  - 5) A hardship occurs within the meaning of IRC sec. 403(b) (11) and the regulations issued thereunder, although such hardship distributions shall be limited to actual salary deferral contributions (excluding earnings thereon).

For this purpose, the term *Elective Deferrals* means Cash Value attributable to Premium Payments made after December 31, 1988, through a salary reduction agreement and any earnings on any pre-1989 Premium Payments and on any amounts held as of December 31, 1988. Elective Deferrals also include amounts received in a non-taxable transfer, or in an intra-plan exchange or plan-to-plan transfer described in Section 5 below, that are subject to the withdrawal restrictions under IRC sec. 403(b)(7) or IRC sec. 403(b)(11).

- (b) *Employer Annuity Contributions.* If this [Policy] was issued after 2008, then withdrawals of Employer Annuity Contributions may be made only upon the Annuitant's severance from employment or upon the prior occurrence of some event, such as after a fixed number of years, the attainment of a stated age, or disability, as provided in the Plan. For this purpose, the term *Employer Annuity Contributions* means Cash Value that is attributable to contributions made to an annuity contract under IRC sec. 403(b)(1) (including earnings thereon) that are not elective deferrals within the meaning of IRC sec. 402(g)(3)(C). Employer Annuity Contributions do not include any amounts attributable to after-tax employee contributions.
- (c) *Employer Custodial Account Contributions.* Withdrawals of Employer Custodial Account Contributions (and any interest or earnings thereon) may be made only when one of the following events occurs:
- 1) The Annuitant attains age 59½;

- 2) The Annuitant has a severance from employment;
- 3) The Annuitant becomes disabled as defined in IRC sec. 72(m) (7); or
- 4) The Annuitant dies.

For this purpose, the term *Employer Custodial Account Contributions* means Cash Value attributable to contributions made to a custodial account under IRC sec. 403(b) (7) that are not elective deferrals within the meaning of IRC sec. 402(g) (3) (C), and which are contributed to this [Policy] pursuant to an intra-plan exchange or plan-to-plan transfer described in Section 5 of this endorsement.

- (d) *Separate Accounting.* If this [Policy] includes both Elective Deferrals and other contributions and the amounts attributable to Elective Deferrals are not accounted for separately, then distributions may not be made before the later of:
  - 1) any date permitted under paragraph (a) of this Section 3, or
  - 2) any date permitted under paragraph (b) or (c) of this Section 3, whichever applies to the contributions that are not Elective Deferrals.

The Company is not obligated to separately account for any such amounts.

- (e) *Exchanges and Transfers.* Amounts exchanged or transferred to this [Policy] are subject to distribution restrictions that are not less stringent than those imposed under the contract being exchanged or under the transferor plan, whichever is applicable, in accordance with sec. 1.403(b)-10(b) of the regulations. Thus, for example, to the extent permitted under federal tax law, amounts received in a non-taxable transfer, or in an intra-plan exchange or plan-to-plan transfer described in Section 5 below, that are subject to the withdrawal restrictions under IRC sec. 403(b) (11) or IRC sec. 403(b) (7) will be treated as subject to the limitations in Section 3(a) applicable to Elective Deferrals.

- (f) *Exceptions.*

- 1) Notwithstanding any other provision in this Section 3, withdrawals and other distributions are permitted to be paid from this [Policy] to the extent (a) described in Section 5 of this endorsement, (b) required by a QDRO, (c) described in IRC sec. 72(t) (2) (G), (d) permitted by IRC sec. 414(w) (2), or (e) otherwise allowed by applicable federal tax law.
- 2) If the Employer informs the Company that the Plan has been terminated in accordance with sec. 1.403(b)-10(a) of the regulations, the Company shall follow the instructions of the Employer with regard to how this [Policy] or the accumulated benefits thereunder are to be distributed, provided that such instructions are in accordance with the requirements of IRC sec. 403(b) and the regulations.

- 3) To the extent that the Company separately accounts for contributions to this [Policy] that are eligible rollover distributions described in sec. 1.403(b)-6(i) and sec. 1.403(b)-10(d) of the regulations, such contributions (and any earnings thereon) are not subject to the withdrawal restrictions of this Section 3. The Company is not obligated to separately account for any such amounts.

#### **4. Premiums**

All Premium Payments must be made

- (a) on behalf of the Annuitant by the Employer during the Annuitant's life,
- (b) as a rollover contribution permitted under IRC sections 402(c), 402(e)(6), 403(a)(4), 403(b)(8), 403(b)(10), 408(d)(3), and 457(e)(16), or
- (c) as a nontaxable exchange or transfer from another contract qualifying under IRC sec. 403(b) or a custodial account qualifying under IRC sec. 403(b)(7).

Except as otherwise permitted by IRC sec. 414(u), IRC sec. 414(v), or other provisions under the federal tax law,

Premium Payments made pursuant to a salary reduction agreement shall not exceed the limits set forth in IRC sec. 402(g). To the extent any Premium Payments exceed this limit, the *Company* may distribute amounts equal to such excess, together with any income allocable thereto, to the Annuitant as permitted by applicable federal tax law.

In addition, Premium Payments shall not exceed the limits of IRC sec. 415. The Company will not accept any contributions in excess of this limit and does not intend to maintain such excess amounts in a separate account under the [Policy] in any way.

#### **5. Intra-Plan Exchanges and Plan-to-Plan Transfers**

Subject to the terms of the Plan, if applicable, tax-free exchanges within the Plan and plan-to-plan transfers involving this [Policy] will be allowed to the extent permitted by federal tax law.

#### **6. Commencement of Distribution**

Distributions of the entire interest from this [Policy] must begin by the required beginning date. For this purpose, the term *required beginning date* means April 1 of the calendar year following the latest of:

- (a) the calendar year in which the Annuitant attains age 70-1/2;
- (b) the calendar year in which the Annuitant retires from employment with the Employer (unless the Annuitant is a 5-percent owner within the meaning of sec. 1.401(a)(9)-2, Q&A-2(c), of the regulations and the Plan is not part of a governmental plan or a church plan), or
- (c) such later date provided by law.

If annuity payments commence under an annuity option prior to the date determined in the preceding sentence, then the annuity starting date is treated as the required beginning date pursuant to sec. 1.401(a)(9)-6, Q&A-10, of the regulations. Unless otherwise provided under

applicable federal tax law, prior to the date that the [Policy] is annuitized, the *entire interest* in this [Policy] includes the actuarial present value of any additional benefits that will be provided under the [Policy], such as guaranteed Death Benefits.

## **7. Distribution Frequency and Amount**

The Annuitant's entire interest will be distributed as required under IRC sections 403(b) (10) and 401(a) (9) and applicable regulations, including the requirement that payments to persons other than the Annuitant are incidental. Such provisions are herein incorporated by reference. Unless deferral is otherwise permitted under applicable regulations, the Annuitant's entire interest will be distributed or commence to be distributed no later than the required beginning date, over

- (a) the life of the Annuitant or the lives of the Annuitant and spouse who is the Annuitant's designated Beneficiary, or
- (b) a period not extending beyond the life expectancy of the Annuitant or the joint and last survivor expectancy of the Annuitant and the Annuitant's designated Beneficiary.

Payments must be made in periodic payments at intervals of no longer than one year. In addition, unless otherwise provided by applicable federal tax law, payments must be either nonincreasing or they may increase only as provided in IRC sec. 401(a) (9) and the regulations thereunder. If the Annuitant's interest is to be distributed over a period greater than one year, then the amount to be distributed by December 31 of each year (including the year in which the required beginning date occurs) shall be made in accordance with the requirements of IRC sec. 401(a)(9) and the regulations thereunder. .

The annuity options listed herein and in the [Policy] are subject to, and may be limited in accordance with, IRC sec. 403(b) (10) and IRC sec. 401(a) (9) and the regulations thereunder. If guaranteed payments are permitted and are to be made under the [Policy], the period over which the guaranteed payments are to be made must not exceed the period permitted under sec. 1.401(a)(9)-6 of the regulations (except as otherwise provided by applicable federal tax law).

## **8. Death of the Annuitant**

If the Annuitant dies on or after the required beginning date as stated in Section 6 of this endorsement, the remaining interest, if any, shall be distributed at least as rapidly as under the method of distribution in effect on the date of the Annuitant's death. If the Annuitant dies before the required beginning date, the entire interest shall be distributed within five years of his or her death (or such later date as permitted under applicable federal tax law), except that:

- (a) the entire interest may be distributed to an individual who is the Annuitant's designated Beneficiary, provided that payments begin by December 31 of the calendar year following the year of the Annuitant's death (or such later date as permitted under applicable regulations) and are made, in accordance with the regulations issued under IRC sec. 401(a) (9), over the life of the designated Beneficiary or over a period not extending beyond the life expectancy of the designated Beneficiary; or
- (b) if the sole designated Beneficiary is the Annuitant's surviving spouse, the entire interest may be distributed (in accordance with the regulations under IRC sec. 401(a)

(9)) to such spouse over his or her life or over a period not extending beyond his or her life expectancy, provided that the payments begin no later than December 31 of the later of

- 1) the calendar year following the year of the Annuitant's death (or such later date as permitted under applicable regulations) or
- 2) the calendar year in which the Annuitant would have attained age 70-1/2.

If the surviving spouse who is the sole designated Beneficiary dies before the distribution commences, the limitations of this paragraph shall be applied as if the spouse had been the Annuitant. As used in this endorsement, the term *designated Beneficiary* has same meaning as set forth in IRC sec. 401(a) (9) (E) and the regulations thereunder.

### **9. Life Expectancies**

Unless otherwise provided by applicable federal tax law, life expectancy is computed using the tables in sec. 1.401(a) (9)-9 of the regulations and in accordance with IRC sec. 401(a) (9). Life expectancy will not be recalculated with respect to payments under an annuity option under the [Policy]. In other situations, life expectancy will not be recalculated unless otherwise permitted under IRC sec. 401(a) (9) and the regulations thereunder.

### **10. Subsequent Rollovers**

A distributee may elect, at the time and in the manner prescribed by the Company, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

A distributee includes an Annuitant. In addition, the Annuitant's surviving spouse and the Annuitant's spouse or former spouse who is the alternate payee under a QDRO are distributees with regard to the interest of the spouse or former spouse.

An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except:

- (a) Any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for:
  - 1) the life of the distributee or the joint lives of the distributee and the distributee's designated Beneficiary,
  - 2) the life expectancy of the distributee or the joint life and last survivor expectancy of the distributee and the distributee's designated Beneficiary, or
  - 3) a specified period of ten (10) years or more;
- (b) Any distribution to the extent such distribution is required under IRC sec. 401(a) (9);
- (c) The portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities). To the extent permitted by federal tax law, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross

income. However, such after-tax portion may be transferred only to an eligible retirement plan that is permitted by law to accept such contributions. If required by law, the receiving plan must agree to account for amounts so transferred separately, including separately accounting for the portion of the distribution which is includable in gross income and the portion of the distribution which is not so includable.

- (d) Any amount that is distributed on account of hardship; or
- (e) Any other amounts designated in published federal income tax guidance.

An eligible retirement plan is a plan described in IRC sections 401(a), 403(a), 408(a) and 408(b), 403(b) and 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state which separately accounts for amounts transferred into such a plan from this [Policy] and that accepts the distributee's eligible rollover distribution. The definition of an eligible retirement plan shall apply in the case of an eligible rollover distribution to a surviving spouse or to a spouse or former spouse who is the alternate payee under a QDRO.

A direct rollover is a payment by the plan administrator or the Company to the eligible retirement plan specified by the distributee. All eligible rollover distributions shall be made in accordance with the requirements of IRC sections 403(b) (8), 403(b) (10), and 401(a) (31) applicable to tax-sheltered annuity contracts.

#### **11. Coordination with the Plan**

This [Policy] is subject to the terms of the Plan. In the event of any conflict between the terms of the [Policy] and any other terms of the Plan, such other terms of the Plan shall govern if necessary to ensure compliance with ERISA and IRC sec. 403(b). For example, if the Plan does not permit Elective Deferrals to be distributed in the case of hardship, then such distributions are not allowed under this [Policy]. However, the terms of the Plan do not impose any responsibilities or duties on the Company greater than those set forth in the [Policy]. For example, if the Company does not permit loans in connection with this [Policy], then no loans are available even if the Plan permits (but does not require) them to be offered.

Federal tax law may require the Employer to share information with the Company that is necessary for the Company to administer the [Policy] in accordance with the terms of the Plan, the IRC, and ERISA. In such case, the Company shall rely upon such information in administering the [Policy] in accordance with the terms of the Plan, the IRC, and ERISA. If the Company does not receive such necessary information from the Employer in the form and manner the Company deems acceptable, the Company will administer the [Policy] in the manner it deems appropriate. In some cases, this could mean that the Company has no responsibility to make any distribution (including a loan or hardship distribution) from the [Policy] before it has received the information it requires from the Employer.

Federal law also may require the Company to share information regarding this [Policy] that the Employer reasonably requests in order to ensure compliance with the terms of the Plan, the IRC, and ERISA. The Company will share such information as required by federal law and any agreement between the Company and the Employer.

The Employer may identify a delegate, including a plan administrator, to provide or receive the information described above.

## **12. ERISA Requirements**

This [Policy] is being maintained pursuant to a Plan that is subject to the requirements of Title I of ERISA, and the Employer is solely responsible for assuring that the Plan complies at all times with such requirements, including assuring that all distributions, consents, and elections under the [Policy] comply with the requirements of the Plan and section 205 of ERISA. The Company shall be under no duty to determine whether a plan constitutes an employee benefit plan that is subject to Title I of ERISA and shall be fully entitled to rely on the Employer's or plan administrator's representation of the Plan's ERISA status.

## **13. General Terms**

References to IRC sections and to regulations are intended also to reference those items as amended and supplemented.

We may amend the terms of this [Policy] without the prior consent of the Owner if such amendment:

- (a) applies to all Policies and Certificates with this endorsement; and
- (b) is in response to changes to federal law.

We will send annual reports to the Owner concerning the status of this [Policy] and such information concerning required minimum distributions as is prescribed by the Commissioner of Internal Revenue.

The effective date of this [Policy] amendment for 403(b) is the effective date of the [Policy]. If the [Policy] was issued prior to 2009 and another endorsement or rider designed to modify the [Policy] to qualify as a tax-sheltered annuity under IRC sec. 403(b) is attached to the [Policy], this endorsement replaces that other endorsement effective January 1, 2009.

SIGNED at the Home Office of Life Insurance Company of the Southwest.



Secretary



SERFF Tracking Number: NALF-125804777 State: Arkansas  
Filing Company: Life Insurance Company of the Southwest State Tracking Number: 40306  
Company Tracking Number: 7877  
TOI: A021 Individual Annuities- Deferred Non- Sub-TOI: A021.002 Flexible Premium  
Variable  
Product Name: 403(b) Endorsements  
Project Name/Number: /

## Supporting Document Schedules

### Review Status:

**Satisfied -Name:** Certification/Notice 09/05/2008

#### Comments:

This filing of 403(b) Endorsements is meant to comply with the newly enacted Internal Revenue Code regulations concerning Section 403(b) Tax-Sheltered annuity contracts. The Compliance Certifications required by this section were included in the previously approved policy forms filings to which these endorsements will be attached. We have attached a Readability Certification requesting exemption for these endorsements from the readability requirements due to the nature of the forms.

#### Attachment:

AR Readability Lower Score Explanation.pdf

### Review Status:

**Satisfied -Name:** Statement of Variability 09/15/2008

#### Comments:

A Statement of Variability is attached disclosing the variables for the bracketed material.

#### Attachment:

7877 7878 7883 STMNT OF VAR.pdf

**STATE OF ARKANSAS**  
**DEPARTMENT OF INSURANCE**  
**READABILITY CERTIFICATION**  
Arkansas Code 23-80-206

**COMPANY NAME** Life Insurance Company of the Southwest **NAIC #** 65528,

**Readability Explanation for Lower Score**

Pursuant to ACA 23-80-207, the Director may authorize a lower score than the Flesch reading ease test score required by ACA 23-80-206 when, in the director's sole discretion, the director find that a lower required score is caused by certain policy language drafted to conform to the requirements of any state statute, rule, or agency interpretation of law.

I hereby certify that the forms listed below are entitled to be excepted by ACA 23-80-207 because the form is drafted to conform to the requirements of the newly enacted Internal Revenue Code regulations concerning Section 403(b) Tax-Sheltered annuity contracts.

**FORM NUMBER**

**FLESCH SCORE**

\_\_\_\_\_  
Michael C. Ward, FSA, MAAA  
Vice President, Actuarial Department

September 9, 2008

\_\_\_\_\_  
Date

**Form No. 7877, Form No. 7878 and Form No. 7883**  
**Statement of Variability**

Variables for the descriptive text which is bracketed in the endorsements are limited to the following:

- [Policy] – the term “policy” will be used when the endorsement is attached to one of our individual fixed deferred annuities
- [Certificate] – the term “certificate” will be used when the endorsement is attached to one of our group fixed deferred annuity certificates