

Navy Mutual Life Insurance Settlement Options

Life insurance death benefit proceeds may be received as a lump sum or may be distributed under one of our various settlement options. Navy Mutual maintains three types of settlement options: Fixed Period; Interest Only; and Life Income. Each option contains its own unique features. At the top of this page we have provided you with a quick comparison of the different options, while just below the summary is a detailed explanation and projected income graph of each option.

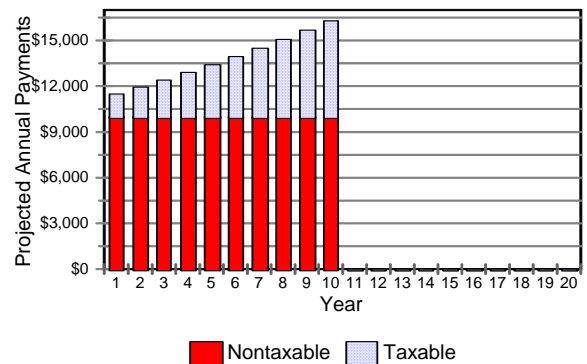
Quick Comparison

	<u>Settlement Options</u>		
	<u>Fixed Period</u>	<u>Interest Only</u>	<u>Life Income</u>
Is the income guaranteed not to decrease?	Yes	No	Yes
Will the payments increase in the future?	Maybe	Maybe	Maybe
Are the payments guaranteed for the annuitant's life?	No	No	Yes
Will a beneficiary receive the money if the annuitant dies?	Yes	Yes	Maybe
Can the owner switch to another settlement option in the future?	Yes	Yes	No
Can the owner make random withdrawals of money?	Yes	Yes	No
Can the owner terminate the option and receive the remaining money at any time?	Yes	Yes	No

Detailed Explanation Of Each Settlement Option

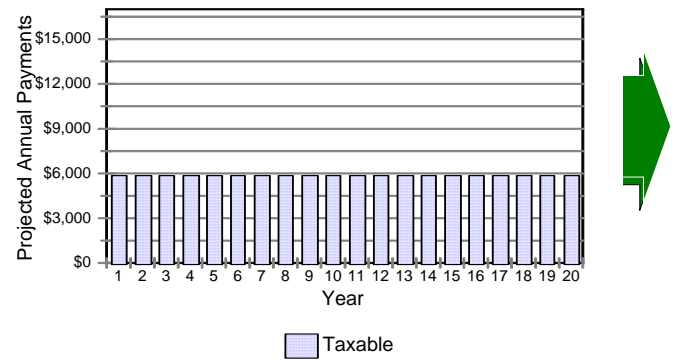
\$100,000 Paid Over 10 Years at 7.0%

The **Fixed Period Option** provides a guaranteed stream of monthly income which can be paid from between 1 and 30 years. The number of years you elect will directly influence the amount of monthly income received. The longer you elect to receive payments, the lower your monthly income will be. For example: If a \$100,000 policy was to be paid out over 10 years, the monthly payment may be \$957. If the payment period was for 20 years, the monthly payment may be \$547. Payments are guaranteed not to decrease during your payment duration. However, payments may be increased by Navy Mutual if interest rates are favorable. Part of each payment will be considered taxable income for which the owner will receive a 1099 each year. The monthly income will cease after the elected payment period has been reached. The owner of the plan may elect to terminate this option at any time and receive the remaining cash value or may make random cash withdrawals. Withdrawals may be made as long as the cash value of the account is greater than \$5,000. Monthly income will be reduced with each withdrawal. Upon the annuitant's death, the beneficiary may elect to take over the current income, transfer to another settlement option, or receive the full value of the current cash value as a lump sum.



\$100,000 At 5.75%

The **Interest Only Option** provides income on a quarterly basis of all interest which was earned on the principal amount invested. The income amount received will change as the interest rate changes. Generally, the interest rate changes in January of each year but can be changed more frequently if necessary. Due to the fact that the quarterly income received consists only of interest, the entire payment will be taxable. The principal amount is always guaranteed. The owner of the plan may elect to terminate the option at any time and receive the current principal or may make random cash withdrawals. Withdrawals may be made as long as the cash value of the account is greater than \$10,000. Quarterly income will be reduced with each withdrawal. Upon the annuitant's death, the beneficiary may elect to take over the current settlement option, transfer to another option, or receive the principal as a lump sum.



\$100,000 At Age 65 At 7.0% With 15 Year Period Certain

The **Life Income Option** provides a guaranteed stream of monthly income for annuitant's entire lifetime. The payments are guaranteed never to decrease. However, they can be increased in the future with favorable interest rates. Part of each payment will be considered taxable income for which the owner will receive a 1099 each year. This option does not allow withdrawals and the option cannot be terminated. Within the life income option, you may designate a period of time during which if the annuitant should pass away, that income will continue to a beneficiary. The time periods, referred to as a "period certain", you may choose from are 0, 5, 10, 15 or 20 years. If the annuitant dies within the elected period certain, the beneficiary will receive payments for the remaining number of months left in the period certain. For example: If the annuitant has a Life Income Option with a 10 year period certain and dies in the 6th year, the beneficiary will continue to receive the monthly payments for the remaining 4 years (10 - 6). If the annuitant dies after the period certain, then no payments will be made to the beneficiary. The amount of income received is determined by the annuitant's age, contribution amount, and elected period certain.

