



Beneficial Financial Group
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POLICYHOLDER FAQs

1. **Question:** Why has the company decided to discontinue selling new policies?

Answer: For over a century, Beneficial has pursued the noble goal of helping individuals and families financially realize their hopes and dreams and render assistance when it is most needed. We were founded in direct response to Heber J. Grant's recognition of a community's responsibility to protect its widows and orphans. At the time of our founding we fulfilled a need that was not being met in the Intermountain West. Since that time, global and national competitors have entered the marketplace with a much broader range of products.

As a result, our business today is at a crossroads. Despite our ability to deliver strong operating results over the past several years, Beneficial's relatively small size puts the company at a competitive disadvantage compared to these larger insurers with their broader array of products. Consequently, Beneficial and our parent company, Deseret Management Corporation, (DMC), our owner, have concluded that there are other providers who can more efficiently meet the future needs of the marketplace. In short, for Beneficial, the current market opportunity offers the prospect of limited future economic returns compared to the risks inherent in the business.

2. **Question:** Is Beneficial Financial Group financially stable and is my policy(s) or money safe?

Answer: Yes. Beneficial remains fully capitalized and is committed to remain financially strong for the lifetime of all life insurance policies and annuities that our clients now own. As of March 31, 2009, Beneficial reported statutory assets of \$3.4 billion, which includes \$445 million of adjusted capital and surplus. This means that for every \$1 of funds on deposit from policyholders, Beneficial holds an additional 15 cents of shareholder funds to support policy obligations, should they be needed. This amount exceeds the industry average.

3. **Question:** With this decision to withdraw from new sales, will Beneficial continue to meet its financial obligations to current policyholders?

Answer: Yes. Beneficial remains financially strong and able to meet all financial obligations to policyholders. We are very well capitalized and are committed to remaining financially strong for the lifetime of all life insurance policies and annuities that our clients now own. As of March 31, 2009, Beneficial reported statutory assets of \$3.4 billion, which includes \$445 million of adjusted capital and surplus. This

means that for every \$1 of funds on deposit from policyholders, Beneficial holds an additional 15 cents of shareholder funds to support policy obligations, should they be needed. This amount significantly exceeds the industry average. We will continue to provide outstanding customer service and strong policy performance to our policyholders for as long as you have your money and life insurance with Beneficial.

4. **Question:** What will happen with my existing policy(s)?

Answer: They will continue in force as if nothing had happened as long as you continue to abide by the terms of the policy. You will continue to earn competitive interest on your annuities and universal life policies and will benefit from the cash value and death benefit guarantees in your whole life policies, as well as being eligible for dividends on your whole life policies. Stated another way, we will stand behind all the promises made to you when you bought your policies. We believe it will be to your advantage to keep your policies in force with Beneficial for as long as you originally planned.

5. **Question:** Who do I contact for assistance with my policy(s)?

Answer: You should contact your Agent or you can call a Customer Service Agent @ **800-833-4186**. The company will remain fully staffed to manage our investments in your best interest, collect premiums, pay benefits, and answer your questions.

6. **Question:** What if I have a claim?

Answer: Claims will continue to be processed and paid according to standard procedures. This decision to downsize the business has no effect on current policies. Beneficial is financially strong with sufficient reserves to meet all future obligations in accordance with policyholders' contractual terms. We will continue to protect current policyholders, and maintain the service capabilities to address your ongoing needs.

7. **Question:** Will my policy(s) be sold to another company?

Answer: There are no plans to sell your policy to another company. We stand behind all our policies just as before.

8. **Question:** What if I want to purchase additional life insurance or annuities?

Answer: Beneficial will continue to accept applications for new business until 8/31/09. We will no longer be accepting new applications past that date. Your agent can help you find new coverage from a reputable and financially strong life insurance company.

9. **Question:** Will I be able to convert my existing Beneficial Term policy?

Answer: Yes, you will be able to convert your Beneficial Life Term Policy to a whole life or universal life policy that we will make available at the time of your term conversion.

10. **Question:** If I want to move my money to another company will Beneficial waive surrender charges?

Answer: No. All of the existing agreements and contractual commitments that are associated with your policy or annuity will remain in place. This is the only way to treat all policyholders fairly. Please be assured that your policy can be expected to perform in the future the same as if this decision to withdraw from new sales had never been made. You will continue to receive outstanding value from Beneficial. While you may wish to discuss these decisions with your agent or financial advisor, you should also be aware that buying a new policy today could cost more than replacing a policy that has been in place for several years.

11. **Question:** How do I make premium payments now that you have decided not to sell new policies?

Answer: You should continue to make premium payments in the same manner you always have. If you need to change your mode of premium payment you can contact your agent or contact our Customer Service Agents @ **800-833-4186**.

12. **Question:** Will Beneficial continue to honor the Charitable Benefit Rider on my universal life or whole life policy where a qualifying charity named by the policyholder prior to death receives 1% of the net death benefit up to \$10,000 without decreasing the amount payable to my beneficiaries (minimum benefit is \$500)?

Answer: Yes. Beneficial remains committed to its charitable commitments.

13. **Question:** Does this decision impact the investments I have with Beneficial Investment Services?

Answer: No. BIS continues to operate as usual. At some point we may make a transition to another broker/dealer, but you will have ample notice before that happens and we will do all in our power to make that transition as easy as possible for you. Your Registered Representative or Investment Advisor Representative can help you with all Beneficial Investment Service related questions, or you can contact B.I.S. at **800-278-1103**.

14. **Question:** Will this decision impact the regular payments I receive from my Beneficial annuity?

Answer: No. Payments will continue according to the terms of the contract and as previously scheduled. You will see no change in the payments you are entitled to receive.

15. **Question:** How does this decision impact any benefit money I have in a Legacy account?

Answer: The money you have earning interest in a Legacy account will not be affected.

16. **Question:** How does this decision impact my pending application for life insurance or annuities?

Answer: Pending applications will continue to be processed as normal. We will underwrite and process all policy applications received in good order through 8/31/09. Your Beneficial agent will continue to assist you through this process.

17. **Question:** Will the company extend the free look period on my recently issued policy(s) as a result of this decision?

Answer: No. We will continue to comply with applicable state law regarding free-look periods in all jurisdictions where we do business. You have all the rights and privileges you had prior to this decision.

18. **Question:** Will I still be able to make loans/withdrawals/partial surrenders from my policy(s)?

Answer: If your policy provides these options they will still be available. Contact your agent or our Customer Service Agent at **800-833-4186**.

19. **Question:** Will there be a mailing to all policyholders announcing the decision to discontinue issuing new policies?

Answer: Yes. You should receive it no later than June 30, 2009.

20. **Question:** Will I be able to continue to access information on Beneficial's web page?

Answer: Yes. Beneficial remains an operating company committed to providing outstanding policy value and policyholder service. You'll find that we continue to be easy to do business with for as long as you have a life insurance policy or annuity with Beneficial.

21. **Question:** I'm concerned about my Beneficial agent. How will this decision affect his or her future?

Answer: We deeply appreciate the relationship we enjoy with our agents—sometimes extending within the same family for many generations. Each agent will be free to form new relationships with other life insurance companies so they can continue to provide outstanding service and products to you, their valued clients. We are working hard to provide a smooth transition for our agents. With the support of DMC and our home office distribution team, our field management group is in serious negotiations with several high quality and competitive insurance carriers to provide competitive products and services to meet your financial needs. The field management group intends to have the letter of intent in place by the end of June and finalized terms shortly thereafter. We believe this will be of benefit to you as you continue to do business with the agents that have earned your trust over the years.

22. **Question:** I am disappointed I won't be able to continue to do new business with Beneficial, a company that I trust.

Answer: We appreciate your confidence in Beneficial and will continue to earn your trust. You can count on us for financial strength and integrity in the way we provide value to your life insurance policy and annuity now and in the future. The decision to stop accepting new business was made only after a careful and extensive review of Beneficial and its parent, Deseret Management Corporation. Beneficial is not going away—we are simply adjusting the type of service we provide.

23. **Question:** Are there any regulatory issues associated with Beneficial's decision.

Answer: The Company is working closely with Utah's Commissioner of Insurance on a plan to ensure that Beneficial meets the state's expectations for protecting policyholders and maintaining adequate reserves. D. Kent Michie, Utah's Insurance Commissioner has stated: "Our examinations have always found Beneficial to be financially sound and well capitalized. We fully expect Beneficial to meet its policyholder commitments going forward." We are working to gain approval for our actions with state insurance departments in other states where we do business as well.

24. **Question:** What is the ratings agencies view of this action?

Answer: The Company expects external rating agencies to lower financial ratings, since there are limits to the financial rating they will provide to companies that are not issuing new business. Irrespective of these actions, Beneficial will remain strongly capitalized and fully able to meet its obligations. Beneficial is currently rated A (Excellent) by AM Best and A by Standard & Poor's.

25. **Question:** One last time—is my money safe at Beneficial?

Answer: Your money is safe with Beneficial. In fact we have never had a stronger ratio of capital and surplus (money that exceeds our contractual obligations to you) than we do right now. This decision will allow us to remain strong, now and in the future. Thank you for placing your confidence in Beneficial.