



EQUITABLE

# Market Stabilizer Option<sup>®</sup> Technical Guide

Information in this guide only applies to policies issued with the MSO (MSO II found under separate cover\*):

**COIL Institutional Series<sup>SM</sup> (Series 162)**

**COIL Institutional Series<sup>SM</sup> (Series 160)**

**VUL Incentive Life Protect<sup>SM</sup>, Series 164**

**VUL Legacy<sup>®</sup>, Series 160**

**VUL Optimizer<sup>®</sup>, Series 160**

\* For detailed information on how variations of the Market Stabilizer Option<sup>®</sup> relate to policies issued on all products that offer the MSO, please see the following MSO Technical Guides:

Catalog #400000 → **MSO II** on COIL Institutional Series<sup>SM</sup>, VUL Incentive Life Protect<sup>SM</sup>, VUL Legacy<sup>®</sup>, VUL Optimizer<sup>®</sup>, VUL Optimizer<sup>®</sup> Max, Equitable Advantage<sup>SM</sup> & Equitable Advantage<sup>SM</sup> Max

Catalog #164199 → **MSO** on Equitable Advantage<sup>SM</sup> & Equitable Advantage<sup>SM</sup> Max

Catalog #145547 → **MSO** (Original) on pre-2019 inforce products that offered the MSO - ADV

Catalog #145917 → **MSO** (Original) on pre-2019 inforce products that offer the MSO - EDL

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## Marketing Considerations | Market Stabilizer Option®

Policy owners and prospective clients find the growth potential associated with the equity market desirable but tend to fear the volatility risk - and its impact to policy values - that comes with the upside potential, especially given the recent economic turmoil. In addition, historically low interest rates point to lower returns on fixed instruments. The Market Stabilizer Option (MSO) may provide a solution to such concerns by providing the opportunity for variable life policy owners to reduce exposure to equity market volatility while maintaining the ability to participate in the upside potential of the stock market. The MSO provides for a rate of return linked to the performance of a widely known index, up to a cap with a specified level of protection against negative performance of the index. Since the MSO is available as an additional investment option with a variable life insurance policy, the policy owner not only has the ability to choose from a broad array of variable investment options generally offered with variable life insurance products but also has the potential to earn more than a typical fixed rate universal life insurance policy and receive a specified level of protection against negative investment performance not available with the variable investment options.

The S&P 500® index is widely regarded as the standard for stock market performance. It measures the average change in the value of the 500 most widely held U.S. companies representing a broad array of industries. The rate of return provided by the MSO is linked to the performance of the S&P 500 Price Return index, which is the S&P 500® excluding dividend earnings. Since the rate of return provided by the MSO is linked to the performance of the S&P 500® Price Return index, policy owners are not invested directly in any stock, bond or equity instrument. Instead, the return on the amount allocated to the MSO is determined by a formula based on the point-to-point performance of the S&P 500® Price Return index. The rate of return on the amount allocated to the MSO will be positive if the performance of the S&P 500® Price Return index is positive. At the same time, the Downside Protection feature provided by the MSO guarantees that the amount allocated to the MSO will earn 0% as long as the percentage decline in the performance of the S&P 500® Index does not exceed negative 25%.

### *Sales Illustrations*

There are differences in both the input questions and the output for sales illustrations in AEGIS if the MSO is desired. Input differences are reflected on the Policy Design tab. After completing the standard input questions on the Policy Design tab, a new input question asks, "Include Market Stabilizer Option (MSO)" and the box next to this question is checked if MSO is desired. If the MSO box is checked, another question appears that says: "MSO End Year." The "MSO End Year" is the year in which the last MSO segment matures as specified by the user. Here the user can indicate how long money will be allocated to the MSO. Assuming that retirement income will be illustrated, the response to the input question may be "A65" or whatever age the insured will retire. There is a Market Value Adjustment (also referred to as "Early Distribution Adjustment") corresponding to any policy loans allocated to the MSO that will generally reduce policy values and therefore illustrated retirement income. If retirement income will not be illustrated and the

policyowner wants to allocate money to MSO at older ages, the default (A100) can be utilized, or another age or policy year can be specified. In addition, the MVA will reduce the "Net Cash Surrender Value" during any period in which the MSO is illustrated, including policy years following the surrender charge period. The Net Cash Surrender Value assumes redemption from the segment prior to maturity, which would cause an MVA.

The next question asks about the Portfolio Allocation, which requires you to "Specify" the allocation to the MSO and/or other investment options (and they must total 100%). If retirement income is illustrated and the allocation to the MSO is 100%, AEGIS will reallocate the policy value 100% to the All Funds weighted average in the year following the "MSO End Year" as specified by the user. However, this is not applicable to COIL Institutional Series<sup>SM</sup> since the allocation to MSO is limited to 50%. AEGIS will not produce a COIL Institutional Series<sup>SM</sup> illustration if the MSO allocation is greater than 50%.

Note: If the policy owner wants to allocate a certain percentage to MSO and doesn't know how else to allocate his/her net premium, one of the "Average" fund selections (the Index weighted average, for example) can be specified. If retirement income is illustrated and the allocation is split between the MSO, the Guaranteed Interest Option (GIO), and the variable investment options, the policy value is reallocated pro-rata amongst the GIO and variable investment options in the policy year following the MSO End Year. The minimum MSO allocation in AEGIS is 10% of net premium. FPs should be aware however that no such limitation exists in the administrative system.

Assuming the MSO is selected as at least one of the investment options, there are several pages of disclosure, followed by a page detailing the specified fund allocations and the investment management fees for the variable investment options. Also included is a page enumerating the illustration assumptions: the hypothetical gross and net rates of return for each investment option (assuming guaranteed and current (non-guaranteed) charges), the user-specified rate, the midpoint rate, and a zero rate of return. A rider summary explains how the MSO works and defines its terminology in some detail.

The first numerical ledger page showing annualized premium and policy values is based on various hypothetical rates of return and guaranteed policy charges. This illustration takes into account all policy charges including the MSO fees, the investment management fees of any other investment option, the M&E charge, and policy level charges like COIs, administrative charges, and the premium sales charge. Since this ledger is limited to a range of 0%-12%, it may not depict the impact of the current (non-guaranteed) Growth Cap Rate and will not depict the Segment Loss Absorption Threshold Rate (also referred to as Downside Protection), so in many respects, these pages look similar to other traditional variable life illustrations.

Policy owners who have elected to fund their policy using the monthly or quarterly mode should understand that the Charge Reserve Amount (CRA) requirement might not be satisfied until several months after policy issue. If the CRA requirement is not satisfied on a Segment Start

Date, the funds allocated to the Holding Account for investment in a new Segment will remain there until the next available Segment Start Date where all of the requirements necessary to establish a segment are satisfied.

An illustration will be produced in AEGIS, even if the CRA requirement is not satisfied with the initial premium (based on the illustrated funding level). Disclosure has been incorporated notifying FPs and their clients of cases in which a Segment cannot be established at issue. The disclosure provides an estimated timeframe of when the CRA requirement may be satisfied to allow the first Segment to be created based on the assumptions of the illustration. However, if the initial premium is insufficient to satisfy the CRA requirement, MSO investment performance is not illustrated in policy year 1 due to the delay in establishing the Segment. The delay in the establishment of the first segment combined with the MSO charges, potential MVA will significantly reduce illustrated retirement income.

## Highlights & Key Features | Market Stabilizer Option®

Feature	Description
Marketing Name	Market Stabilizer Option® (MSO)
Generic Name	Variable Indexed Option
MSO Availability*	<p>Available* subject to regulatory approval with:</p> <ul style="list-style-type: none"> <li>• COIL Institutional Series<sup>SM</sup> (Series 162)</li> <li>• COIL Institutional Series<sup>SM</sup> (Series 160)</li> <li>• VUL Incentive Life Protect<sup>SM</sup>, Series 164</li> <li>• VUL Legacy®, Series 160</li> <li>• VUL Optimizer®, Series 160</li> </ul> <p><i>*The MSO rider is not available for policies with a contract state of New York</i></p>
Issuing Company	<p>Equitable Financial Life Insurance Company</p> <ul style="list-style-type: none"> <li>• COIL Institutional Series<sup>SM</sup> (Series 162)</li> <li>• COIL Institutional Series<sup>SM</sup> (Series 160)</li> <li>• VUL Incentive Life Protect<sup>SM</sup>, Series 164 – New York, Puerto Rico &amp; New York domiciled FPs</li> <li>• VUL Legacy®, Series 160 – New York, Puerto Rico &amp; New York domiciled FPs</li> <li>• VUL Optimizer®, Series 160 – New York, Puerto Rico &amp; New York domiciled FPs</li> </ul> <p>Equitable Financial Life Insurance Company of America (Equitable America) - All jurisdictions except New York and Puerto Rico</p> <ul style="list-style-type: none"> <li>• VUL Incentive Life Protect<sup>SM</sup>, Series 164</li> <li>• VUL Legacy®, Series 160</li> <li>• VUL Optimizer®, Series 160</li> </ul>
Policy Forms	<p>MSO Rider Form: ICC15-R15-200; R15-200 or state variation for Equitable Financial and Equitable America. COIL Institutional Series<sup>SM</sup> uses rider ICC12-R12-15, R12-15, or state variations.</p>
Segment Loss Absorption Threshold (Downside Protection feature)	<ul style="list-style-type: none"> <li>• The Segment Loss Absorption Threshold Rate is also referred to as <a href="#">Downside Protection</a> in the MSO prospectus.</li> <li>• The <a href="#">Downside Protection</a> against negative performance of the index that will be absorbed by the rider during a segment term without reducing the segment maturity value.</li> <li>• The Segment Loss Absorption Threshold Rate is negative 25%.</li> <li>• <a href="#">Downside Protection</a> applies only to amounts that remain in a segment until segment maturity.</li> <li>• <a href="#">Downside Protection</a> does not apply to any amounts in the Holding Account.</li> </ul>

Feature	Description
<b>Growth Cap Rate (GCR)</b>	<ul style="list-style-type: none"> <li>The GCR is the maximum rate of return each individual Segment can earn.</li> <li>A current (non-guaranteed) GCR is declared for each segment on its Segment Start Date.</li> <li>The GCR that is applicable to any Segment will be the greater of the current (non-guaranteed) GCR declared for that Segment and the guaranteed minimum GCR shown in the policy for the applicable policy duration.</li> <li>the guaranteed minimum GCR is 6%.</li> </ul>
<b>Participation Rate</b>	<ul style="list-style-type: none"> <li>Percentage of the Index Performance Rate that will be recognized in the calculation of the Index-Linked Rate of Return for any Segment.</li> <li>Guaranteed to be 100% in all policy years.</li> </ul>
<b>Index</b>	<ul style="list-style-type: none"> <li>S&amp;P 500<sup>®</sup> Price Return index.</li> <li>The S&amp;P 500<sup>®</sup> Price Return index does not include dividend earnings.</li> </ul>
<b>Index Performance Rate</b>	<ul style="list-style-type: none"> <li>Measures the percentage change in the index during a Segment Term.</li> <li>The annual point-to-point method is used to determine the performance of the index during a Segment Term, as determined by the closing values of the index on the Segment Start Date and the Segment Maturity Date.</li> </ul>
<b>Index-Linked Rate of Return</b>	<ul style="list-style-type: none"> <li>Expressed as a percentage, this is equal to the Index Performance Rate multiplied by the Participation Rate.</li> <li>Will not exceed the applicable Growth Cap Rate for any Segment.</li> <li>May be subject to the Segment Loss Absorption Threshold Rate (Downside Protection feature).</li> <li>The Index-Linked Rate of Return is not applied to the Segment Account prior to the Segment Maturity Date.</li> </ul>
<b>Index-Linked Return</b>	<ul style="list-style-type: none"> <li>Expressed as a dollar amount, this is equal to the Index-Linked Rate of Return multiplied by the Segment Account on the Segment Maturity Date.</li> <li>The dollar amount added to or subtracted from the Segment Account on the Segment Maturity Date.</li> <li>May be positive, negative or zero resulting in an increase, decrease or no change to the Policy Account.</li> <li>The Index-Linked Return is not added to or subtracted from the Segment Account prior to the Segment Maturity Date.</li> </ul>
<b>Holding Account</b>	<ul style="list-style-type: none"> <li>The portion of the EQ/Money Market variable investment option that holds amounts to be invested in the MSO prior to a Segment Start Date.</li> </ul>
<b>Segment Start Date</b>	<ul style="list-style-type: none"> <li>Date on which a Segment is established.</li> <li>Generally, the third Friday of each calendar month.</li> </ul>

Feature	Description
<b>Segment Term</b>	<ul style="list-style-type: none"> <li>Approximately one year.</li> <li>Begins on the Segment Start Date and ends on the Segment Maturity Date.</li> </ul>
<b>Segment Account</b>	<ul style="list-style-type: none"> <li>Created from the amount transferred from the Holding Account into a new Segment.</li> <li>May be reduced by any monthly deductions, policy loans or policy distributions allocated to the Segment, and corresponding MVAs, during the Segment Term.</li> <li>Amount to which the Index-Linked Return will be added to or subtracted from to determine the Segment Maturity Value.</li> <li>Amount subject to the Downside Protection at Segment maturity.</li> </ul>
<b>Segment Value</b>	<ul style="list-style-type: none"> <li>The amount a policy owner would receive if a redemption or distribution occurs, or if the policy is surrendered prior to Segment Maturity.</li> <li>No Downside Protection for any amount redeemed or distributed from a Segment prior to its maturity date.</li> </ul>
<b>Segment Maturity Date</b>	<ul style="list-style-type: none"> <li>Date on which a Segment matures.</li> <li>Approximately one year from the day the Segment was established (i.e., the Segment Start Date).</li> </ul>
<b>Segment Maturity Value</b>	<ul style="list-style-type: none"> <li>Segment Account plus or minus the Index-Linked Return for a Segment that is held to its maturity date.</li> <li>No return is applied to a Segment that is not held to its maturity date.</li> </ul>
<b>Options at Segment Maturity</b>	<ul style="list-style-type: none"> <li>The policy owner can allocate all or some of their maturity value to the Holding Account, the unloaned GIO or the variable investment options.</li> <li>If no maturity instructions are provided, the Segment Maturity Value will be rolled over to the Holding Account.</li> <li>If the Segment Maturity Value is allocated to the Holding Account, it will be swept into a new Segment on the next available Segment Start Date, subject to the necessary requirements.</li> </ul>
<b>Market Value Adjustment (MVA)</b>	<ul style="list-style-type: none"> <li>The Market Value Adjustment is also referred to as "Early Distribution Adjustment" or "EDA" in the MSO prospectus.</li> <li><i>Will generally reduce the value of any Segment Account.</i></li> <li>The adjustment made to certain distributions or deductions from a Segment Account prior to its Segment Maturity Date.</li> <li>Applicable to any policy loan, monthly deduction, guideline premium force-out, or policy surrender allocated from a Segment prior to Segment Maturity.</li> <li>Negative MVAs will not apply to a death claim during a Segment Term.</li> </ul>



Feature	Description
<b>Charge Reserve Amount (CRA)</b>	<ul style="list-style-type: none"> <li>• The minimum amount of Policy Account Value that must be available in the unloaned GIO on the Segment Start Date.</li> <li>• Projected as an amount sufficient to cover all monthly deductions for the base policy, the MSO, and any other additional benefit riders for which we make a charge, during the longest remaining Segment Term.</li> <li>• The CRA is <i>not guaranteed</i> to be sufficient to cover all monthly deductions (as described above) during the longest remaining Segment Term.</li> <li>• Determined on the date a Segment is established or the effective date of any requested Face Amount Increase, and reduced by subsequent monthly deductions during the Segment Term.</li> <li>• Inter-fund transfers from the variable investment options including the Holding Account will be made to meet the Charge Reserve Amount Requirement.</li> <li>• The policy <i>must have sufficient value</i> to satisfy the Charge Reserve Amount requirement, or a new Segment will not be established.</li> </ul>
<b>Monthly Deductions During A Segment Term</b>	<ul style="list-style-type: none"> <li>• While any Segment is in effect, 100% of the monthly deductions will be taken from the unloaned GIO.</li> <li>• The existing deduction allocation, if any, will be changed automatically on a Segment Start Date.</li> <li>• Monthly deductions are allocated this way to avoid a Market Value Adjustment during a Segment Term.</li> <li>• Monthly deductions <i>may be taken from the Segments</i> if the value in the unloaned GIO and the variable investment options becomes insufficient during a Segment Term.</li> <li>• There will be a corresponding MVA if at any time it becomes necessary to take monthly deductions from the Segment(s) during a Segment Term.</li> </ul>
<b>MSO Charges</b>	<ul style="list-style-type: none"> <li>• A Variable Index Benefit Charge of 0.75% (non-guaranteed and guaranteed basis) is deducted from the amount that is transferred from the Holding Account into a new Segment.</li> <li>• A Variable index Segment Account Charge (annual rate of 0.40% non-guaranteed/1.65% guaranteed) applies to the amount in the Segment and is deducted from the Policy Account on a monthly basis while any Segment is in effect.</li> </ul> <p>Mortality and Expense Risk Charges are applied to any amounts held in the Holding Account or invested in a Segment Account, as well as any amounts in the variable investment options available with the base policy. Please refer to the individual product prospectuses for detailed M&amp;E charges on each product.</p>

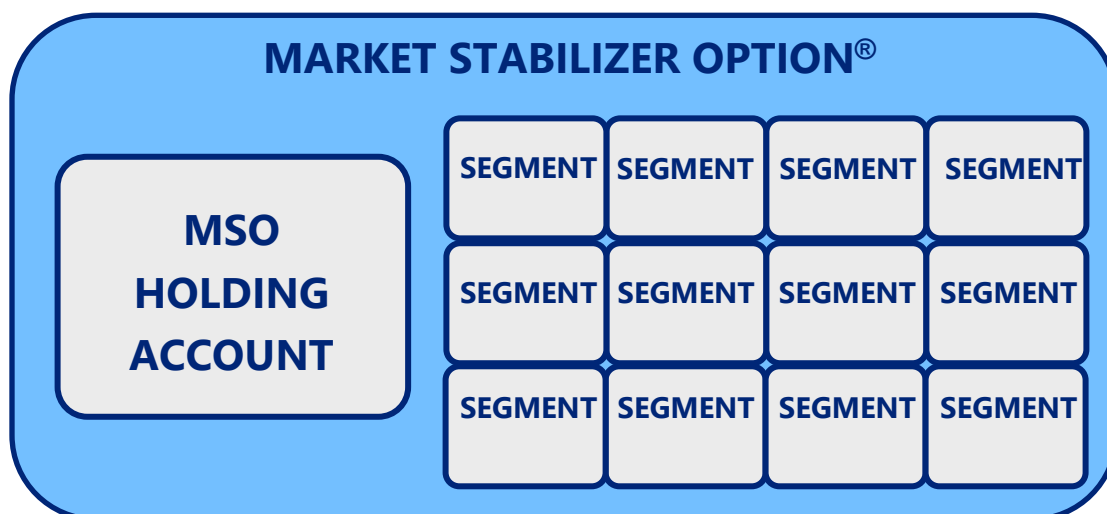
## An Overview | Market Stabilizer Option®

The Market Stabilizer Option® is an innovative and unique investment option that offers a rate of return linked to the performance of the S&P 500® Price Return index\* ("the index") up to a Growth Cap Rate. Additionally, the MSO provides a specified level of protection against declines in the performance of the index of up to negative 25%. The Downside Protection feature provided by the MSO is the Segment Loss Absorption Threshold Rate.

The MSO is available (subject to regulatory approval) as a rider with certain products from our Incentive Life series including, VUL Incentive Life Protect<sup>SM</sup>, VUL Legacy®, VUL Optimizer®, and COIL Institutional Series<sup>SM</sup>. *However, the MSO rider is not available for policies with a contract state of New York.* With the exception of COIL Institutional Series<sup>SM</sup>, policy owners may choose to allocate all or a portion of their policy account value and premium payments, net of the premium charge, to the MSO, in addition to the unloaned Guaranteed Interest Option (GIO), and the variable investment options.



The MSO is comprised of the Holding Account and individual segments that are established monthly. The Downside Protection feature provided by the MSO applies only to the value in a Segment Account, not the Holding Account. Segments are generally established on the third Friday of each calendar month so there may be up to 12 segments established in a one-year period.



\* The S&P 500® Price Return index does not include dividend earnings.

A Segment Account is established when any amount is transferred from the Holding Account to a new Segment. The Segment Account is used in the calculation of policy account values, death benefits, the net amount at risk, and the new base policy face amount associated with a requested change in death benefit option.

Each Segment matures approximately one-year from the day the Segment was established (i.e., the Segment Start Date). An Index-Linked Rate of Return is applied to each Segment Account on its Segment Maturity Date using the Annual Point-To-Point method. The Annual Point-To-Point method compares the value of the index on the Segment Start Date and the Segment Maturity Date. The Index-Linked Return for any Segment is added to or subtracted from a Segment Account at Segment maturity. The Index-Linked Return may be positive, zero, or in certain circumstances negative. Therefore, there is the possibility of a negative Index-Linked Rate of Return at Segment maturity.

The Index-Linked Rate of Return for any Segment will not exceed the applicable Growth Cap Rate for that Segment. In addition, the Index-Linked Rate of Return may become subject to the Downside Protection (i.e., the Segment Loss Absorption Threshold Rate) if the performance of the index is negative as determined by the closing values of the index on the Segment Start Date and the Segment Maturity Date. The Index-Linked Rate of Return is formula-based and the policy owner is not invested directly in the S&P 500® Price Return index, or any stock, bond, or equity instrument.

This hypothetical example assumes a Growth Cap Rate of 15% and Downside Protection of negative 25%. In the example below, the policy would experience the following performance (before charges):

<b>S&amp;P® 500 Price Return index Performance*</b>	<b>Index-Linked Rate of Return:</b>
Increases by 15% or more	Equals 15%
Increases by less than or equal to 15%	Equals the S&P 500® Price Return index performance
Stays flat or decreases by less than 25%	Equals 0%
Decreases by more than 25%	<p>Equals the rate of return in excess of negative 25%.</p> <p>For example, if the S&amp;P® 500 Index performance is - 30% during the segment term, the value in the MSO segment would be reduced by 5% on the Segment Maturity Date instead of 30%.</p>

\*As determined by the closing values of the index on the Segment Start Date & the Segment Maturity Date.

## Charges and Credits | MSO

The charges associated with the MSO include a total percentage charge of 1.15% of the amount in each Segment on a current (non-guaranteed) basis. The guaranteed maximum total percentage charge is 2.40% of any policy account value allocated to each Segment. The charges associated with the MSO apply in any policy year during which a Segment is in effect.

Market Stabilizer Option Charges	Current Charges (Non-Guaranteed)	Maximum Charges (Guaranteed)
Variable Index Benefit Charge	0.75%	0.75%
Variable Index Segment Account Charge	0.40%	1.65%
<b>Total</b>	<b>1.15%</b>	<b>2.40%</b>

Note: In addition to the charges above, the M&E Risk charge is applicable to any amount in the Market Stabilizer Option®.

**Variable Index Benefit Charge:** The Variable Index Benefit Charge is an up-front benefit charge that is deducted from the amount transferred from the Holding Account on each Segment Start Date. The charge rate is 0.75% (annual rate) on a current (non-guaranteed) and guaranteed basis.

*If there is a Market Value Adjustment to any segment, a proportionate amount of the Variable Index Benefit Charge will be refunded corresponding to the surrender or reduction, and the time remaining until Segment maturity.*

**Variable Index Segment Account Charge:** The Variable Index Segment Account Charge applies to the amount in the Segment Account and is deducted from the Policy Account on a monthly basis during a Segment Term. The charge applies while any Segment is in effect. On a current (non-guaranteed) basis, the charge rate is 0.40% (effective annual rate) of each Segment Account. The guaranteed maximum charge is 1.65% (effective annual rate).

**Base Policy Mortality & Expense Risk Charge:** Mortality and Expense Risk Charges are applied to any amounts held in the Holding Account or invested in a Segment Account, as well as any amounts in the variable investment options available with the base policy. Please refer to the individual product prospectuses for detailed M&E charges on each product.

**Customer Loyalty Credit:** The Customer Loyalty Credit (CLC) is a percentage of the unloaned Policy Account Value added to the Policy Account each month on a current (non-guaranteed) basis. The Customer Loyalty Credit will offset some of the monthly charges. The CLC only applies to VUL Incentive Life Protect<sup>SM</sup> and VUL Optimizer<sup>®</sup> policies.\*

For VUL Incentive Life Protect and VUL Optimizer, a **customer loyalty credit** is provided for policies that have been in force for more than a specified number of years depending on issue age. This is added to the policy account value each month. The credit is calculated as an annual percentage of your unloaned policy account value that varies depending on (i) the issue age of the insured, (ii) the policy duration and (iii) the cumulative amount of premiums paid to date (less any withdrawals). To qualify for the customer loyalty credit, the cumulative amount of premiums paid must be paid as outlined in the table below\*\*. The dollar amount of the credit is a percentage of the unloaned Policy Account Value (including the amounts in the unloaned GIA, variable investment options of Separate Account FP/K including the Holding Account, and the Segment Account(s) of the MSO).

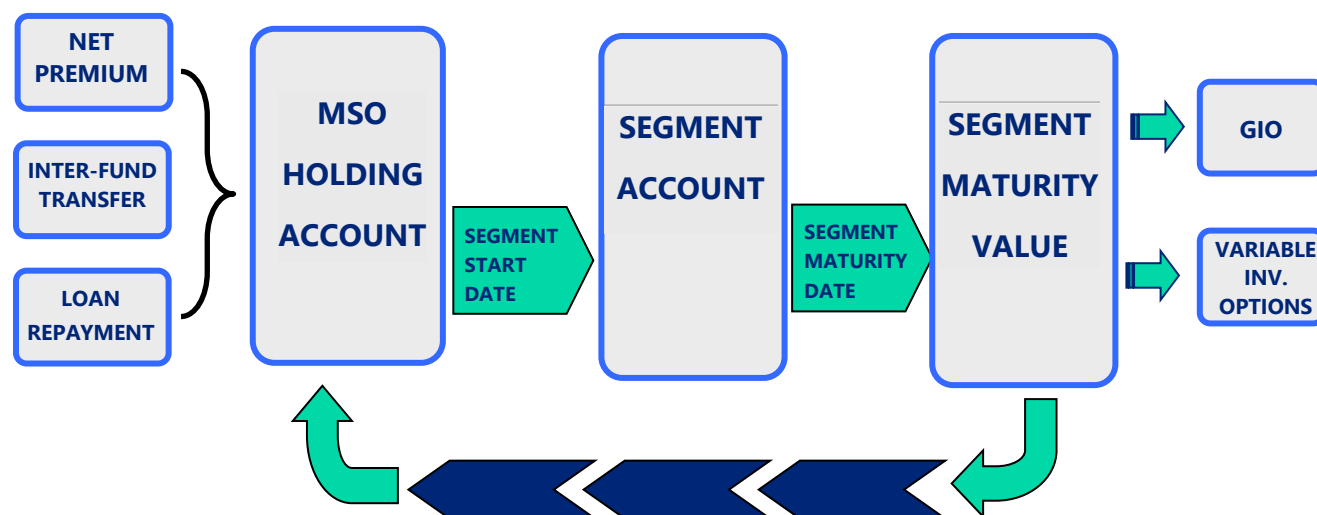
Issue Ages	Qualifying Premiums for CLC
0 - 29	10 Target Premiums by end of Policy Year 7; or 4.5 Target Premiums by end of Policy Year 2
30 - 39	10 Target Premiums by end of Policy Year 7; or 4.5 Target Premiums by end of Policy Year 2
40 - 49	9 Target Premiums by end of Policy Year 7; or 4.5 Target Premiums by end of Policy Year 2
50 – 64	6 Target Premiums by end of Policy Year 5; or 4.5 Target Premiums by end of Policy Year 2
65+	N/A

\*Customer Loyalty Credit does not apply to VUL Legacy® or COIL Institutional Series<sup>SM</sup> policies.

\*\* There is no premium funding requirement for VUL Incentive Life Protect<sup>SM</sup> policies to get the CLC.

## Mechanics | How the Market Stabilizer Option® Works

The MSO is comprised of the Holding Account and individual Segments that are established monthly. A Segment Account is established when the value in the Holding Account is transferred to a new Segment. The Segment Account is used in the calculation of policy account values, death benefits, the net amount at risk, and the new base policy face amount associated with a requested change in death benefit option. Each Segment matures approximately one year from the day the Segment was established (i.e., Segment Start Date).



### *The Holding Account*

- The Holding Account is the portion of the EQ/Money Market variable investment option that retains funds for investment in a Segment of the MSO prior to allocation into a new Segment.
- The Holding Account shares the same unit price, fees and expenses as the EQ/Money Market variable investment option.
- Units in the Holding Account are accounted for separately from other units of the EQ/Money Market variable investment option under the policy.
- **Prior to a Segment Start Date:**
  - Net premiums or other amounts allocated or transferred to the MSO will purchase units in the Holding Account.
  - Loans, withdrawals, transfers or deductions from the MSO will be taken from the Holding Account, if applicable.
  - Transfers to and from the Holding Account may be requested; transfers to or from a Segment are not permitted once a Segment has started.
  - Deduction allocations to the MSO will be taken from the Holding Account, if applicable.

## *Segment Creation*

- Segments are generally established on the third Friday of each calendar month so there may be up to 12 Segments established in a one-year period.
- It is common for Segment Start Dates to be different from policy anniversary dates and monthly processing dates.
- Any net premium, loan repayment, or transfer of policy account value to the MSO is allocated to the Holding Account until the Segment Start Date when it is transferred into a new Segment, subject to meeting all of the requirements to start a new Segment.
- The requirements to start a new Segment are:
  - The applicable Growth Cap Rate must be equal to or greater than the Threshold Growth Cap Rate specified by the policy owner, if any
  - An amount equal to the Charge Reserve Amount must be available in the unloaned GIO and the variable investment options, including the Holding Account

### **CHARGE RESERVE AMOUNT REQUIREMENT**

- 1) The CRA is based on all policy charges, even if less than 100% of funds are allocated to the MSO.
- 2) The amount of the CRA at issue varies by age, gender and rating class. One monthly premium is generally not sufficient to satisfy the CRA requirement.
- 3) The purpose of the CRA is to minimize the chance of incurring an MVA. Without the CRA, policy charges could be deducted from an existing Segment(s), which will trigger a corresponding Market Value Adjustment that will further reduce policy values.
- 4) As discussed above, a new Segment will begin only if a policy has sufficient funds to cover the Charge Reserve Amount (CRA).
- 5) Policy owners who have elected to fund their policy using the monthly or quarterly mode should understand that the CRA might not be sufficient until several months after policy issue. Thus, the funds allocated for investment in a new Segment will remain in the Holding Account until such time when the CRA requirement is satisfied.
- 6) Funds transferred to the Holding Account for investment in a new Segment will remain in the Holding Account until such time when the CRA requirement is satisfied.

- The applicable Growth Cap Rate must be greater than the sum of 1+2+3+4 where:
  - 1) is the annual interest rate currently being credited to the unloaned GIO
  - 2) is the Variable Index Benefit Charge rate
  - 3) is the annualized monthly Variable Index Segment Account Charge rate; and
  - 4) is the current annualized M&E Risk Charge rate

- It must be determined that it is not necessary that a distribution from the policy occur during a Segment Term in order for the policy to continue to qualify as life insurance under applicable tax law, and
- The total amount allocated to all individual Segments under the policy on such date must be less than any limit we may have established. Currently there is no such limit.
- If each of the requirements listed above have been satisfied on the Segment Start Date, the amount in the Holding Account, net of the Variable Index Benefit Charge (0.75%) and any amount transferred to the unloaned GIO for the purpose of establishing or supplementing the Charge Reserve Amount is swept into a new Segment.
- If **any** of the necessary requirements have not been satisfied on the Segment Start Date:
  - The funds in the Holding Account will not be swept into a new Segment
  - Instead, the funds will remain in the Holding Account until each of the requirements is satisfied on the next available Segment Start Date, or until the policy owner transfers out of the Holding Account into the variable investment options or the unloaned GIO, and
  - *A letter will be sent to the policy owner to notify them that it was not possible to establish a new Segment.*

### ***On the Segment Start Date***

- 100% of each monthly deduction will be taken from the unloaned GIO to the extent there are sufficient funds available there.
- The current (non-guaranteed) Growth Cap Rate (GCR) is declared by the issuing company based on future anticipated or emerging experience, including a variety of economic parameters at the Segment Start Date, such as interest rates and equity market volatility.
- The guaranteed minimum GCR in any year will never be less than 6%.

#### **GROWTH CAP RATE**

- The GCR is the maximum rate of return any Segment can earn.
- The issuing company declares a current (non-guaranteed) GCR for each Segment on its Segment Start Date.
- The policy owner may specify a Threshold GCR below which a segment will not be established.
- The GCR that is applicable to any segment will be the greater of the current (non-guaranteed) GCR declared for that Segment and the guaranteed minimum GCR shown in the policy for the applicable policy duration.



The Charge Reserve Amount is calculated. Any amount necessary to establish or supplement the Charge Reserve Amount will be transferred to the unloaned GIO to cover the estimated monthly deductions during the Segment Term on the Segment Start Date.

- The calculation of the CRA assumes that no interest or investment performance is credited to or charged against the Policy Account, and that no policy changes or additional premium payments are made.

**The CRA is RECALCULATED in the following situations:**

- On each Segment Start Date, and
- On the effective date of any requested Face Amount Increase.

**The CRA is NOT RECALCULATED in the following situations:**

- If a policy is on disability waiver claim (DDW or DPW) while any segment is in effect
- On the effective date of any Face Amount Decrease
- Death Benefit Option Changes (B to A, A to B), and
- On the effective date of any policy change except a requested face amount increase.

- On any day other than a Segment Start Date (or the effective date of a requested face amount increase), the CRA will be determined as of the latest Segment Start Date (or effective date of a requested face amount increase) reduced by each subsequent monthly deduction during the longest remaining Segment Term, although it will never be less than zero.
- A calculation will be performed to determine if a current or future guideline force-out will be required from the policy during the one-year Segment Term to maintain its qualification as life insurance under applicable tax law (IRC Section 7702), if applicable. A new Segment will not be established if it is determined that a current or future guideline force-out is required.

### *During a Segment Term*

- If a policy loan, policy distribution, or monthly deduction is allocated to a Segment, there will be a corresponding Market Value Adjustment (MVA) to the Segment Account that will generally further reduce the Segment Account and its Segment Maturity Value.
- An MVA will also affect the amount a policy owner would receive if the policy were surrendered prior to Segment maturity.

- A portion of the Variable Index Benefit Charge (0.75%) corresponding to the amount of the surrender or reduction and the time remaining until Segment Maturity will be refunded as part of the MVA. The refund will increase the surrender value or the amount remaining in the Segment that would otherwise be applicable, as appropriate.
- If an insured dies during a Segment Term, a negative MVA will not apply due to such death.

**The MSO Segments will be subject to an MVA if:**

- The policy is surrendered prior to Segment maturity
- Any portion of a policy loan, policy distribution, or monthly deduction is allocated to a Segment during a Segment Term
- The Living Benefits Rider (LBR) is exercised and any portion of the LBR lien is allocated to a Segment during a Segment Term
- The Long-Term Care Services<sup>SM</sup> Rider (LTCSR) has been exercised and the insured comes off claim, and
- The Paid-Up Death Benefit Guarantee, the Loan Extension Endorsement or the Policy Continuation Rider is exercised during any Segment Term.

See Appendix D and E for additional information regarding the calculation of the Market Value Adjustment.

### *Segment Maturity*

- The date on which a Segment Term is completed is the Segment Maturity Date. Each Segment matures approximately one-year from the third Friday of the month in which the segment was established.
- It is common for Segment Maturity Dates to be different from Policy Anniversary Dates and monthly processing dates.
- The Index Performance Rate is calculated at Segment maturity. The Annual Point-to-Point method is used to determine the Index Performance Rate. This method compares the values of the index at the Segment Start Date and the Segment Maturity Date to determine the Index Performance Rate.

**The ANNUAL POINT-TO-POINT METHOD compares the index values on the Segment Start Date and Segment Maturity Date to calculate the Index Performance Rate:**

- If the policy is surrendered or terminates before the Segment Maturity Date, the policy owner will not participate in any positive performance of the index, or receive any "Downside Protection."
  - If the value of the index has increased throughout the Segment Term, the Index Performance Rate may be negative if the index declines dramatically on the Segment Maturity Date.
  - The opposite may also be true if the value of the index has declined throughout the Segment Term, and then it increases dramatically on the Segment Maturity Date.
- When a Segment matures, the performance of the index during the Segment Term, which excludes dividend earnings, is used to determine the Index-Linked Rate of Return, which will not exceed the applicable Growth Cap Rate for the Segment. Additionally, the Index-Linked Rate of Return may be subject to the Downside Protection feature (i.e., the Segment Loss Absorption Threshold Rate).
  - The value in the Segment Account must remain there until the Segment matures in order to receive the Index-Linked Return, which may be positive, negative or zero, resulting in an increase, decrease, or no change to the Policy Account.

**SEGMENT MATURITY VALUE**

- If no election is provided, the Segment Maturity Value will be reallocated to a new segment of the Market Stabilizer Option automatically.
- If the Segment Maturity Value is reallocated to the Market Stabilizer Option, it will be transferred to the Holding Account and swept into a new Segment on the next available Segment Start Date, after any transfer to meet the CRA requirement and deduction of the Variable Index Benefit Charge (0.75%).
- If less than 100% of the Maturity Value is rolled over to a new segment, the total percentage of the policy account value allocated to the MSO will continually decrease as future rollovers occur, assuming all other factors are held equal.

For example, a maturity allocation of 50% to the MSO means that 50% of the original MSO allocation will be rolled over in policy year 2 but only 25% (50% X 50%) of the original MSO allocation will be rolled over in policy year 3.

## Administration

**E-Forms for Life:** E-Forms for Life is an intuitive online tool enabling you to complete, sign and submit Life Insurance applications electronically, practically eliminating errors and omissions. E-Forms also ensures the correct version of forms are used, reducing follow-up requirements and improving policy issue turnaround. VUL Incentive Life Protect<sup>SM</sup>, VUL Optimizer<sup>®</sup>, and VUL Legacy<sup>®</sup> are among the products supported by E-Forms. COIL Institutional Series<sup>SM</sup> is not available on E-Forms for Life. If you have any questions, send an e-mail to [E-Forms For Life Feedback@equitable.com](mailto:E-Forms_For_Life_Feedback@equitable.com).

**Free-Look Processing:** During the free-look period, the client has the right to cancel the policy and return it for a refund. The refund amount is either the accumulated value or the premium paid, depending on the state where the client signed the application.

- **Premium Refund States:** Premium Refund states require a refund of any premiums paid less any loan and accrued loan interest. In these states, the money market lock-in period applies.

### **Processing in Premium Refund States for VUL Incentive Life Protect<sup>SM</sup>, VUL Legacy<sup>®</sup> & VUL Optimizer<sup>®</sup>**

- Any amounts allocated to the MSO will first be allocated to the EQ/Money Market variable investment option as of the later of a) the investment start date, or b) the policy issue date, for 20 days (which is the money market lock-in period).
- If a policy is issued as a result of a replacement these funds will remain in the EQ/Money Market portfolio as described above, for 30 days. However, if we have not received all necessary requirements to put the policy in force as of the Issue Date, the period of time during which amounts allocated to the EQ/Money market option will remain in that option will begin on the date we receive all necessary requirements to put the policy in force at our Administrative Office.
- On the business day following the end of the money market lock-in period, the funds will be transferred from the EQ/Money Market portfolio into the Holding Account and a new Segment will be established on the next available Segment Start Date, subject to meeting the requirements to start a new Segment.

### **Processing in Premium Refund States for COIL Institutional Series<sup>SM</sup>**

- Any amounts allocated to the MSO will first be allocated to the EQ/Money Market variable investment option as of the later of a) the business day that coincides with or next follows the end of the Free-Look period (e.g., 10 days from the signed date on the Delivery Receipt); and b) the business day the Delivery Receipt is received in our Administrative Office.
- If a policy is issued as a result of a replacement these funds will remain in the EQ/Money Market portfolio as described above, for a longer period based on state requirements.
- On the business day that coincides with or next follows the end of the Free-Look Period, the amount will be transferred from the EQ/Money Market variable investment option into the MSO

Holding Account, and a new segment will be established on the next available segment start date, subject to satisfying the necessary requirements.

- **Accumulated Value Refund States:** Accumulated Value Refund states permit a refund of the accumulated value, which equals the policy account value, plus any monthly deductions – including the M&E charge – and any charges deducted from premiums, less any loan and accrued loan interest. In these states, the premiums will immediately be allocated to the investment options in accordance with the application instructions.

**Processing for Accumulated Value Refund States for  
VUL Incentive Life Protect<sup>SM</sup>, VUL Legacy<sup>®</sup> & VUL Optimizer<sup>®</sup>**

- Any amounts allocated to the MSO will be allocated to the Holding Account as of the investment start date for 20 days.
- If a policy is issued as a result of a replacement, these funds will remain in the Holding Account, for 30 days (45 days in Pennsylvania). (In California, if the policy is issued as a result of a replacement or if you are age 60 or older, such portion of your Policy Account allocated to the Market Stabilizer Option<sup>®</sup>, will be allocated to the Market Stabilizer Option<sup>®</sup> Holding Account and held for 30 calendar days.) However, if we have not received all necessary requirements to put the policy in force as of the Issue Date, the period of time during which amounts allocated to the MSO will remain in the Holding Account will begin on the date we receive all necessary requirements to put the policy in force at our Administrative Office.
- On the next Segment Start Date, the funds will be swept into a new Segment from the Holding Account, subject to the necessary requirements.

**Processing for Accumulated Value Refund States for  
COIL Institutional Series<sup>SM</sup>**

- Any amounts allocated to the MSO will be allocated to the Holding Account as of the investment start date until the Free-Look Period ends.
- If a policy is issued as a result of a replacement, these funds will remain in the Holding Account, for a longer period based on state requirements.
- On the next Segment Start Date, the funds will be swept into a new Segment from the Holding Account, subject to the necessary requirements.

***Inforce Administration Policy Owner Communications***

Policy owners will receive notice from the company for certain transactions involving the MSO. FPs will receive a copy of any notice sent to their client. The items that require policy owner notification are summarized in the table below:

Correspondence Item	Transaction/Event	Generated
Confirmation Notice	Premium payment designated for the MSO and allocated to the Holding Account	Date of the premium payment
Confirmation Notice	Transfer from the unloaned GIO or variable investment options into the Holding Account	Date of the transfer
Confirmation Notice	Transfer to the unloaned GIO to cover the Charge Reserve Amount and deduction of the Variable Index Benefit Charge	On the Segment Start Date
Confirmation Notice	Transfer from the Holding Account to a new Segment	On the Segment Start Date
Confirmation Notice	Transfer of Segment Maturity Value	On the Segment Maturity Date
Confirmation Notice	Loans and loan repayments including loan interest capitalization	On the effective date of the loan or loan repayment
Letter	Notice to the policy owner of an upcoming segment maturity date	45 days prior to the Segment Maturity Date
Letter	Notice to the policy owner that a new Segment was not established	On the Segment Start Date
Policy Annual Report	Summary of policy activity during the policy year, including a summary of both active and matured Segments.	One day prior to the policy anniversary

### *Inter-fund Transfers, Policy Loans and Partial Withdrawals*

Policy owners may access policy account values through policy loans and partial withdrawals. In addition, a policy owner may choose to transfer their Policy Account Value amongst the investment options available under the base policy. The MSO has certain limitations and restrictions that impact each of these transactions.

Inter-fund Transfers and Partial Withdrawals are not permitted from an existing Segment prior to its Segment Maturity Date.

**Inter-fund Transfers:** Inter-fund transfers to or from the variable investment options or the unloaned GIO into the Holding Account are permitted at any time **prior** to a Segment Start Date, subject to our normal rules regarding the timing of transfers from the unloaned GIO.

- Once the amount in the Holding Account has been swept into a Segment, inter-fund transfers into or out of an existing Segment prior to its Segment Maturity Date will not be permitted.

- The amount available for inter-transfers from the unloaned GIO will exclude any Charge Reserve Amount, while any Segment is in effect and has not yet reached its Segment Maturity Date.
- The \$25 guaranteed maximum charge for transfers does not apply to the following transfers:
  - Transfers of the Segment Maturity Value to the investment options or to a new Segment of the MSO
  - Transfers from the Holding Account into a new Segment, and
  - Transfers from the variable investment options to the unloaned GIO to meet the Charge Reserve Amount requirement.

**Partial Withdrawals:** A partial withdrawal is not permitted from the policy account value in a segment during a segment term. However, for all products except COIL Institutional Series<sup>SM</sup>, a partial withdrawal may be requested from the value in the variable investment options and the unloaned GIO, excluding any Charge Reserve Amount. For COIL Institutional Series<sup>SM</sup> policies, the withdrawal will be allocated proportionally from values in the unloaned GIO (excluding the CRA) and the values in the variable investment options, including the MSO Holding Account.

The Charge Reserve Amount will reduce the amount available for a partial withdrawal from the unloaned GIO while any Segment is in effect.

**Policy Loans (VUL Incentive Life Protect<sup>SM</sup>, VUL Legacy<sup>®</sup> & VUL Optimizer<sup>®</sup> only):** The policy owner may specify how much of a requested loan is to be allocated to their value in the MSO, the unloaned portion of the GIO, and the variable investment options.

Any portion of a policy loan allocated to the MSO Segments will be subject to a corresponding Market Value Adjustment, which will generally reduce the segment account in addition to the amount of the policy loan.

**Therefore, a policy owner may wish to avoid allocating any portion of a policy loan to the MSO.**

Refer to the product prospectus for loan interest rates. The guaranteed maximum loan spread is generally 1% in all years. However, for any loan amount allocated to the Segments of the MSO, the guaranteed maximum loan spread is 5%.

**Policy Loans (COIL Institutional Series<sup>SM</sup> only):** For COIL Institutional Series<sup>SM</sup>, the loan will be taken proportionally from the unloaned GIO (excluding the CRA) and the variable investment options, including the MSO Holding Account.

If the unloaned GIO (excluding the remaining amount of the CRA), together with the variable investment options and any value in the MSO Holding Account, are insufficient to cover the loan in its entirety, the remaining amount of the loan will be allocated to the individual Segments proportionally, based on current Segment Values.

If the unloaned GIO (excluding the remaining amount of the CRA), together with the variable investment options, any value in the MSO Holding Account and the Segment Values, are still insufficient to cover the loan in its entirety, the remaining amount of the loan will be allocated to the unloaned GIO including the Charge Reserve Amount. This will reduce or eliminate the remaining Charge Reserve Amount.

Any portion of a policy loan allocated to the MSO Segments will be subject to a corresponding Market Value Adjustment, which will generally reduce the segment account in addition to the amount of the policy loan.

**Therefore, a policy owner may wish to avoid taking a policy loan that would invade a segment of the MSO.**

Refer to the product prospectus for loan interest rates. The guaranteed maximum loan spread is generally 1% in all years. However, for any loan amount allocated to the Segments of the MSO, the guaranteed maximum loan spread is 5%.

**Face Amount Increases:** If a policy owner requests a face amount increase during a Segment Term, the usual conditions for a face amount increase will apply. In addition, the Charge Reserve Amount will be recalculated on the effective date of the increase.

If the unloaned GIO is not sufficient to cover the monthly deductions during the longest remaining Segment Term, it will need to be supplemented. The transfer, if necessary, will take effect on the effective date of the face amount increase.

- The supplemental amount will be transferred from the variable investment options, including the Holding Account, to the unloaned GIO in accordance with the policy owner's existing transfer instructions, if any, or those provided at the time the increase was requested for all products except COIL Institutional Series<sup>SM</sup>.



- If transfer instructions have not been provided, if we cannot make the transfer due to insufficient funds or for all COIL Institutional Series<sup>SM</sup> policies, we will make the transfer pro-rata from any value in the variable investment options, including the Holding Account.

If the Charge Reserve Amount requirement cannot be satisfied on the effective date of the increase, the requested Face Amount Increase will be declined.

**Asset Rebalancing and Automatic Transfer (Dollar Cost Averaging) Services:** The Market Stabilizer Option is not an available investment option with the Asset Rebalancing Service. The Asset Rebalancing Service allows a policy owner to periodically redistribute amounts in the variable investment options in order to maintain an asset allocation.

The MSO is an available investment option with the Automatic Transfer Service. The Automatic Transfer Service allows a policy owner to make monthly transfers automatically from the EQ/Money Market variable investment option to the other variable investment options available under the policy. If the MSO is selected as an available fund with Automatic Transfer Service, the amount transferred from the EQ/Money Market variable investment option will be allocated directly into the Holding Account prior to a Segment Start Date. All requirements to start a new Segment must also be satisfied. COIL Institutional Series<sup>SM</sup> policies are subject to a 50% allocation limit to MSO for the Automatic Transfer Service.

## Key Terms and Components

(In Alphabetical Order)

**Annual Point-to-Point Method:** This is the method used to determine the performance of the index during a Segment Term by comparing the values of the index at the Segment Start Date and the Segment Maturity Date.

**Charge Reserve Amount (CRA):** The CRA is a required minimum amount that must be present in the unloaned GIO at the beginning of each Segment Term, or on the effective date of any requested face amount increase. The CRA is projected to be sufficient to cover all monthly deductions for the longest remaining Segment Term. If the amount already in the unloaned GIO is not sufficient to satisfy this requirement on a Segment Start Date, it will be supplemented via transfers from the variable investment options.

**Growth Cap Rate:** This is the ceiling, or cap, on the Index-Linked Rate of Return and represents the maximum rate of return each individual Segment Account can earn at maturity. The current (non-guaranteed) Growth Cap Rate will be set on the Segment Start Date of each Segment and is guaranteed not to change for the duration of the Segment Term. The current (non-guaranteed) GCR is likely to vary for each Segment that is established but is guaranteed to be at least 6%.

**Holding Account:** This is a portion of the EQ/Money Market variable investment option that retains funds invested in the MSO prior to being transferred into a new Segment (i.e., prior to the Segment Start Date).

**Index-Linked Rate of Return:** Expressed as a percentage, this rate is equal to the Index Performance Rate multiplied by the Participation Rate, not to exceed the Growth Cap Rate. In addition, the Index-Linked Rate of Return will be subject to the Downside Protection (Segment Loss Absorption Threshold Rate) for any negative performance of the index up to negative 25% during the Segment Term. The Index-Linked Rate of Return is applied to the Segment Account and is calculated at Segment maturity.

**Index-Linked Return:** This is the dollar amount that is added to, or subtracted from the Segment Account on the Segment Maturity Date. This amount is equal to the Index-Linked Rate of Return multiplied by the Segment Account on the Segment Maturity Date. The Index-Linked Return may be positive, zero, or in certain circumstances negative, resulting in an increase, no change, or a decrease to the Policy Account Value allocated to a Segment.

**Index Performance Rate:** This measures the percentage change in the index during each Segment Term. It is the rate of return resulting from dividing the closing value of the index on the Segment Maturity Date by the closing value of the index on the Segment Start Date, minus one.

**Initial Segment Account:** This is the initial amount that is transferred from the Holding Account into a new Segment on the Segment Start Date, net of the Variable Index Benefit Charge, subject to satisfying the necessary requirements to establish a new segment as described on page 17.

**Market Value Adjustment (Early Distribution Adjustment):** This is an adjustment made to any Segment to determine the value a policy owner will receive if the policy is surrendered prior to the Segment Maturity Date. In addition, if any portion of a policy loan, policy distribution, or monthly deduction is allocated to a Segment prior to the Segment Maturity Date a Market Value Adjustment will generally further decrease the policy values. The Market Value Adjustment is also referred to as “Early Distribution Adjustment” in the prospectus.

**Participation Rate:** This is the percentage of the Index Performance Rate (e.g., the performance of the index during a Segment Term) used in the calculation of the Index-Linked Return on the Segment Maturity Date. The participation rate is guaranteed to be 100% in all policy years.

**Put Option Factor:** The Put Option Factor is one of the factors used to determine the amount of the Market Value Adjustment. On any date, the Put Option Factor represents the value on that date of a put option on the index having a notional value equal to \$1 and strike price at Segment maturity equal to \$0.75 (\$1 plus the Segment Loss Absorption Threshold Rate (i.e., the Downside Protection) which is negative 25%). The strike price of the option represents the policy owner’s exposure to negative performance of the index at Segment maturity. A Fair Market Value methodology is used to determine the Put Option Factor. See the prospectus for additional information regarding the Put Option Factor.

**Segment:** A portion of the total investment in the MSO that is associated with a specific Segment Start Date and Segment Maturity Date. A new Segment is established each time an amount is transferred from the Holding Account into a Segment Account, subject to satisfying all of the requirements described in the [Segment Creation](#) section.

**Segment Account:** The Segment Account represents the amount that is subject to the Downside Protection against negative performance of the index (i.e., the Segment Loss Absorption Threshold) on the Segment Maturity Date. This is the Initial Segment Account subsequently reduced by any monthly deductions, policy loans (including any unpaid loan interest), and guideline premium force-outs, which are allocated to the Segment, *if applicable*. Any reduction in a Segment Account prior to its Segment Maturity Date will result in a corresponding Market Value Adjustment. The Segment Account is used in the calculation of policy account values, death benefits, the net amount at risk, and the new base policy face amount associated with a requested change in death benefit option.

**Segment Loss Absorption Threshold Rate (Downside Protection):** This is the Downside Protection against negative performance of the index during a Segment Term that will be absorbed under the MSO with no resulting reduction in the Segment Maturity Value (and Policy Account) for a Segment held until its Segment Maturity Date. The Segment Loss Absorption Threshold Rate is negative 25% and is shown in the policy information section of the policy form. For IL 2000, IL Plus and IL 99, this rate is shown in the Policy Addendum. The Segment Loss Absorption Threshold Rate is also referred to as Downside Protection in the MSO prospectus.

**Segment Maturity Date:** Each Segment will have a Segment Maturity Date of one year from the date the Segment is established (i.e., the Segment Start Date). This is the date on which the Segment Term is completed, and the Index-Linked Return for that Segment is added to, or subtracted from its Segment Account.

**Segment Maturity Value:** This is an amount equal to the Segment Account plus or minus the Index-Linked Return for that Segment as determined on the Segment Maturity Date.

**Segment Start Date:** This is the date on which a new Segment is established. Each Segment will have a Segment Start Date of the third Friday of each calendar month.

**Segment Term:** The term for each Segment begins on its Segment Start Date and ends on its Segment Maturity Date and is approximately one-year in duration.

**Segment Value:** The Segment Value represents an amount a policy owner would receive if the policy were surrendered at any time prior to its Segment Maturity Date. The Segment Value is an amount equal to the Segment Account minus the Market Value Adjustment during a Segment Term, at any time prior to its Segment Maturity Date. While any Segment is in effect, the Segment Value will be used in calculating the amount of the Policy Account Value and Net Policy Account Value available for monthly deductions, proportionate surrender charges associated with requested face amount reductions, other distributions, Cash Surrender Value (subject to any applicable base policy surrender charge), Net Cash Surrender Value, maximum loan value, and in determining whether any outstanding policy loan and accrued loan interest exceeds the Policy Account Value.

**Variable Index Benefit Charge:** An up-front charge of 0.75% (on a guaranteed and non-guaranteed basis) deducted on each Segment Start Date from the amount being transferred from the Holding Account into a new Segment.

**Variable Index Segment Account Charge:** A current (non-guaranteed) charge of 0.40% (effective annual rate) of the current Segment Account deducted from the policy account on a monthly basis during the Segment Term. This charge is guaranteed to never exceed 1.65% (effective annual rate) of the current Segment Account.

## Appendix A

While any Segment of the MSO is in effect under the policy, allocations (if applicable) for monthly deductions, policy distributions, and policy loans differ from those of the base policy. The default allocation procedures for the Charge Reserve Amount, monthly deductions, policy loans, and policy distributions required under applicable tax law are specified below.

**Charge Reserve Amount:** The Charge Reserve Amount is calculated on each Segment Start Date and on the effective date of any requested face amount increase. Any amounts necessary to supplement the unloaned GIO in order to meet the CRA requirement on such dates will be transferred from the values in the variable investment options, including any value in the Holding Account.

If directions for such a transfer are not specified by the policy owner if we are unable to make such a transfer based on the directions provided, or if the policy is COIL Institutional Series<sup>SM</sup>, the funds will be transferred pro-rata from the values in the variable investment options, including any value in the Holding Account.

Any transfer made to supplement the unloaned GIO in order to meet the Charge Reserve Amount requirement as described above will not be subject to the \$25 guaranteed maximum transfer charge.

**Monthly Deductions:** For all products except COIL Institutional Series<sup>SM</sup>, the MSO monthly deduction allocation rules differ from those of the base policy. Any existing base policy monthly deduction allocation percentages will be changed beginning on a Segment Start Date so that 100% of the monthly deductions will be taken from the unloaned portion of the GIO, to the extent it is sufficient to cover them.

For COIL Institutional Series<sup>SM</sup>, 100% of the monthly charges will be deducted from the unloaned GIO during a Segment Term rather than taken pro-rata from the values in the variable investment options. Although the unloaned GIO will be at least equal to the CRA on the Segment Start Date (or on the effective date of any requested face amount increase), the CRA may not remain sufficient to cover the actual monthly deductions during a Segment Term. The monthly deductions may vary due to:

- Any requested policy changes,
- Any requested policy loans,
- Partial withdrawals from the unloaned GIO or base policy variable investment options,
- Additional premium payments,
- Investment performance of the base policy variable investment options, and
- Any changes to current (non-guaranteed) policy charges.

**If the unloaned portion of the GIO is insufficient to cover the monthly deductions during a Segment Term, the remaining amount, if any, will be deducted as follows:**

1. Pro-rata from the values in the variable investment options, including any value in the Holding Account.
2. The remaining amount, if any, will be allocated to each individual Segment on a pro-rata basis and the Segment Account will be subject to a corresponding MVA.

**Policy Loans:** While any Segment of the MSO is in effect, any portion of a requested policy loan allocated (if applicable) to the MSO will be deducted "pro-rata" from the Holding Account and the individual Segments, based on any values in the Holding Account and the current Segment Value of each individual Segment.

**The default loan allocation (if applicable) while any Segment is in effect differs from that of the base policy. If a loan allocation is not specified by the policy owner or, if we are unable to make the loan based on the requested loan allocation, or if the policy is COIL Institutional Series<sup>SM</sup>, the loan will be allocated as follows:**

1. The loan will be deducted pro-rata from any value in the variable investment options, including any value in the Holding Account, and the unloaned portion of the GIO, excluding any remaining Charge Reserve Amount.
2. The remaining amount, if any, will be allocated to each individual Segment on a pro-rata basis and the Segment Account will be subject to a corresponding Market Value Adjustment.
3. The remaining amount, if any, will be allocated to the unloaned portion of the GIO, including any remaining Charge Reserve Amount. The funds in the unloaned GIO, which might otherwise be covering the Charge Reserve Amount, will be reduced and may be depleted.

**Policy Loan Repayments:** If any portion of a loan has been allocated to the Segments of the MSO, any loan repayments will first reduce any portion of the outstanding loan that is subject to the higher loan interest spread. Any amount borrowed from the GIO will be repaid first. For all products except COIL Institutional Series<sup>SM</sup>, loan repayments in excess of this amount may be allocated based on the policy owner's direction. If the policy owner does not provide instructions, the loan repayment will be allocated per the premium allocation then in effect. For COIL Institutional Series<sup>SM</sup>, loan repayments in excess of this amount will be allocated per the premium allocation then in effect.

This is favorable to the policy owner because it will reduce or eliminate any portion of a loan subject to the higher guaranteed maximum loan spread (5% in all states) for any loan amount allocated to the Segments of the MSO, if applicable.

At the time a loan repayment is processed, funds in the loaned portion of the GIO are moved to the unloaned portion of the GIO. Therefore, any loan repayment will first be allocated to the GIO until the policy owner has repaid any loaned amounts that were allocated to the GIO. Loan repayments may be allocated to the variable investment options, the unloaned GIO, and the MSO according to the rules for the base policy.

**Policy Distributions (To Comply with Applicable Tax Law):** A distribution from the policy may become necessary during a Segment Term in order for the policy to continue to qualify as life insurance under applicable tax law. For example, a guideline premium force-out may be required if a requested policy change causes the guideline premium limit to decrease.

**If a distribution becomes mandatory in order for the policy to continue to qualify as life insurance under applicable tax law during a segment term, the distribution will be allocated as follows:**

1. The required distribution will be deducted pro-rata from any value in the variable investment options, including any value in the Holding Account, and the unloaned portion of the GIO, excluding any remaining Charge Reserve Amount.
2. The remaining amount, if any, will be allocated to each individual segment on a pro-rata basis and the Segment Account will be subject to a corresponding Market Value Adjustment.
3. The remaining amount, if any, will be allocated to the unloaned portion of the GIO, including any remaining Charge Reserve Amount. The funds in the unloaned GIO, which might otherwise be covering the Charge Reserve Amount, will be reduced and may be depleted.

## Appendix B | Maturity Value Calculation

- The Index Performance Rate is calculated at segment maturity. The Annual Point-to-Point method is used to determine the Index Performance Rate and compares the values of the index at the Segment Start Date and the Segment Maturity Date to determine the Index Performance Rate.
- Expressed as a percentage, the Index-Linked Rate of Return is a rate that is equal to the Index Performance Rate multiplied by the Participation Rate, subject to the applicable Growth Cap Rate and Downside Protection (Segment Loss Absorption Threshold Rate), as applicable. The Index-Linked Return is expressed as a dollar amount and is equal to the Index-Linked Rate of Return multiplied by the Segment Account on the Segment Maturity Date. The Index-Linked Return is the dollar amount that is added to the Segment Account to determine the Segment Maturity Value.
- The Segment Maturity Value equals the Segment Account plus or minus the Index-Linked Return for that Segment. Since the Index-Linked Return may be positive, zero, or in certain circumstances negative, the result may be an increase, no change, or a decrease to the Policy Account Value. The Segment Maturity Value is not added to or subtracted from the policy account value prior to Segment maturity.

How to calculate the Segment Maturity Value
Step 1: Index Performance Rate = $(b/a) - 1^*$
Step 2: Index-Linked Rate of Return = (Participation Rate) x (Index Performance Rate)**
Step 3: Index-Linked Return = (Index-Linked Rate of Return) x (Segment Account)***
Step 4: Segment Maturity Value = (Segment Account) + (Index-Linked Return)

\* (a) Is equal to the value of the Index at the close of business on the Segment Start Date

(b) Is equal to the value of the Index at the close of business on the Segment Maturity Date

\*\* The Index-Linked Rate of Return will not exceed the Growth Cap Rate and may be subject to the Downside Protection feature of the MSO (i.e., the Segment Loss Absorption Threshold Rate).

\*\*\* The Index-Linked Return may be positive, zero, or in certain circumstances, negative.



## Appendix C | MSO Interaction with Other Riders

The Market Stabilizer Option may be impacted if other riders or benefits available with the base variable life policy are exercised.

**Paid-Up Death Benefit Guarantee Endorsement:** The Paid Up Death Benefit Guarantee, once exercised, will cause all riders and endorsements to terminate, including the Market Stabilizer Option®. In addition, once the Paid Up Death Benefit Guarantee is exercised, the investment options are limited to the Equitable Allocation portfolios and the unloaned GIO. On the date that the Paid Up Death Benefit Guarantee is exercised, the Segment Value in any Segment will be transferred automatically to the unloaned GIO and the Equitable Allocation portfolios as specified by the policy owner, and any Segment Account will be subject to a corresponding Market Value Adjustment.

**Loan Extension Endorsement:** The Loan Extension Endorsement when activated will cause all riders and endorsements to terminate, including the Market Stabilizer Option®. In addition, any values in the variable investment options, including the Holding Account, and the Segment Values will be transferred automatically to the unloaned GIO. Any Segment Account will be subject to a corresponding Market Value Adjustment.

**Long Term Care Services<sup>SM</sup> Rider:** A lien is established whenever benefits are paid under the Long-Term Care Services<sup>SM</sup> Rider. The amount of this lien will equal the cumulative amount of rider benefits paid (including any loan repayments) while on claim. If the insured comes off claim, any segments then in effect will be terminated subject to a corresponding Market Value Adjustment of the Segment Account(s). The Segment Values will then be reallocated to the variable investment options and the unloaned GIO based on the premium allocation percentages on record.

**Living Benefits Rider:** When exercised, the Living Benefits Rider allows a policy owner to receive a portion of the policy's Death Benefit if the insured is diagnosed as terminally ill with, generally, no more than twelve months to live. In addition, interest is charged on any LBR payment, and on any unpaid premium that is advanced after an LBR payment. The LBR payment and accrued interest is treated as a lien against the policy values.

The portion of the cash surrender value that is on lien and is allocated to variable investment options and the Market Stabilizer Option will be transferred to, and maintained as part of the unloaned portion of the GIO. Any portion of the lien allocated to the MSO will be deducted from the Holding Account and each Segment on a pro-rata basis. Any portion of the lien allocated to an individual Segment will cause a corresponding Market Value Adjustment of the Segment Account.

**Substitution of Insured Rider:** If the SOI rider is exercised, the amount of the monthly deductions may increase due to the characteristics of the new insured. If any Segment is in effect, the Charge Reserve Amount may become insufficient due to the change of the insured. Consequently, the amount in the unloaned GIO may need to be supplemented to meet the Charge Reserve Amount requirement. The Charge Reserve Amount will not be re-calculated until the next available Segment Start Date.

**Disability Riders:** If monthly deductions or premiums are being waived under the Disability Waiver of Monthly Deductions Rider (DDW) or the Disability Rider Waiver of Premium or Monthly Deductions Rider (DPW) the Charge Reserve Amount will be calculated on each Segment Start Date and will decrease each month as if the monthly charges are being deducted on each monthiversary (e.g., as if monthly deductions or premium payments are not being waived under the DDW or DPW rider). In addition, the Variable Index Benefit Charge (0.75%) will continue to be deducted on each Segment Start Date while a policy is on DDW or DPW claim.

**Policy Continuation Rider:** If the Policy Continuation Rider is exercised, the MSO investment option will no longer be available. All segments will immediately terminate and will be subject to a Market Value Adjustment.

# Appendix D | Hypothetical\* Market Value Adjustment

## (Early Distribution Adjustment) Example I

Examples of Market Value Adjustment to determine Segment Value			
Division of MSO into Segments	Segment 1:	Segment 2:	Total
Start Date	3 <sup>rd</sup> Friday of January, Calendar Year Y	3 <sup>rd</sup> Friday of July, Calendar Year Y	
Maturity Date	3 <sup>rd</sup> Friday of January, Calendar Year Y+1	3 <sup>rd</sup> Friday of July, Calendar Year Y+1	
Segment Term	1 year	1 year	
Valuation Date	3 <sup>rd</sup> Friday of October, Calendar Year Y	3 <sup>rd</sup> Friday of October, Calendar Year Y	
Initial Segment Account	1,000.00	1,000.00	2,000.00
Variable Index Benefit Charge	0.75%	0.75%	
Remaining Segment Term	3 months / 12 months = 3/12 = 0.25	9 months / 12 months = 9/12 = 0.75	
Change in Index Value	40%	40%	Total
Put Option Factor	0.000000	0.000140	
Market Value Adjustment	Put Option Component: $1000 * .000000 = 0.00$  Charge Refund Component: $1000 * 0.25 * (0.0075 / (1 - 0.0075)) = 1.89$  Total EDA: $0.00 - 1.89 = -1.89$	Put Option Component: $1000 * 0.000140 = 0.14$  Charge Refund Component: $1000 * 0.75 * (0.0075 / (1 - 0.0075)) = 5.67$  Total EDA: $0.14 - 5.67 = -5.53$	-7.42
Segment Value	$1000 - (-1.89) = 1001.89$	$1000 - (-5.53) = 1005.53$	2,007.42
MVA/Segment Account	$-1.89/1000 = -0.19\%$	$-5.53/1000 = -0.55\%$	
Change in Index Value	10%	10%	Total
Put Option Factor	0.000037	0.003229	
Market Value Adjustment	Put Option Component: $1000 * 0.000037 = 0.04$  Charge Refund Component: $1000 * 0.25 * (0.0075 / (1 - 0.0075)) = 1.89$  Total EDA: $0.04 - 1.89 = -1.85$	Put Option Component: $1000 * 0.003229 = 3.23$  Charge Refund Component: $1000 * 0.75 * (0.0075 / (1 - 0.0075)) = 5.67$  Total EDA: $3.23 - 5.67 = -2.44$	-4.29
Segment Value	$1000 - (-1.85) = 1001.85$	$1000 - (-2.44) = 1002.44$	2,004.29
MVA/Segment Account	$-1.85/1000 = -0.19\%$	$-2.44/1000 = -0.24\%$	
Change in Index Value	-10%	-10%	Total
Put Option Factor	0.003425	0.020673	
Market Value Adjustment	Put Option Component: $1000 * 0.003425 = 3.43$  Charge Refund Component: $1000 * 0.25 * (0.0075 / (1 - 0.0075)) = 1.89$  Total EDA: $3.43 - 1.89 = 1.54$	Put Option Component: $1000 * 0.020673 = 20.67$  Charge Refund Component: $1000 * 0.75 * (0.0075 / (1 - 0.0075)) = 5.67$  Total EDA: $20.67 - 5.67 = 15.00$	16.54
Segment Value	$1000 - 1.54 = 998.46$	$1000 - 15.00 = 985.00$	1,983.46
MVA/Segment Account	$1.54/1000 = 0.15\%$	$15.00/1000 = 1.50\%$	
Change in Index Value	-40%	-40%	Total
Put Option Factor	0.152132	0.163397	
Market Value Adjustment	Put Option Component: $1000 * 0.152132 = 152.13$  Charge Refund Component: $1000 * 0.25 * (0.0075 / (1 - 0.0075)) = 1.89$  Total EDA: $152.13 - 1.89 = 150.24$	Put Option Component: $1000 * 0.163397 = 163.40$  Charge Refund Component: $1000 * 0.75 * (0.0075 / (1 - 0.0075)) = 5.67$  Total EDA: $163.40 - 5.67 = 157.73$	307.97
Segment Value	$1000 - 150.24 = 849.76$	$1000 - 157.73 = 842.27$	1,692.03
MVA/Segment Account	$150.24/1000 = 15.02\%$	$157.73/1000 = 15.77\%$	

### Examples of Market Value Adjustment to determine Segment Value

Market Value Adjustment = (Segment Account) x [ (Put Option Factor) - (Number of days between Valuation Date and Maturity Date) / ( Number of days between Start Date and Maturity Date) x ( 0.0075 / (1 - 0.0075)) ]

Segment Value = (Segment Account) - (Market Value Adjustment)

Derivation of Put Option Factor: In practice, the Put Option Factor will be calculated based on a Black Scholes model, with input values that are consistent with current market prices. We will utilize implied volatility quotes - the standard measure used by the market to quote option prices - as an input to a Black Scholes model in order to derive the estimated market prices. The input values to the Black Scholes model that have been utilized to generate the hypothetical examples above are as follows: (1) Implied volatility - 25%; (2) OIS rate corresponding to remainder of segment term - 1.09% annually; (3) Index dividend yield - 2% annually.

## Appendix E: Hypothetical\* Market Value Adjustment

### (Early Distribution Adjustment) Example II

Example of a Market Value Adjustment corresponding to a loan allocated to segments, for the Segment Values and Segment Account listed above for a change in Index Value of -40%.

**Loan Amount:** 750

**Date:** 3<sup>rd</sup> Friday of October, Calendar Year Y

Explanation of formulas below.

Change in Index Value	-40%	-40%	Total
Loan Allocation	$750 \times 849.76/1,692.03 = 376.66$	$750 \times 842.27/1,692.03 = 373.34$	750
Segment Value after Loan	$849.76 - 376.66 = 473.10$	$842.27 - 373.34 = 468.93$	942.03
Segment Account after Loan	$473.10/(1 - 0.1502) = 556.72$	$468.93/(1 - 0.1577) = 556.73$	1113.45
Market Value Adjustment	$1,000 - 556.72 - 376.66 = 66.62$	$1,000 - 556.73 - 373.34 = 69.93$	136.55

**Loan Allocation:** On pro-rata basis based on Segment Values.

Segment Value after Loan = (Segment Value) - (Loan Allocation)

Market Value Adjustment = (Segment Account before Loan) - (Segment Account after Loan) - (Loan Allocation)

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Actual terms and conditions of VUL Optimizer®, Series 160 are contained in policy form ICC15-100 or 15-100 or state variation.

Actual terms and conditions of VUL Legacy®, Series 160 are contained in policy form ICC09-100 or 09-100 or state variation.

Actual terms and conditions of VUL Incentive Life ProtectSM, Series 164 are contained in policy form ICC09-100 or 09-100 or state variation.

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VUL Incentive Life ProtectSM, VUL Legacy®, VUL Optimizer® and COIL Institutional SeriesSM policies with the Market Stabilizer Option® (MSO) are sold by prospectus. The prospectus contains important information about the policy and the MSO, including investment objectives, risks, expenses, limitations and restrictions. Your clients should read the prospectus and should consider the information carefully before purchasing a policy.

The MSO rider is not available for policies with a contract state of New York. The MSO is not available for new business sales in jurisdictions where the MSO II is available.

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