

BANNER / WILLIAM PENN TERM PORTFOLIO REVISIONS

TO: ALL BANNER AND WILLIAM PENN GENERAL AGENTS
FROM: HANK CUSHARD, VP MARKETING
DATE: MAY 19, 2009

As you should be aware, global credit market dislocation and risk re-pricing has significantly increased the cost of capital – affecting basic pricing, the cost of reinsurance and the cost of financing Triple-X reserves.

Accordingly, effective June 3, 2009, Banner and William Penn will make the following portfolio revisions:

- Increase rates for OPTerm[®] 10, 15, 20 and 30-year level term plans at \$250,000 and above (no change below \$250,000)
- Increase rates for Penn Term 10, 15, 20 and 30-year level term plans at \$250,000 and above (no change below \$250,000)
- Increase the non-commissionable policy fees on all policies from \$50 to \$60
- Reduce compensation on Banner's OPTerm 20 and 30 plans by 5 percent. There will be no change to William Penn compensation.
- Introduce a premium rate band for face amounts between \$50,000 and \$99,999 for both companies, lowering our minimum face amount from \$100,000 to \$50,000 and giving you an outlet for your occasional small case
- Introduce a premium rate band for \$2 million and up (with higher rates than the \$1 million band) that fully reflects the cost of coinsurance in today's credit environment

Banner's Illustration Manager Version 15.1 and William Penn's Illustration Manager Version 6.8 will be updated and available May 20, 2009. To insure the accuracy of illustrations, be sure to download these versions from our website at www.LGAmerica.com.

All applications received in the home office on or before June 2, 2009 will receive the lower, current rates. Applications received on or after June 3, 2009 will receive the new rates. There will be no exceptions to any of our published transition rules, backdating or policy changes as defined in the attached Administrative Guidelines.

Banner and William Penn remain firmly committed to the brokerage distribution channel. With these changes we are still competitive in retail price and total compensation on face amounts up to just under \$2 million. The higher rates at the \$2 million and above band reflect the full cost of coinsurance funding Triple-X reserves.

We intend to stay competitive in all aspects of the term market including price, underwriting and compensation. To accomplish this in the long run, these fiscally responsible pricing changes and structural actions are necessary to reflect the significant changes in the market. Banner and William Penn continue to work to bring these costs down and deliver high value products and services to you and your customers.