

# Participant Loan Agreement

Participant Name \_\_\_\_\_

Contract Number \_\_\_\_\_

Daytime Phone Number \_\_\_\_\_

 Overnight deliveries can be sent to:  
 7805 Hudson Rd, Ste 180, Woodbury MN 55125  
 USA

**Section 1: Loan Limits** (See Section 10 for more information)

1. A participant may have no more than four loans per policy at any one time.
2. Once a loan has defaulted, no further loans will be issued until all defaulted loans have been repaid in full.
3. If the current policy value is greater than or equal to \$20,000 or the policy is part of an ERISA plan, the maximum loan allowable under this agreement is the lesser of: (1) 50% of the vested policy value minus the current loan balance or (2) \$50,000 reduced by the highest loan balance outstanding during the prior 12 months.
4. If the current policy value is less than \$20,000 and is not part of an ERISA plan, the maximum loan allowable under this agreement is the lesser of: (1) \$10,000 minus the current loan balance or (2) 50% of (the vested policy value less loan collateral lien and remaining withdrawal charges).
5. A minimum surrender value of \$1,000 must be maintained.

**Loans you have had in the past 12 months from other employer sponsored retirement plans may count against these limits and may reduce the maximum loan available from your ZALICO annuity. Please check one of the following statements as it applies to you:**

- I have not had any loans outstanding from other employer sponsored retirement plans during the past twelve months.
- I have had an outstanding loan from another employer sponsored retirement plans during the past twelve months. I have completed the attached worksheet on page 3 and hereby certify that the loan amount requested does not exceed aggregate loan limits under IRC Section 72(p).

**Section 2: Loan Amounts** (Minimum Loan is \$1,000)

Loan amount requested:  \$ \_\_\_\_\_  Maximum loan not to exceed limits defined in Section 1  
 (See Section 12 for information on ERISA)

**Section 3: Loan Origination**

Employer Contributions (To be completed by Plan Administrator)

 Are loans allowed from vested employer contributions?  Yes  No

If so, please indicate the percentage vested \_\_\_\_\_%

**Loan Account**

Loans may not be taken from variable subaccounts; therefore it may be necessary to transfer funds from your subaccounts to cover your loan. In the space provided below, please indicate from which subaccounts you would like to transfer funds.

Special note to contract holders: 125% of your outstanding loan balance will be assigned as security for your loan.

**If this section is not completed and a transfer is necessary to secure your loan and accumulated interest, ZALICO will transfer assets to the loan account on a pro-rata basis on your behalf to secure the loan.**

(Indicate Variable Subaccount or General Account)	Dollar (\$) Amount to Transfer or Percentage (%) of Required Transfer From Each Subaccount

**Section 4: Loan Terms**

**Full repayment of all outstanding loans will be due prior to any transfer or rollover to another provider.** Due dates for the quarterly loan repayments are February 1, May 1, August 1 and November 1. (See Section 13 for details). The quarterly loan repayment amount may be calculated using the attached worksheet. By signing this loan agreement, the participant certifies that the loan will be made for the term and reason designated below. Once a term is selected, it cannot be changed.

Check One:  This is a non-home loan to be paid in equal quarterly repayments over 5 years.

This loan will be used to acquire my principal residence. I understand this is NOT a mortgage and that interest on this loan is NOT tax deductible. This loan will be repaid in equal quarterly repayments over: (not greater than 20 years)

- 5 years       10 years       15 years       20 years

### Section 5: Loan Repayment Options

All loan repayments are used to reduce your outstanding loan balance. Following each payment, any loan collateral amount in excess of the remaining loan balance will be allocated according to your future allocations.

**Any repayments allocated to interest bearing accounts will receive the new money rate in effect.**

Loan repayments may be made via electronic debit. To sign up for ZALICO pre-authorized checking program for loan repayments, please complete the **Pre-Authorized Checking (PAC) Agreement Form (ZA-8176)**.

### Section 6: Mailing Instructions (For payee who lives in the USA. If not completed, check will be mailed to the Policy Owner's address of record.)

Mail to:  Participant address of record  Owner address of record

Payee \_\_\_\_\_ Account Number (if any) \_\_\_\_\_

Address/FBO \_\_\_\_\_ Daytime Phone Number \_\_\_\_\_

Street Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Please reduce the amount of my loan check by \$10.00 and express mail the check to the address indicated above. Please note, express mail will not be delivered to a PO Box.

I wish to use Electronic Funds Transfers (Direct Deposit). I authorize ZALICO to correct electronically any overpayment of erroneous credits made to my account. **Please attach a voided check.**

### Section 7: Foreign Wire Instruction (required for payees who live outside the USA)

I (we) live outside of the United States of America. I have completed the form **ZA-2001 International Wire Transfer Authorization** and enclosed it with this form.

Note: Please go to the website <https://www.zurichamericanlifeinsurance.com/> and click on the menu link of Customer Service/ Download Forms to download ZA-2001 form. You can also use Customer Service Phone number 1-800-499-0523 or Fax number 1-866-605-3962 to request the form.

### Section 8: Signatures

The Owner and Participant hereby certify that the information provided in this loan agreement is complete and accurate. The Owner and Participant acknowledge that any loan that is not in compliance with the requirements of Internal Revenue Code Section 72(p) shall be taxable income, and the Owner and Participant accept full responsibility for compliance with its provisions. The Owner and Participant understand that ZALICO accepts no responsibility concerning adherence to these requirements of the loan and agree to hold ZALICO harmless for any liability as a result of this loan. ZALICO recommends that the Owner and Participant consult a tax advisor regarding the tax implications of a loan under this agreement.

By signing below the Owner and Participant certifies that he/she has read and understands the loan agreement and that the loan amount requested in Section 2 is within the prescribed limits of IRC Section 72(p). The Participant also certifies that he/she has fully disclosed all information regarding loans from other employer sponsored retirement plans in determining the overall loan limit under IRC Section 72(p).

**ZALICO suggests that you consult your attorney or tax advisor if you have had a loan outstanding from another employer sponsored retirement plan during the last 12 months**

Owner (print name) \_\_\_\_\_ Owner Signature \_\_\_\_\_ Date \_\_\_\_\_

Name of Participant (if other than owner) \_\_\_\_\_ Participant Signature \_\_\_\_\_ Date \_\_\_\_\_

Plan Administrator (print name) \_\_\_\_\_ Plan Administrator Signature (if any) \_\_\_\_\_ Date \_\_\_\_\_

#### Spousal Consent for Community Property States:

If the plan participant is a resident of AZ, CA, ID, LA, NV, NM, TX, WA or WI, spousal consent is required unless he/she has no legal spouse.

Participant has no legal spouse.

Spouse (print name) \_\_\_\_\_ Spouse Signature \_\_\_\_\_ Date \_\_\_\_\_

#### Spousal Consent for ERISA Plans:

I hereby consent to the loan request as stated above. I understand that a spouse is guaranteed certain rights to assets in this retirement account by federal law and that these include the right to a pre-retirement survivor's annuity and a joint and survivor annuity and that these rights could be diminished by an annuity loan which is not repaid.

Participant has no legal spouse.

Spouse (print name) \_\_\_\_\_ Spouse Signature \_\_\_\_\_ Date \_\_\_\_\_

Witnessed by: Plan Administrator (print name) \_\_\_\_\_ Plan Administrator Signature \_\_\_\_\_ Date \_\_\_\_\_

# Maximum Loan Worksheet for Participants with Other Outstanding Loans

Use this worksheet if you had an outstanding loan balance from an employer sponsored retirement plan at any time during the last twelve months. Only indicate the vested account values for each employer sponsored retirement plan.

Account values and outstanding loan balances from all 403(b), 401(a), 457(b) and 401(k) plans should be added together to determine the maximum loan available under IRC Section 72(p). If you have loans from other employer retirement plans, we suggest you consult your tax advisor(s) before taking a loan from your ZALICO annuity policy.

## Instructions

1. Indicate the date the information was gathered.
2. Include the name of the other carrier in case more information is required.
3. The current account value in **Column A** should include all **vested** amounts with all employer sponsored retirement plans. Employer sponsored retirement plans include 401(a), 401(k), 403(b), 457 and State Retirement Plans.
4. The highest outstanding loan balance over the last twelve months, **Column B**, should indicate the highest outstanding loan during the **one year period** prior to the day you gather the information.
5. The current loan balance in **Column C** must be the loan balance as of the date the information was gathered.
6. Provide information on **all** employer sponsored retirement plans even if there is currently no loan outstanding from that plan provided at least one of your plans has an outstanding loan.

<b>Other Carrier Information</b> (To be completed by the Participant)			
<b>Table 1</b>			
<i>Date Completed</i> _____	<i>Column A</i>	<i>Column B</i>	<i>Column C</i>
<b>Name of Other Carrier</b>	<b>Current Vested Account Value</b>	<b>Highest outstanding loan balance over the last twelve months</b>	<b>Current Loan Balance</b>
<b>Total</b>			

## Certification

I hereby certify that the information provided is complete and accurate. I understand that the maximum loan available to me under this agreement will not exceed the lesser of: (1) the aggregate loan limit under IRC Section 72(p) based upon all employer sponsored retirement plans or (2) the maximum loan available under IRC Section 72(p) based solely upon my ZALICO account values.

Name of Owner \_\_\_\_\_ Owner Signature \_\_\_\_\_ Date \_\_\_\_\_

Name of Participant (if other than owner) \_\_\_\_\_ Participant Signature \_\_\_\_\_ Date \_\_\_\_\_

# Quarterly Loan Repayment Calculation

## 5, 10, 15, and 20-Year Loans

Your loan interest rate is specified in your policy pages.

You borrow \$10,000 for 5 years and your policy specifies a loan interest rate of 5.50%. To determine the loan repayment, select the 5-year repayment factor from the corresponding section below and multiply it by \$10,000.

**Example:** 5-year loan = \$10,000  
 5-year loan repayment factor @ 5.50% = 0.0574  
 $\$10,000 \times 0.0574 = \$574.00$   
 The loan repayment is \$574.00 per quarter for 5 years.

Repayment Factor to Determine Quarterly Loan Repayments				
Loan Interest Rate	5-Year Factor	10-Year Factor	15-Year Factor	20-Year Factor
5.00%	0.0567	0.0318	0.0236	0.0197
5.25%	0.0570	0.0321	0.0240	0.0201
5.50%	0.0574	0.0325	0.0244	0.0205
5.75%	0.0577	0.0329	0.0248	0.0209
6.00%	0.0581	0.0332	0.0252	0.0213
6.25%	0.0584	0.0336	0.0256	0.0217
6.50%	0.0587	0.0340	0.0260	0.0222
6.75%	0.0591	0.0343	0.0264	0.0226
7.00%	0.0594	0.0347	0.0268	0.0230
7.25%	0.0598	0.0351	0.0272	0.0234
7.50%	0.0601	0.0354	0.0276	0.0239
7.75%	0.0605	0.0358	0.0280	0.0243
8.00%	0.0608	0.0362	0.0284	0.0247
8.25%	0.0612	0.0366	0.0288	0.0252
8.50%	0.0615	0.0369	0.0292	0.0256
8.75%	0.0619	0.0373	0.0296	0.0261

# Loan Information Sheet

To be retained for Participant's records

Enter your loan amount, loan term and the date the loan was requested. Detach and retain this sheet for your records.

## Section 9: Loan Request Information

Loan amount requested: \$ \_\_\_\_\_  Maximum Loan Available  
Loan Terms:  5 Years  10 Year Home Loan  15 Year Home Loan  20 Year Home Loan  
Date of Request: \_\_\_\_\_

## Section 10: Loan Amount and Other Terms

*A loan under this agreement will be made directly to the plan Participant (Annuitant under the policy)*

### Loan Maximum

1. A participant may have no more than four loans per policy at any one time.
2. Once a loan has defaulted, no further loans will be issued until all defaulted loans have been repaid in full.
3. If the current policy value is greater than or equal to \$20,000, or the policy is part of an ERISA plan, the maximum loan allowable under this agreement is the lesser of: (1) 50% of the vested policy value minus the current loan balance or (2) \$50,000 reduced by the highest loan balance outstanding during the prior 12 months.
4. If the current policy value is less than \$20,000 and is not part of an ERISA plan, the maximum loan allowable under this agreement is the lesser of: (1) \$10,000 minus the current loan balance or (2) 80% of (the policy value less loan collateral lien and remaining withdrawal charges).
5. A minimum surrender value of \$500 (or as stated in policy pages) must be maintained.

### Examples:

1. If your current vested ZALICO policy value is \$35,000, with no outstanding loan, the maximum loan available to you is 50% of the nonforfeitable policy value, or \$17,500.
2. If your current vested ZALICO policy value is \$15,000, with a loan balance of \$5,000, the maximum loan available to you is \$5,000.
3. If your current vested ZALICO policy value is \$60,000 and your highest outstanding loan balance with another carrier during the prior twelve months was \$40,000, your maximum loan would be \$50,000 minus your highest outstanding loan balance (\$40,000), or \$10,000.

### Other Outstanding Loans

In general, account values and outstanding loans from all 403(b), 401(a), 457(b) and 401(k) plans should be added together to determine the maximum loan available under IRC Section 72(p). If you have loans from other employer retirement plans, we strongly suggest you consult your tax advisor before taking a loan from your ZALICO annuity.

**Policies with Employer and Employee Contributions**—The loan will be applied to these contributions on a prorated basis. Only vested employer contributions can be used for a loan.

## Section 11: Fixed Interest Loans

**Rate Charged**—The loan interest rate charged is the interest rate specified for loans under the policy.

**Rate Credited**—The loan balance under the policy will be credited with interest at the rate specified in the policy.

**Collateral**—An amount of the policy value equal to 125% of the outstanding loan balance is assigned as security for the loan.

## Section 12: ERISA Loans

All loans must meet the requirements of Section 402 of the Employer Retirement Income Security Act of 1974 (ERISA). It is the responsibility of the Plan Trustee or Plan Administrator to determine whether the loan terms of this agreement comply with their plan and all applicable provisions of ERISA.

**ERISA Applicability**—Please check with your plan administrator to determine if ERISA applies to the policy.

**ERISA Provisions**—50% of the vested policy value less outstanding loans up to a \$50,000 maximum is permitted.

### ERISA Loan Interest Rates

**Rate Charged**—The loan interest rate charged is based on the Moody's Average-Monthly Corporate rate published by Moody's two calendar months prior to the date of the loan, rounded to the nearest .25% (ERISA Rate). This rate will be stated in the transaction confirmation.

**Rate Credited**—The loan balance under the policy will be credited with interest at a rate equal to the applicable ERISA Rate minus 2.5%.

PARTICIPANT  
COPY

### **Section 13: Loan Repayments for all Loans**

**Loan Period**—The loan period is five (5) years unless the loan is used to acquire a principal residence of the plan Participant, in which case the loan term may be 5, 10, 15 or 20 years.

**Equal Quarterly Installments**—The loan must be repaid in equal quarterly repayments of interest and principal over the loan period. Loan repayments are not tax deductible and may not be made through pre-tax salary reductions.

**Loan Repayment Due Dates**—The following guidelines will be used to determine the 1st due date on issued loans: Loans taken 10/1-12/31 will be due 2/1, loans taken 1/1-3/31 will be due 5/1, loans taken 4/1-6/30 will be due 8/1, and loans taken 7/1-9/30 will be due 11/1. Quarterly loan repayments will be due each 2/1, 5/1, 8/1, and 11/1 following the initial payment for the term of the loan. A repayment is considered timely if it is received within 90 days of the due date.

Full repayment of all outstanding loans will be due prior to any transfer or rollover to another provider.

**Prepayments**—Prepayment will reduce the loan term and will accelerate the due date accordingly.

### **Section 14: Missed/Untimely Loan Repayments on 403(b) Plans**

#### **Withdrawal/Loan Repayments**

If a payment is missed or is untimely, the Participant authorizes ZALICO to withdraw an amount equal to the missed/untimely loan payment and make a loan repayment on his/her behalf. The Participant will receive a 1099R to report the withdrawal/loan repayment to the IRS. The withdrawal amount is reportable as income on the Participant's Form 1040.

A withdrawal/loan repayment may be made only if the following applies:

- The loan is secured by values attributable to contributions made on or before December 31, 1988 or other unrestricted rollover contribution
- The loan was issued at least in part from employer contributions and the loan is secured by values attributable to employer contributions
- Participant has attained age 59 1/2
- Participant notifies ZALICO that he/she has separated from service
- Participant notifies ZALICO that he/she is disabled
- ZALICO is notified that the participant is deceased

#### **Distributions Restricted on Certain 403(b) Plans**

If none of the conditions listed above apply, the Internal Revenue Service requires that the **entire outstanding loan balance be treated as a deemed distribution and be reported as taxable income**. The Participant will receive a 1099R to report the loan default. This amount will be taxable income subject to regular income taxes in the year in which the loan defaulted.

The reporting of a defaulted loan will not reduce the outstanding loan balance, and interest will continue to accumulate at the specified rate.

### **Section 15: Loan Default**

Failure to comply with the provisions of this loan agreement will constitute a loan default. Examples of such failure include, but are not limited to, the failure to make timely loan repayments and the failure to repay the entire loan within its specified time period, i.e., five (5) years.

ZALICO has the right to foreclose on the security placed on the loan, subject to the restrictions of IRC Section 403(b)(11). A

loan default will be reported to the Internal Revenue Service as a taxable distribution and will be subject to income taxes.

**Treatment of Outstanding Loan Balances When Policy is Surrendered, Annuitized or Participant Dies**—In the event there is an outstanding loan balance when the policy is surrendered or annuitized or when a death benefit is paid, the amount payable under the policy will be reduced by the outstanding loan balance. Generally, the loan balance will be taxable income at that time.

### **Section 16: Other Loan Agreement Terms**

The Participant will be responsible for the compliance with IRC Section 72(p) as it relates to this plan and all other 403(b), 401(k), 457(b) and 401(a) plans in which he/she participates. The Participant should consult his/her Plan Administrator or tax advisor to determine the relationship between this loan agreement and his/her plan. No agent or representative of ZALICO is authorized to alter, change or waive any of the terms or conditions of this loan agreement or bind ZALICO by any statement or representation as to the terms of a loan under the policy.