BECAUSE YOU HAVE QUESTIONS ABOUT GROUP UNIVERSAL LIFE INSURANCE

Frequently Asked Questions

Why do I need life insurance?

Life insurance is an important part of financial planning. It helps protect your assets and provide additional security for you and your family's future. Group Universal Life (GUL) Insurance, issued by **The Prudential Insurance Company of America (Prudential)**, helps give your family the protection they need, and more.

Why choose Group Universal Life (GUL) coverage?

GUL offers long-term life insurance coverage for you. It allows you to contribute to a cash accumulation fund element of your coverage that earns tax-deferred interest at guaranteed rates. Your total life insurance benefit is the face amount of the insurance, plus the balance in your cash accumulation fund.

The Accelerated Benefit Option[1] for terminally ill employees provides extra support by allowing a partial payment of the total benefit prior to death.

You can continue GUL coverage after leaving or retiring from Leidos. You must initially enroll for GUL coverage prior to age 75.

Why buy GUL at work?

- **It's easy.** You can quickly enroll at work and review your GUL choices during the annual Open Enrollment period.
- **It's convenient.** With automatic payroll deductions, you never have to worry about late payments.
- **It's guaranteed.** You can enroll in coverage up to the guaranteed issue without evidence of insurability (EOI) as a new hire. If you are a current employee, you can elect or increase your GUL coverage amount by submitting evidence of insurability.

How much life insurance should I enroll for?

Life insurance needs vary from person to person. Prudential makes it easy to determine the amount of life insurance that is right for you through the Life Insurance Needs Estimator. To use the Estimator, visit **www.prudential.com/EZLifeNeeds**. This simple tool enables you to quickly see the amount of life insurance that may provide optimal protection for your family.

BENEFITS TO HELP PROTECT YOUR FINANCIAL WELLNESS.

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Why contribute to the cash accumulation fund?

By contributing to a cash accumulation fund, you can:

- **Earn tax-deferred interest.** In addition to regular premium payments, you can contribute money to your cash accumulation fund and earn tax-deferred interest. The death benefit is generally income tax-free[2] to beneficiaries.
- **Receive guaranteed interest.**[3] Contributions to the cash accumulation fund earn guaranteed interest that will never be less than 4%.
- **Access your funds at any time.**[2] Take loans or make withdrawals at any time and for any reason.
- **Pay life insurance premiums.** Use your cash accumulation fund to pay premiums or choose fully paid-up life insurance.

How does the cash accumulation fund build value?

In addition to paying your insurance premiums, you can contribute to the cash accumulation fund element of your GUL coverage. Your money grows at an interest rate that's guaranteed to be at least 4% annually. This interest increases the amount of your life insurance benefit, which is generally free of federal income tax. For contributions made prior to January 1, 2021, a charge of 2.81% to cover taxes attributable to premium will be deducted from each fund contribution at the time the money is deposited into your account. Your cash accumulation fund contributions made January 1, 2021, or later will no longer incur premium tax charge of 2.81%. This means, 100% of your contributions will go directly into your cash accumulation fund.

How do I find out my cash balance fund amount?

Mercer, who administers the GUL program on behalf of Prudential, can provide this information. Just call 855-735-4873 Monday to Friday from 8 a.m. to 5 p.m. Central Time. The Prudential control number for the Leidos plan is 52844.

What happens to my coverage if I become disabled and cannot work?

You can continue your coverage. You may be eligible for waiver or premium benefit also. If you have been disabled for more than nine months, you can apply for premium waiver. Please call the Leidos Service Team at 855-553-4367, option 3, Monday to Friday from 8 a.m. to 5 p.m. Eastern Time to request claim forms.

What happens to my fund when I pass away?

The funds in the cash accumulation fund go to the beneficiaries of your policy, in addition to the face value of the life insurance policy. So, if you have a $250,000 face amount, and $100,000 in cash value, the beneficiaries would receive $350,000 when you pass away.

How much interest could my fund earn long term?

Interest is compounded annually, but added to the policy monthly.* For example, if you have a cash value fund that earns 4% interest, the policy will earn 4% over the full year. The interest will be added to the policy each month. Earnings in the cash accumulation fund grow on a tax-deferred basis until the policy is surrendered, transferred for value, or no longer meets the IRS definition of life insurance.

If you contribute to the cash accumulation fund, your money may grow significantly over time because the account earns tax-deferred interest guaranteed to be at least 4%. Please view the chart below to see an investment example of how your funds may increase over a longer duration of time.

Investment Example With Premium Tax	Investment Example Without Premium Tax
Participant contributes $1,000 to the Cash Accumulation Fund prior to January 1, 2021.	Participant contributes $1,000 to the Cash Accumulation Fund on January 1, 2021 or later.
2.81% is taken out in Premium Tax ($28.10) and $971.90 goes into the fund to earn 4% interest.	$1,000 goes into the fund to earn 4% interest.
After **one year**, $971.90 grows to **$1,010.78**. $38.88 in interest growth.	After **one year**, $1,000 grows to **$1,040**. $40 in interest growth.
Because interest inside the GUL policy is not taxed unless withdrawn beyond Cost Basis or in a Modified Endowment Contract situation, the $38.88 is worth more to the participant. $38.88 tax-deferred is worth $55.54 for someone in a 30% tax bracket. Interest/(1—Tax Bracket) $38.88/(1—30%) = $55.54	Because interest inside the GUL policy is not taxed unless withdrawn beyond Cost Basis or in a Modified Endowment Contract situation, the $40 is worth more to the participant. $40 tax-deferred is worth $57.14 for someone in a 30% tax bracket. Interest/(1—Tax Bracket) $40/(1—30%) = $57.14
$1,010.78 grows to **$1,051.21** by the end of year 2 at a 4% interest rate. Reaches **$1,182.47** by the end of year 5.	$1,040 grows to **$1,081.60** by the end of year 2 at a 4% interest rate. Reaches **$1,216.64** by the end of year 5.

Am I limited to how much I can contribute to the cash accumulation fund?

There are limits on how much you can contribute to the fund and still receive favorable federal income tax treatment. These limits are governed by Internal Revenue Code Sections 7702 and 7702A and are influenced by your age and amount of coverage. You may want to consult with your tax advisor for more information. As a general rule to help avoid tax implications, participants may contribute up to 10x their GUL per paycheck premium to the cash accumulation fund on a per paycheck basis. This does not guarantee that your contributions will avoid exceeding the Internal Revenue Code limits. Mercer may notify you if you exceed your Internal Revenue Code limits and advise you as to your options. For information regarding the specific limit that applies to your certificate, please contact Mercer at 855-735-4873 Monday to Friday from 8 a.m. to 5 p.m. Central Time. A percentage of each deposit to the cash accumulation fund will be deducted (for example, 2.81%), which pays the required state premium expense tax.

Can I take money out of my cash accumulation fund?[4]

Yes. To withdraw these funds, you would need to complete a form requesting the desired amount and how you would like any taxes withheld. That form, and the withdrawal, are processed by Mercer. Processing times vary based on business volume and any issues with documenting tax impact. Please contact Mercer at 855-735-4873 Monday to Friday from 8 a.m. to 5 p.m. Central Time to begin this process.

What is a premium tax?

An insurance premium tax is a tax upon insurers, both domestic and foreign, for the privilege of engaging in the business of providing insurance. The insurance premium tax can be viewed as the insurance company's equivalent of the individual's income tax. In other words, the tax is calculated on the amount of premiums received or receivable by the insurance company. Prudential assesses a charge for premium tax on each premium payment. After the charge is assessed, the remainder of the payment is deposited into the cash accumulation fund.

For more info

Contact the Leidos Service Team at **855-553-4367** Monday to Friday from 8 a.m. to 5 p.m. Eastern Time, option 3 or email: **AskHR@leidos.com**.

1 Employees must have a limited life expectancy (certified by a physician) to be eligible for the Accelerated Benefit Option.

Accelerated Death Benefit option is a feature that is made available to group life insurance participants. It is not a health, nursing home, or long-term care insurance benefit and is not designed to eliminate the need for those types of insurance coverage. The death benefit is reduced by the amount of the accelerated death benefit paid. There is no administrative fee to accelerate benefits. Receipt of accelerated death benefits may affect eligibility for public assistance and may be taxable. The federal income tax treatment of payments made under this rider depends upon whether the insured is the recipient of the benefits and is considered "terminally ill." You may wish to seek professional tax advice before exercising this option.

Important Notice: The acceleration of life insurance benefits offered under this certificate are intended to qualify for favorable tax treatment under the Internal Revenue Code of 1986 (under IRC Section 101(g)). If the acceleration of life insurance benefits qualifies for such favorable treatment, the benefits will be excludable from your income and not subject to federal taxation. Tax laws relating to acceleration of life benefits are complex. You are advised to consult with a qualified tax advisor about circumstances under which you could receive an acceleration of life insurance benefits that are excludable from income under federal law.

2 There may be tax consequences; please consult your tax advisor.

3 Any guarantees are based on the claims-paying ability of The Prudential Insurance Company of America.

4 Withdrawals and unpaid loans generally reduce death benefits. In general, loans are not taxable, but withdrawals are taxable to the extent they exceed cost basis in the certificate. Loans outstanding at certificate lapse or surrender prior to the death of the insured will cause immediate taxation to the extent of gain in the certificate.

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Group Insurance coverages are issued by The Prudential Insurance Company of America, a Prudential Financial company, Newark, NJ. The Booklet-Certificate contains all details, including any policy exclusions, limitations, and restrictions, which may apply. Contract Series: 96945.