



M Financial Group™



**M P R O P R I E T A R Y**  
**L I F E A N D D I S A B I L I T Y**  
**I N S U R A N C E P R O D U C T S**

*Making the Difference in the Ultra-Affluent and Corporate Markets*

# PROPRIETARY PRODUCTS: A PASSION FOR DISTINCTION

M Financial Group was founded on the principle that “off-the-shelf” products often do not meet the needs of ultra-affluent and corporate clients. Since 1978, M Financial has worked closely with the nation’s most prestigious insurance carriers and investment firms to develop innovative products with unique features and flexible options that complement the needs and objectives of Member Firm clients.

Proprietary products are a natural fit for M Financial. Together, Member Firms have a strong entrepreneurial spirit, are creative and innovative, and are always looking for better ways to help their clients achieve their goals. In addition, a number of factors drive M Financial’s success with proprietary products, including:

**Relationships**—The strong, long-term relationships Member Firms maintain with clients, and M Financial’s deep partnering with a select group of independent Carriers that provide M proprietary products and services priced for the clients of M Member Firms, allow us to deliver product and service differentiation to Member Firms.

**Favorable Experience**—With a credible experience pool that clearly reflects the extraordinary mortality, persistency, premium volume, and high average face amounts of ultra-affluent clients, M Financial is in the unique position to work with our Partner Carriers to develop proprietary products priced for the clients of Member Firms.

**In-force Management**—M Financial, together with our Partner Carriers, continuously monitors the service, experience, and performance of in-force business to ensure that proprietary products continue to be effective. As a result of this unparalleled level of oversight, pricing enhancements—supported by experience data—have historically been applied to both new sales and in-force business, a principle that is rare in the industry.

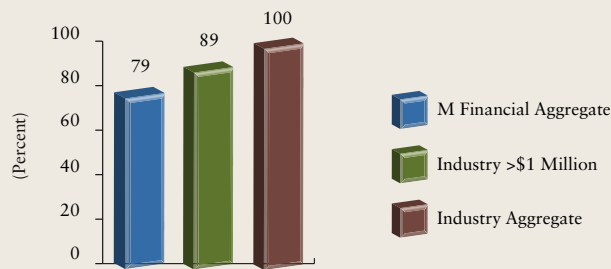
M Financial’s collective buying power and superior experience (mortality, persistency, and policy size) result in exclusive pricing for proprietary products available to Member Firm clients.

# FAVORABLE EXPERIENCE FUNDAMENTALS



## INDIVIDUAL UNDERWRITTEN MORTALITY EXPERIENCE BY CATEGORY

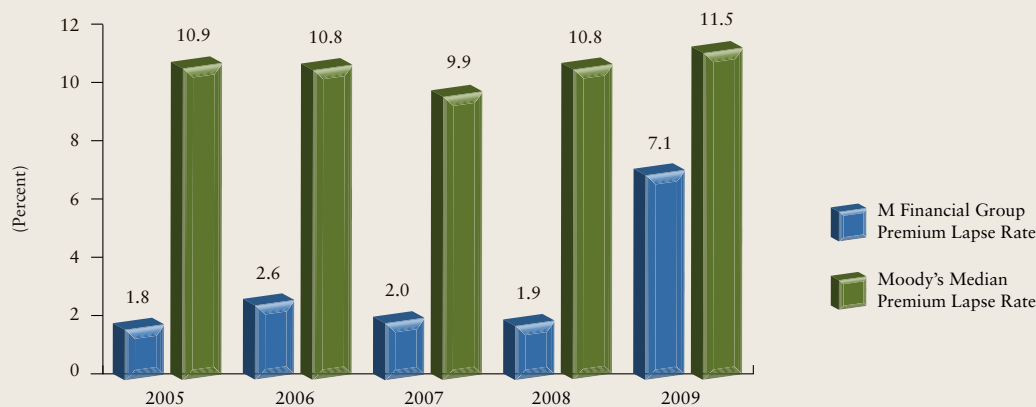
M Financial's mortality experience—actual death claims—is 11 percent less than the industry high net worth segment (face amounts greater than \$1 million). This lowers cost of insurance charges for M proprietary life products.



Source: Society of Actuaries Individual Life Experience Report (2010) and M Financial Group

## PREMIUM LAPSE EXPERIENCE

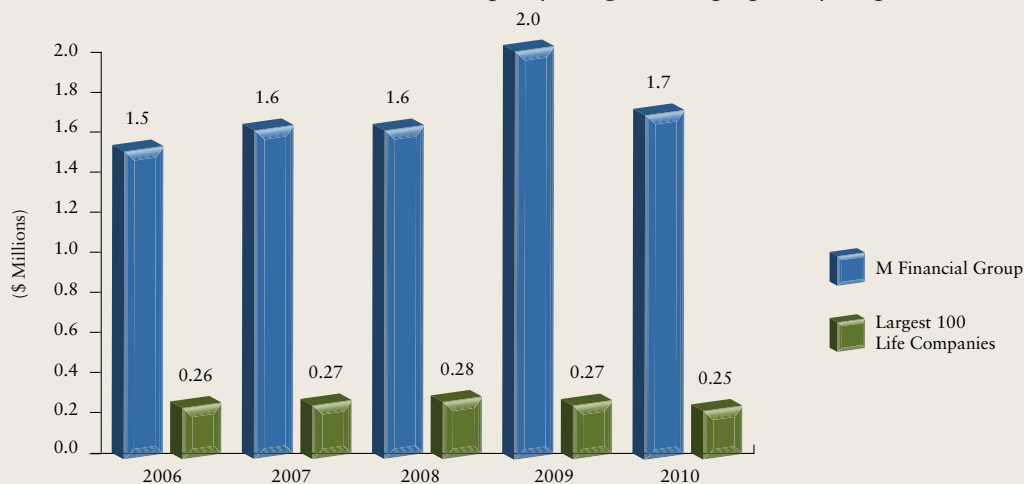
Even in the wake of the financial crisis, M Financial's lapse experience—policies that lapse or surrender—is superior to the industry. This provides a longer time horizon for Partner Carriers to recoup initial expenses, which drives lower ongoing policy charges for M proprietary life products.



Source: Moody's Statistical Handbook for Life & Health (2009) and M Financial Group

## AVERAGE FACE AMOUNT

M Financial's average face amount is nearly seven times that of the industry. This provides economies of scale for Partner Carriers that allow for lower policy charges for M proprietary life products.



Source: Moody's Statistical Handbook for Life & Health (2010) and M Financial Group

## DRIVERS OF SUCCESS IN THE PROPRIETARY PRODUCT MARKETPLACE:

- Creative Innovation and Ideas
- Strong Long-term Relationships
- Favorable Experience Fundamentals
- Commitment to In-force Management

# OUR COMMITMENT TO IN-FORCE MANAGEMENT

M Financial believes that performance and cost should be measured over the life of an insurance product, not with an initial illustration or the first year premium. As part of our commitment to in-force management, M Financial continuously monitors the service, experience, and performance of Member Firms' in-force business to ensure that proprietary products continue to be effective, from both a performance and cost perspective.

## M FINANCIAL'S IN-FORCE MANAGEMENT PRINCIPLES

- Collaborate with Partner Carriers and align interests and philosophy.
- Segregate M Financial's superior experience—do not dilute quality with data from non-Member Firm clients.
- Track experience and performance diligently.
- Work with Partner Carriers to pass on improvements in underlying experience to existing clients.

## INFLUENCING PRODUCT DEVELOPMENT AND PERFORMANCE

M Financial reinsures proprietary products through M Financial Re, our wholly owned reinsurance operation. By investing upwards of \$50 million a year in the high quality business placed by our Member Firms, M Financial has access to Partner Carrier pricing assumptions and can effectively track experience, while monitoring changes in policyholder interests. Sharing risk also aligns the interests of M Financial and our Partner Carriers, which facilitates the development—and ongoing management—of superior performing products.

*"I'd rather have a better performing product than a better illustrating product. M Financial's proprietary products are an excellent place for our clients to be."*

—Lawton M. (Mac) Nease, III  
Nease, Lagana, Eden & Culley, Inc.  
Chair, M Product Development Group

# DELIVERING VALUE TO CLIENTS THROUGH IN-FORCE MANAGEMENT

M Financial works with a variety of Partner Carriers to develop—and manage—differentiated proprietary products. The initial design of the product is important, but the sustainability of the product’s performance and effectiveness over time is critical to the long-term success of a client’s plan.

When better than expected experience emerges, M Financial works with the Partner Carriers to reprice the products—for both new sales and in-force business. This approach ensures that existing policyholders receive the value of the repricings, which are created by their superior mortality, persistency, premium volume, and expense experience, while creating an opportunity for new buyers to participate in the enhanced pricing of the product going forward.

Since the first M Financial proprietary products were introduced in 1996, emerging improved experience data has fueled:

- 34 in-force price reductions
- Covering 13 products from four Partner Carriers
- \$80 million in cost reductions for Member Firm clients

These price reductions continue to have a positive and profound impact on M proprietary products.

When compared with assumptions for original crediting or earned rates of return in all years, Member Firm clients have benefited substantially from these performance enhancements. Examples of this impact include:

- A 15–20% reduction in annual premium while still achieving a specified cash value target.
- A 45–150 basis point increase in cash value internal rates of return (IRRs) at life expectancy (age 85).

In addition, given market volatility, performance enhancements on M proprietary products have worked to partially offset the impact of market declines, helping policies remain on track.

While these examples do not apply to all policies and these results may not be typical, M Financial continues to be diligent in our in-force management activity. We have the expertise, access, personnel, and relationships to constantly monitor experience and policy performance to maximize value for Member Firm clients.

This commitment to in-force management may be M Financial’s most powerful differentiating characteristic. M Financial is unique in the industry in both philosophy and practice—no other organization provides this level of service to its clients.

*“Our last customer  
is as important as our  
next customer.”*

**—Fred Jonske,  
President & CEO  
M Financial Group**

# CLIENT ADVOCACY: THE IDEAL COMPLEMENT TO PRODUCT DIFFERENTIATION

**“Everything M Financial does—proprietary products, reinsurance, due care, in-force management, unparalleled service—is focused on client advocacy. No other distribution system can demonstrate this commitment.”**

**—John M. Barry,  
Barry, Evans,  
Josephs & Snipes  
Member, M Product  
Development Group**

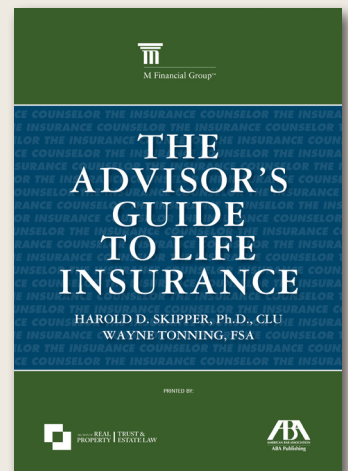
It has been said that a head start creates a permanent advantage. M Financial is very proud of the advantages we have created for Member Firms and their clients with differentiated products, but we also realize a commitment to client advocacy involves much more.

In addition to product differentiation and in-force management, due care is a critical component of our client advocacy strategy. Life insurance due care requires an understanding of the factors that impact policy performance and drive product selection. M Financial continues to lead the industry in this regard by providing insight and analysis that deliver significant value. M Member Firms utilize these resources— assembled by a staff that includes 12 actuaries—to assist clients and advisors in making informed decisions regarding life insurance purchases.

Further, the impact of the recent economic cycle serves as a reminder that opportunities in the life insurance market should be pursued in conjunction with an insurance advisor who understands the complexities of the landscape and the mechanics of the products available. In-force service—which is provided after the purchase of the policy and remains a hallmark of M Financial’s commitment to client advocacy—is also critical. In a volatile environment, it is essential to continuously monitor policy performance and carrier financial strength, and assess the impact of emerging trends.

M Financial’s commitment to client advocacy can also be seen in *The Advisor’s Guide to Life Insurance* (AGLI), a comprehensive educational resource developed by M Financial and published by the American Bar Association that provides insight on the purchase, fundamentals, applications, and maintenance of life insurance products. The AGLI is designed for professional advisors—including attorneys, CPAs, and Family Offices—involved in the evaluation, purchase, and management of life insurance policies on behalf of clients. It increases awareness and understanding of the benefits of life insurance, facilitating more informed decisions and enhancing plan sustainability and effectiveness.

M Financial’s National Advisors Conference (NAC)—a meeting for M Member Firms and their advisor guests that offers an opportunity to learn, share ideas and best practices, and build relationships—is another component of our client advocacy strategy. With leading legal and tax experts presenting the latest perspective on a variety of pertinent topics, NAC continues to provide a unique educational experience that highlights M Financial’s differentiation and insight and its value for clients.



# CLIENT ADVOCACY ASSESSMENT TOOL



Saying you are committed to client advocacy is much easier than showing it. M Financial’s Client Advocacy Assessment Tool poses questions designed to facilitate due care of insurance advisors and assess their ability to deliver the client advocacy clients want and need in today’s environment. These questions drive our client advocacy strategy and by advocating effectively, Member Firms continue to differentiate themselves in the ultra-affluent and corporate markets.

The Client Advocacy Assessment Tool questions—and M Financial’s answers—are as follows:

## QUESTIONS:

## M FINANCIAL ANSWERS:

|   |   |
|---|---|
| 1. Is the distribution channel independent of, or captive to, the insurance company?  | Independent   |
| 2. Is the volume of business sold by the distribution channel sufficient to build credible data and be relevant to the insurance company?   | <ul style="list-style-type: none"> <li>• \$1.3 billion in 2010 new sales</li> <li>• 30+ years of experience</li> <li>• More than \$123 billion in-force face amount</li> <li>• \$33 billion in policy cash value</li> </ul> |
| 3. Is the client pricing experience socialized with all risks or is it placed in a select risk pool?  | In segregated proprietary product pool—not socialized   |
| 4. Is the client a member of a risk class that justifies superior pricing characteristics?  | Clients in risk class are exclusively high net worth and highly compensated executive clients of M Financial Member Firms   |
| 5. Does the insurance company have a good reputation built on competitive products and a superior track record?   | <ul style="list-style-type: none"> <li>• M Partner Carriers are highly rated</li> <li>• Member Firms have access to 20+ competitive proprietary products</li> </ul>   |
| 6. Is there risk sharing by the distributor/producer? Is the distribution channel putting capital at risk to legitimately “own” a seat at the table when it comes to negotiating price adjustments? | <ul style="list-style-type: none"> <li>• M reinsurance via M Financial Re</li> <li>• \$47 billion of face amount reinsured</li> <li>• Upwards of \$50 million of new capital invested per year</li> </ul>                   |
| 7. What resources and technical support are dedicated to monitoring the policy on an ongoing basis and who provides them (captive or independent)?  | <ul style="list-style-type: none"> <li>• Independent staff</li> <li>• 12 actuaries</li> <li>• Annually audited by independent consultants</li> </ul>  |
| 8. How do you characterize the producer’s relationship with the insurance company?  | Independent producers that maintain deep relationships with a select group of Partner Carriers  |
| 9. Does the client advocacy model have a track record?  | <ul style="list-style-type: none"> <li>• 34 repricings</li> <li>• \$80 million in historical value</li> <li>• \$170 million in future value</li> </ul>  |
| 10. Is the client advocacy model sustainable?   | Yes, based on 30+ years of data and 15+ years of proprietary product experience   |

*“If you wish to prosper,  
let your customer  
prosper.”*

—Frederick Bastiat,  
19<sup>th</sup> century  
French economist

# DIVERSE PRODUCT OPTIONS FROM A VARIETY OF CARRIERS

The result of M Financial's relationships, favorable experience fundamentals, and commitment to in-force management can be seen in the diverse selection of exclusive products offered by North America's most recognized and respected insurance brands. The first M proprietary product was launched in 1996. Today, Member Firm clients have access to more than 20 M-priced proprietary products, a level of product access unparalleled in the industry.

In today's marketplace, having exclusive access to differentiated products from a diverse line-up of Carriers is a significant advantage. Clients have different objectives and circumstances so choice is critical. With John Hancock's Majestic Series, which set the standard for proprietary products when first launched in 1996, Pacific Life's flexible MVP (M's Versatile Product) Series, and Nationwide's Marathon Series, as well as offerings from Prudential Financial companies and Unum, Member Firm clients have many options from which to choose.\*

## THE M FUNDS

Shortly after the launch of the Majestic Series, M Financial introduced the M Funds, a proprietary family of mutual funds, managed by specialists in each asset class and available only through certain variable life insurance/annuity products and qualified plans. The four strategies that comprise the M Funds complement the fund choices offered by the Carriers, expanding the investment options for clients, and providing access to the management expertise and investment strategies of select institutional managers—access not generally available through other life insurance products or to individual investors.

In addition, the M Fund portfolio managers are selected, reviewed, and monitored by M Financial Investment Advisers, Inc., whose board of directors is comprised of Member Firm Principals who have clients invested in the M Funds. This accountability creates an oversight structure that works to protect the interests of Member Firm clients.





\*Refer to page 10 for detailed information on issuing companies.

# M PROPRIETARY PRODUCTS: CURRENT AVAILABILITY



Member Firm clients have access to M-priced proprietary products from John Hancock, Nationwide, Pacific Life, Prudential Financial companies, and Unum. Each product is designed for, and is available exclusively to, the clients of Member Firms, and reflects M Financial's favorable experience fundamentals. This level of product access, from North America's most recognized and respected insurance brands, is unparalleled in the industry.

**Member Firm clients have access to proprietary offerings from five Partner Carriers, a level of diversification unmatched in the industry.**

|   |                                       |               |
|---|---------------------------------------|---------------|
|                                    | Majestic ULX                          | May 2009      |
|   | Majestic VCOLIX                       | January 2009  |
|   | Majestic SVULX                        | November 2008 |
|   | Majestic VULX                         | November 2008 |
|   | Majestic SULX                         | February 2008 |
|   | Majestic Performance VUL              | May 2006      |
|  <b>Nationwide</b><br>On Your Side | Marathon No-Lapse Guarantee UL        | August 2009   |
|   | Marathon Performance VUL—Accumulation | October 2008  |
|   | Marathon Performance VUL—Protection   | April 2008    |
|  <b>PACIFIC LIFE</b>             | MVP IX VUL <sup>1</sup>               | May 2011      |
|   | MVP UL                                | May 2010      |
|   | MVP Indexed UL Survivorship           | October 2009  |
|   | MVP Survivorship II                   | November 2008 |
|   | MVP Indexed UL                        | February 2008 |
|  <b>Prudential</b>               | M Premier <sup>SM</sup> VUL—2001      | May 2008      |
|  <b>unum</b>                     | MonograM 750 <sup>2</sup>             | November 2010 |

<sup>1</sup> In any state where MVP IX has not been approved for sale, MVP VIII will be offered until such time as MVP IX has been approved in that state.

Note: MonograM is an individual disability insurance product offered on a multi-life basis, and designed specifically for highly compensated executives, attorneys, and other key professionals.

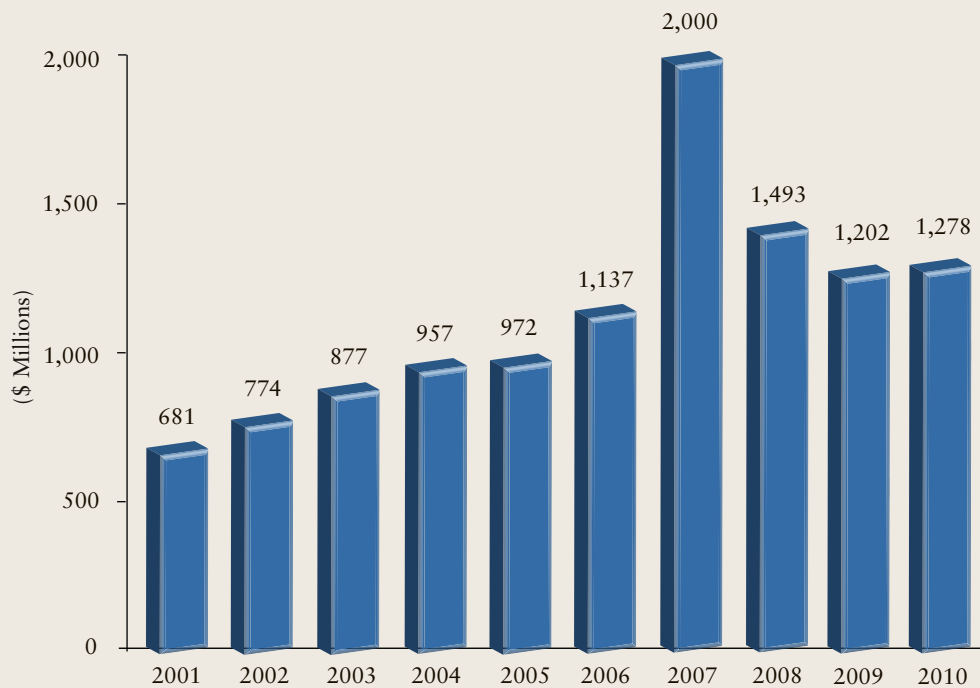
<sup>2</sup> 675 in California.

# A HISTORY OF SUSTAINED SUCCESS

M Financial Group is a network of financial service professionals serving the ultra-affluent and corporate markets. Our nationwide network consists of more than 125 independent Member Firms that specialize in dealing with the complex issues that face sophisticated clients and their advisors.

Proprietary products continue to be an essential part of M Financial's success. Since the first M proprietary product was introduced in 1996, M Financial's sales have grown at a compound annual rate of nearly 13 percent. Overall, M Member Firms have more than \$123 billion of face value in force and manage client assets totaling more than \$33 billion.

## M FINANCIAL GROUP SALES 2001–2010



Source: M Financial Group

# DISCLOSURES

Securities offered through various broker/dealers with which Member Firms of M Financial Group are associated.

*An investor should consider the investment objectives, risks, charges, and expenses of any investment product carefully before investing. This and other information is contained in the products prospectus which can be obtained by calling your advisor. Read it carefully before investing.*

Variable life insurance products are long-term investments and may not be suitable for all investors. An investment in variable life insurance entails substantial fees and charges and is subject to fluctuating values of the underlying investment options. Variable life insurance entails risks, including the possible loss of principal.

Product guarantees of life insurance products are subject to the claims paying ability of the insurance company.

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Insurance products are issued by: John Hancock Life Insurance Company (U.S.A.), Boston, MA 02116 (not licensed in New York) and John Hancock Life Insurance Company of New York, Valhalla, NY 10595.

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Nationwide Marathon life insurance products are underwritten by Nationwide Life and Annuity Insurance Company or Nationwide Life Insurance Company, Columbus, Ohio. The general distributor for variable products is Nationwide Investment Services Corporation, member FINRA. In Michigan only: Nationwide Investment Svcs. Corporation.

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M's Versatile Products (variable products only) are issued by Pacific Life Insurance Company. Pacific Life refers to Pacific Life Insurance Company and its affiliates, including Pacific Life & Annuity Company. Insurance products are issued by Pacific Life Insurance Company in all states except New York and in New York by Pacific Life & Annuity Company. Product availability and features may vary by state. Each insurance company is solely responsible for the financial obligations accruing under the products it issues. Insurance products and their guarantees, including optional benefits and any fixed subaccount crediting rates, are backed by the financial strength and claims-paying ability of the issuing insurance company. They are not backed by the broker-dealer or the insurance agency from which this product is purchased or by any affiliates of those entities and neither make any representations or guarantees regarding the claims-paying ability of the issuing insurance company and do not protect the value of the variable investment options. Variable insurance products and shares of Pacific Select Fund are distributed by **Pacific Select Distributors, Inc.** (member FINRA & SIPC), a subsidiary of Pacific Life Insurance Company, and are available through licensed third party broker dealers. Pacific Life Home Office is located in Newport Beach, CA. M Financial Group is not an affiliated company of Pacific Life.

- M's Versatile Product—Survivorship II (MVP Survivorship II) (form #P08S6M), variable universal life insurance
- M's Versatile Product Universal Life (MVP UL) (form #P10VPM), universal life insurance
- M's Versatile Product VIII (MVP VIII) (form #P09MVP), variable universal life insurance
- M's Versatile Product Indexed Universal Life (MVP Indexed UL) (form #P08PIM), indexed universal life insurance
- M's Versatile Product IX (MVP IX) variable universal life insurance. (form #ICC11 P11MVP or P11MVP). Form number based on state in which policy is issued.

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M Premier VUL variable universal life insurance is issued by Pruco Life Insurance Company in all states except New York, where it is issued by Pruco Life Insurance Company of New Jersey. It is offered through Pruco Securities, LLC (member SIPC), and broker-dealers who have entered into agreements with Pruco Securities, LLC. All are Prudential Financial companies. Each is solely responsible for its own financial condition and contractual obligations. Policy form # MPVUL-2008 followed by a state code. This product, riders and features may not be available in all states.

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MonograM individual disability insurance is underwritten by the following Unum Group subsidiary: Provident Life and Accident Insurance Company (In NY, by Provident Life and Casualty Insurance Company), 1 Fountain Square, Chattanooga, TN 37402.

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While the phrase "Partner Carrier" is used throughout this piece, M Financial and each of the insurers referenced herein are independent contractors and have not entered into a legal partnership.

*John Hancock*

[www.johnhancock.com](http://www.johnhancock.com)



**Nationwide®**  
*On Your Side*

[www.nationwide.com](http://www.nationwide.com)



**PACIFIC LIFE**

[www.pacificlife.com](http://www.pacificlife.com)



**Prudential**

[www.prudential.com](http://www.prudential.com)

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