



June 30, 2009

Review of Policy Features, Benefits, and Guarantees Offered through VA and VUL Policies

As we witness developments unfolding within the life insurance industry we feel the need to re-emphasize our position and direct advisor and client attention to the impact that the withdrawal of management fees and trading activity may have on policy features, riders, benefits, and guarantees.

Hanlon's expertise falls within the tactical and strategic asset allocation of portfolio assets. We have no responsibility for understanding the impact that the withdrawal of management fees or the trading of subaccounts may have on any policy feature, rider, benefit or guarantee.

To ensure that a proper review of Variable Annuity (VA) and Variable Universal Life (VUL) policies seeking Hanlon Investment Management services have been properly reviewed by the advisor and the client, Investment Management Agreements for VA or VUL policies signed after **July 1, 2009** will require a client signed acknowledgement indicating awareness for the potential negative impact to policy features, riders, benefits, and guarantees resulting from the withdrawal of management fees and / or trading reallocation activity. As such, we have updated the first page of all Investment Advisor Declarations (IAD) to include this acknowledgement. Click [here](#) to access a sample version of this updated acknowledgement.

Of course, existing clients of Hanlon have executed our Investment Management Agreement which contains the following language regarding these policy feature, rider, benefit, and guarantee reviews:

Part 1, Section 6. Risk Acknowledgement: *VA and VUL contracts may contain riders that provide for certain features, benefits, and guarantees. The ongoing deduction of our management fees from your Account, trading activity, and/or use of certain subaccounts /investment options may cause your contract to experience a reduction in these features, benefits and guarantees, such as a reduction to death benefits, income guarantees, appreciation guarantees, tax on distributions status, etc. to the extent that they exist. **You acknowledge a complete and full understanding of the specific features, benefits and guarantees in your contract and the corresponding possible negative effect that our ongoing management may have and you accept this condition.***

Before and after hiring Hanlon to provide investment management services on VA and VUL policies, it is crucial that you and your clients review and fully understand any and all VA or VUL policy features, riders, benefits and guarantees. It is necessary that you contact the issuer (a requisite to proper review) to discuss the potential impact of the withdrawal of management fees and trading activity, prior to submission to Hanlon. Furthermore, we urge you to regularly review policies to ensure that changes to policy features have not occurred. This analysis is a prudent exercise that should be conducted by advisors on a frequent basis, irrespective of the impact to policy features by investment management services, due to the potential for change / modification by issuers OR even by clients.

Consider the fact that issuers can modify policy features at any given moment and are under no obligation to provide a Third Party Investment Advisor (such as Hanlon) with this information. We rely 100% on the advisor and client to review these features, understand the impact that our management will have, and determine the suitability of Hanlon's management in the presence of these features.