

Participant Loan Agreement

Kemper Investors Life Insurance Company
(KILICO/"the Company")

Contract Number _____
Owner SSN/TIN _____
Owner Name _____
Annuitant Name _____
Daytime Phone Number _____

Insurance Services
PO Box 758557
Topeka, KS 66675-8557
1-800-457-9047

Section 1: Loan Limits (See Section 8 for more information)

1. Once a loan has defaulted, no further loans will be issued until all defaulted loans have been repaid in full.
2. 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.
3. 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 vested policy value less loan collateral lien and remaining withdrawal charges).
4. A minimum surrender value of \$500 (or as stated in policy pages if greater) 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 KILICO annuity. Please review Section 8 for further information.

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

Loan amount requested: ☐ \$ _____ ☐ Maximum loan not to exceed limits defined in Section 1
(See Section 10 for information on ERISA)

Section 3: Loan Origination

Employer Contributions (To be completed by Plan Administrator)

Special Instructions: _____

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.

If this section is not completed, the Company will transfer assets to the loan account on a pro-rata basis.

(Indicate Variable Subaccount or General Account)	Dollar (\$) Amount or Percentage (%) 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. 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.

- ☐ This is a non-home loan to be paid in equal 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 repayments over: (not greater than 10 years)
- ☐ 5 years ☐ 10 years

RETURN TO INSURANCE SERVICES

Section 5: Distribution Options

A. How do you want to receive your loan proceeds?

Please select how you want to receive this amount.

- ☐ Electronic Funds Transfer (EFT) to my bank account – proceeds will arrive within three business days after the funds are withdrawn.
- ☐ Wire Transfer to my bank account – a \$15.00 wire processing fee will be deducted from the loan amount.
- ☐ Mail to: ☐ Participant address of record ☐ Owner address of record
- ☐ Please express mail (Cash on Delivery) the check to the address indicated above. Express mail will not be delivered to a PO Box.

B. Distribution Bank Information

Only complete this section if you selected EFT or Wire Transfer above. Please provide your bank information below.

If any information is missing, your request may be delayed. You may also attach a void check to ensure necessary information is provided.

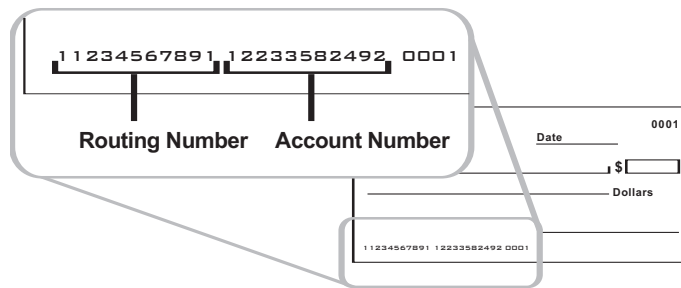
Bank Account Type (please check one): ☐ Checking ☐ Savings

Bank Name _____

Name on Bank Account _____

Bank Routing Number _____

Bank Account Number (please exclude the check number) _____



Section 6: Loan Repayment Options

Each loan payment will be directed according to the future allocations authorized for all contributions.

A. Select the Repayment Method

The borrower agrees to pay the total amount of the loan and interest by making equal period payments.

A. Frequency: ☐ Monthly ☐ Quarterly

B. Amount \$ _____
(must be equal to or greater than the minimum payment)

C. Beginning on: _____
(mm/dd/yyyy – must be between the 1st and 28th of the month)

B. Repayment Bank Information

Complete this section to have payments drafted from your bank account using Electronic Funds Transfer (EFT)

- ☐ Use the bank information previously provided on this form.
- ☐ Use the following bank information for the repayment. Please provide your bank information below. If any information is missing, your request may be delayed. You may also attach a void check to ensure necessary information is provided.

Bank Account Type (please check one): ☐ Checking ☐ Savings

Bank Name _____

Name on Bank Account _____

Bank Routing Number _____

Bank Account Number (please exclude the check number) _____

Section 7: 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 the Company accepts no responsibility concerning adherence to these requirements of the loan, and agree to hold the Company harmless for any liability as a result of this loan. the Company 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 considered all information regarding loans from other employer sponsored retirement plans in determining the overall loan limit under IRC Section 72(p).

The Company 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 (mm/dd/yyyy)
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_____ Name of Participant (if other than owner)	_____ Participant Signature	_____ Date (mm/dd/yyyy)
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_____ Plan Administrator (print name)	_____ Plan Administrator Signature (if any)	_____ Date (mm/dd/yyyy)
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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 (mm/dd/yyyy)
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_____ Witnessed by: Plan Administrator (print name)	_____ Plan Administrator Signature	_____ Date (mm/dd/yyyy)
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To be retained for Participant's records

Detach and retain this sheet for your records.

Section 8: 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. Once a loan has defaulted, no further loans will be issued until all defaulted loans have been repaid in full.
2. 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.
3. 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).
4. A minimum surrender value of \$500 (or as stated in policy pages) must be maintained.

Examples:

1. If your current vested KILICO 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 KILICO 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 KILICO 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 KILICO 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 9: 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.

Section 10: 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%.

Section 11: 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 up to 10 years.

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 adjust the due date accordingly.

Section 12: Missed/Untimely Loan Repayments on Qualified Plans

Withdrawal/Loan Repayments

If a payment is missed or is untimely, the Participant authorizes the Company 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 the Company that he/she has separated from service
- Participant notifies the Company that he/she is disabled
- The Company 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 13: Loan Default

If any amount due is outstanding at the end of a calendar quarter, the loan will enter the grace period. If this amount remains outstanding at the end of the second consecutive calendar quarter the loan defaults.

At the time of default, the entire outstanding balance, with any accrued interest will be reported to the IRS on form 1099-R at the end of the year. Once a loan has gone into default, regularly scheduled payments will not be accepted and no new loans will be allowed. At any time, the entire amount of the principal, plus accrued interest may be paid in full.

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.

The Company 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 14: 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 the Company is authorized to alter, change or waive any of the terms or conditions of this loan agreement or bind the Company by any statement or representation as to the terms of a loan under the policy.