FREQUENTLY ASKED QUESTIONS
Updated as of March 31, 2010
New 10.2
Modifications to 2, 5, 11 and 18

1. What happened to Standard Life Insurance Company of Indiana?

After efforts to raise additional capital failed, Standard Life Insurance Company of Indiana (Standard Life of Indiana) consented to an Order of Rehabilitation on December 18, 2008 by the Marion County Circuit Court in response to a petition by the Indiana Department of Insurance (IDOI). The Department took this action after determining that Standard Life of Indiana's investment portfolio had deteriorated under current market conditions to the point that the Department of Insurance needed to act to protect the annuity holders of the Company.

Former Indiana Insurance Commissioner, Jim Atterholt, was appointed as Rehabilitator of Standard Life of Indiana, and his successor in office, Carol Cutter, has succeeded him in his duties as Rehabilitator. Mr. Atterholt had previously appointed Randolph Lamberjack, President of Noble Consulting Services Inc., as Special Deputy Rehabilitator to oversee the rehabilitation process; Mr. Lamberjack continues to serve as Special Deputy under Commissioner Cutter.

Please refer to the Standard Life of Indiana web site (www.standardlifeofindiana.com) to review important messages from the Indiana Department of Insurance including the Press Release and Order of Rehabilitation.

2. What is the current financial condition of Standard Life Insurance Company of Indiana?

The Rehabilitator has been working to improve the Company's investment portfolio and assets and to pursue a transaction with a third party that would fully protect Standard Life's policies and contracts with its customers. We have made progress on both goals.

The Order and Management's Consent to the Rehabilitation was a pre-emptive measure to preserve capital. This was done to protect the overall account values of our annuity holders. The financial condition of the Company had been impacted with the overall downturn of the financial markets and the economy at large. The investment portfolio was structured to mature with our contractual obligations. Full surrenders would create a fire sale of the assets which would further impact the overall financial condition. The current value of the portfolio is a result of the overall market conditions resulting from extraordinary devaluation in the broad stock and bond markets. Overall values of the U.S. stocks have declined; this has flowed into the bond market. Standard Life of Indiana's investment portfolio did include a number of investments that declined or

became impaired but the vast majority of the investment portfolio is government backed and includes quality corporate bonds. Since 87.4% of all of our investment holdings are investment grade securities, temporary declines in even the highest of quality bonds can be dramatic with changes in interest rates and market conditions. Unfortunately, new capital was not available to replace the losses experienced in recent months that lead up to this action.

3. What is the purpose of a Rehabilitation Order?

Rehabilitation is a Court approved safeguard used in conjunction with the Department of Insurance in an effort to extend powers not available to a company in the normal course of business. Rehabilitation is used in an effort to exercise certain actions that are initiated, we believe, to be in the best interest and protection of the Company and its policyholders. The Rehabilitation Order for Standard Life of Indiana was consensual; meaning that it was approved by the Board of Directors of Standard Life of Indiana. As a result of the Order, certain legal actions can be stayed, administrative and service contracts can be amended to save costs, investments will be administered under the oversight of the Commissioner of the Department of Insurance in her capacity as Court appointed Rehabilitator, and it will allow the Rehabilitator to oversee operations on site with the Company. This is all being done with the best interest of policyholders and annuitants in mind to safeguard the account balances for the long-term and to continue selected services in a cost effective manner.

4. Who is running the company?

Executive Management changes have occurred as a result of the Rehabilitation Order. Essentially, Indiana Insurance Commissioner Carol Cutter replaces the Board of Directors of the Company. Former Commissioner Atterholt appointed Randolph Lamberjack, President Noble Consulting Services, to serve as Special Deputy, overseeing the rehabilitation process. Most of the staff that has been with the Company for several years continues to work with Mr. Lamberjack keeping the service levels high. Operations are running very effectively and we stand ready to meet the needs of all of our policyholders.

5. How will surrenders or requests for distributions be handled during the Rehabilitation?

Carol Cutter as the Insurance Commissioner of the State of Indiana has filed a petition with the Court to extend the existing moratorium on loan and cash surrender rights for Standard Life policies to be continuous from March 31, 2010. The National Organization of Life and Health Guaranty Associations has also agreed not to object to the extension and the filing of the petition. Once the Court finalizes the exact terms of the extension, another update will be published.

The moratorium on full surrenders and / or transfers has been in effect since entry of the Rehabilitation Order. The liquidity of the portfolio, the current market values and the current capital position do not provide sufficient liquidity and value to allow mass redemptions. These are the primary reasons for the need for the protection of a Rehabilitation Order. Therefore, we are freezing distributions such as cash surrenders and transfers at this time. Annuities that mature will be honored and annuities in payout will continue. Also, please refer to question number 10 for further information.

6. How safe is my account value?

Most features of annuity contracts will be honored under the contract provisions and will be processed on a normal basis, with the exception of full surrenders and/or transfers. All other payments and benefits will be honored under the normal course which includes annuities in payout, and contracts that allow access due to nursing home care. The moratorium has been extremely effective in assuring the safety of all of our policyholders' account values.

7. Will my interest rate or crediting rate change?

Interest crediting rates will continue as normal. This may change in the future depending on market conditions.

8. Can I still get my monthly interest payments?

Yes, existing monthly interest distributions will continue uninterrupted. Commencing January 1, 2009, you may request the distribution of monthly-earned interest be established <u>if your contract includes this provision</u>. Please consult your contract or contact our Customer Service Department at (800-222-3216) for assistance.

9. Will Required Minimum Distributions (RMD's) from IRA's be available?

Yes, all new and existing RMD's for traditional IRA contracts will be processed as received. Note that bulk distributions other than RMD's will not be allowed. See question 10 for an update. No transfers will be allowed at this time.

10. Will the penalty free partial withdrawals be allowed?

Since December 18, 2008, partial principal withdrawals have not been honored or processed. However, effective, January 1, 2009, you may request the distribution of monthly earned interest if you have a contract that includes this feature. Consult your contract or contact our Customer Service Department at (800-222-3216) for assistance.

Beginning January 1, 2010, if your contract includes a provision to allow a penalty free withdrawal each contract year, you may request a single withdrawal from your contract in an amount not greater than 10% of the previous anniversary's account value, with a maximum distribution per owner limited to $40,000.

The amount available will be net of any distributions already taken during the contract year such as monthly interest payments or RMD's. If you have been taking monthly interest payments, the distribution of a lump sum will result in the monthly interest payments being stopped.

Only one lump sum per contract and per contract holder will be processed, and all checks will be made payable to the contract Owner only. Contracts with Joint Owners will be allowed only one (1) withdrawal and will be limited to the $40,000 cap.

For additional details, you may download the 10% Penalty Free Withdrawal form, located on the Standard Life of Indiana website or contact our Customer Service, Special Projects Team.

10.1 Will withdrawals be allowed for circumstances relating to hardship?

Under very limited circumstances, and in accordance with procedures developed by the Company and approved by the Court, partial withdrawals may be allowed to individual contract owners who can establish that they need access to a portion of their contract funds in order to satisfy a "hardship" of the sort defined by the Company. Each hardship withdrawal request is subject to review by the Special Deputy Rehabilitator and will only be granted at his discretion and upon the ability of the requesting party to prove that an actual hardship need exists. For more information, please download the "Notice Regarding Hardship Request" and related forms located on the Standard Life of Indiana website at http://www.standardlifeofindiana.com/Form%20Storage/HardshipPackage.pdf

10.2 Will it be possible to change deferred contracts to an income stream or put them into a payout situation?

Under certain situations, customers with deferred contracts may apply to have the contract annuitized or put into a payout situation. Application should be made through the hardship program and will be reviewed by the Special Deputy Rehabilitator for approval. Once an income begins, the terms of the payout may not be changed. Please contact our Customer Service Special Teams Representatives for additional information.

11. How long will the moratorium or freeze on surrenders be in place?

Because of the market value of the investment portfolio account, full surrenders and transfers cannot be honored at this time. The Court initially approved a moratorium of six (6) months from the date of entry of the Order of Rehabilitation on all Standard Life of Indiana policies, which had been extended until March 31, 2010 by the Court.

Carol Cutter as the Insurance Commissioner of the State of Indiana has filed a petition with the Court to extend the existing moratorium on loan and cash surrender rights for Standard Life policies to be continuous from March 31, 2010. The National Organization of Life and Health Guaranty Associations has also agreed not to object to the extension and the filing of the petition. Once the Court finalizes the exact terms of the extension, another update will be published.

12. How will death claims on annuity contracts be handled?

Death claims will be processed without interruption and paid in full. Death benefit payments will be made to the designated beneficiary. Standard Life of Indiana no longer utilizes Strategic Asset Management (SAM) accounts for death benefit distribution.

12.1 What is the National Organization of Life & Health Insurance Guaranty Associations? (NOLHGA)

NOLHGA is a voluntary association made up of the life and health insurance guaranty associations of all 50 states, the District of Columbia and Puerto Rico. It was founded in 1983 in order to provide a mechanism to help the state guaranty fund associations coordinate their efforts to provide protection to policyholders when a life or health insurance company insolvency affects people in many states. State life and health insurance guaranty associations provide a safety net for their state's policyholders in the event of an insurance company's insolvency, subject to each state's statutory coverage limitations and exclusions.

13. How will annuity policies that mature be handled?

Deferred annuity policies will be paid out once they reach maturity date. The maturity date is typically stated in the contract and usually means either reaching a defined age or the contract being in-force a minimum number of years. Policy maturity and surrender charge period are completely different features. As a result, a policy that reaches the end of the surrender charge period is not necessarily a policy that has reached the maturity date. All holders of contracts reaching maturity will be contacted by Standard Life of Indiana and the specific settlement options of their contract will be explained. The goal is to offer the client settlement options which follow the contract provisions (which vary

from one contract type to another), as further limited by the requirements of the Rehabilitation Order and the moratorium.

14. Can I continue to add money to my account?

NO. At this time we believe the most responsible stance is to not take additional revenue that could be restricted. Therefore, new contracts or additional deposits are not being accepted or processed until further notice. Effective Friday, December 19, 2008, the Company will not accept new money for new or existing accounts. We have also returned all new applications that were in process as soon as action could be taken. We believe the discontinuance of automated or bank draft contributions are in the best interest of our customers.

15. Is Rehabilitation different than Liquidation? If so, how?

Standard Life is in Rehabilitation. Rehabilitation under Indiana Code 27-9-3 is a court ordered proceeding to protect policyholders. Rehabilitation means that the company is taken over and managed by the Commissioner as court appointed Rehabilitator to pay policyholder claims, on a 100% basis if possible; with the prospect of returning the company to private hands if the Rehabilitation is successful. Liquidation means the company's assets are liquidated to pay policyholder claims on a pro-rata basis, and the company is dissolved. Standard Life is not in Liquidation.

16. Will customers that have a pending transfer or a partial or full surrender get some type of communication?

Yes, these customers will receive a letter explaining that there is a moratorium on full or partial surrenders, which may be extended by the Court. Those customers requesting a transfer during the moratorium will receive a letter from Standard Life of Indiana explaining there can be no action at this time. The transfer paperwork will be returned and a copy of the notice will be mailed to the transferring company.

17. Since there are to be no additional deposits, are Bank Draft premiums being stopped?

Yes. All premiums that have been coming to the Company via Bank Draft will be stopped and a letter forwarded to these contract holders. All annuity premium reminder notices that we have sent in the past have also been halted.

18. If a customer has requested a Penalty Free Withdrawal that would include their Required Minimum Distribution, will these be processed?

Customers needing to take their Required Minimum Distribution (RMD) may request this distribution or they may request the 10% Penalty Free amount (if available under their contract) which would include the RMD. Rules or limitations regarding the distribution of the 10% Penalty Free amount will apply. Customers with questions about their available distribution are encouraged to contact Customer Service via email or by calling our Toll Free Customer Service Line (800-222-3216).

19. How are Total Command contracts different?

The base Total Command contracts do not include liquidity features. In order to have some form of liquidity, a policyholder must have purchased a liquidity rider at the time of policy issue. The specific cost to purchase a liquidity rider is a reduction in credited interest rate. Riders may not be added after a policy has been issued.

Total Command contracts with no liquidity rider cannot establish distribution of earned monthly interest. However, during the rehabilitation we will honor requests to distribute monthly-earned interest for policyholders that have purchased a liquidity rider.

20. Where can I get more information?

As we receive questions from our contract holders and employees, we will continue to update our web site and staff on any developments or changes as they occur. You are always welcome to contact your Standard Life Agent or our Customer Service Department at 1-800-222-3216 or visit our web site at www.standardlifeofindiana.com for updates.