Capital Transfer

A Life Insurance Program

Protective Capital Transfer is a program that uses life insurance to help you keep taxes from eroding your assets.

Protective Life Insurance Company

100 YEARS OF SERVICE 1907 - 2007

Doing the right thing is smart business.®

PLC.2845.02.07

Secure Your Assets To Help
Protect The Lives You Love[SM]

You have worked hard to accumulate your nest egg. Protective Capital Transfer is a program that uses life insurance to help keep taxes from eroding the value of those assets when you pass them on to those you love. If you own tax-deferred assets that you don't plan to use for retirement income, Capital Transfer can be an effective planning tool to help transition those values to your beneficiaries more efficiently.

The information in this brochure is intended as a general overview. The tax treatment of life insurance is subject to change. Neither Protective Life Insurance Company nor its representatives offer legal or tax advice. Investors should consult their attorney or tax adviser regarding their individual situation.

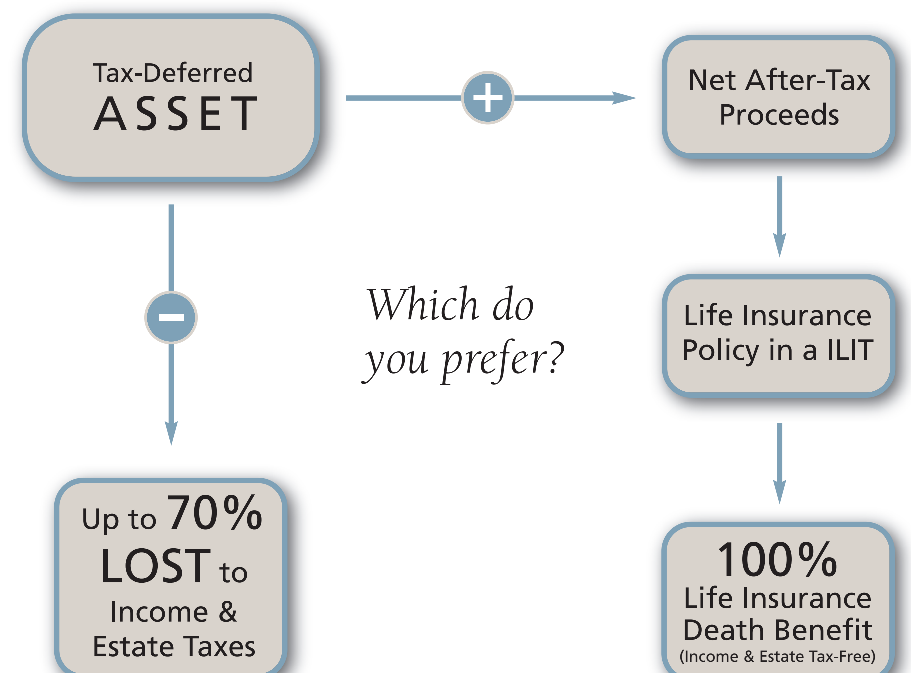
Estate Planning Issues

You may not have a problem with estate taxes now, but that could change over time. Legislative changes as well as the growth of your estate can alter your situation and increase any remaining costs payable at your death.

Any estate tax payable on your estate will be due within nine months from the date of death (or possibly nine months from the date of your surviving spouse's death if the marital deduction is taken at the first death).

Additionally, when you pass tax-deferred assets to your beneficiaries, you also pass the income tax burden to them. Ultimately your beneficiaries will be responsible for income taxes on all of the gains in your tax-deferred assets, at your beneficiaries' tax rate. Although tax deferral may be a great benefit to you, it could become a great burden to your beneficiaries. Many people overlook the income tax impact of their tax-deferred legacy.

How will your beneficiaries pay any remaining costs?
That's what the Capital Transfer planning process is all about.



*Note: These calculations are based on the Economic Growth and Tax Relief Act of 2001. This act gradually increases the unified credit exemption and decreases the maximum estate tax rate through 2009, with complete repeal in 2010. However, without new legislation, the estate tax will be re-established in 2011, with a maximum rate of 55% and a unified credit exemption of $1 million.

While tax-deferred investments offer an attractive way to accumulate money for future income needs, they can be inefficient if your goal is to pass the asset to your beneficiaries. They could be subject to both income and estate taxes at your death. The combined tax impact could erode the value of your tax-deferred investment by up to 70%. If your goal is to pass the tax-deferred investment to your beneficiaries and you do not plan on using the assets for income, Capital Transfer could be an effective planning tool for you.

Many individuals invest in tax-deferred assets, planning on tax-deferred accumulation to supplement their retirement income. Today, your planning needs may have changed from accumulating wealth for your retirement to preserving and transferring your wealth to your loved ones. Capital Transfer addresses these needs. It is designed to help enhance the value of your tax-deferred investment when passing on your legacy. This planning concept repositions your tax-deferred asset to avoid both the income and estate taxes due at death.

The Capital Transfer concept uses the value of your tax-deferred investment to purchase a life insurance policy. (Income taxes are generally due upon the withdrawal of funds from a tax-deferred investment.) If properly structured, the life insurance death benefit can be free of income and estate taxes. Life insurance death benefits are income tax free to your loved ones and if purchased using a properly drafted Irrevocable Life Insurance Trust (ILIT), the proceeds should not be included in your estate for estate tax purposes.

The following case study is intended to highlight the benefits of the Capital Transfer concept. You should consult your tax and legal advisors to determine if Capital Transfer is the right strategy for you.

The death benefit is subject to the claims paying ability of Protective Life Insurance Company. The tax treatment of life insurance is subject to change. Neither Protective Life Insurance Company nor its Representatives offer legal or tax advice. We recommend that you consult your legal and tax advisor before making any financial decisions.

Hypothetical Case Study

Sample case assumptions: Female, Age 70, Non-Tobacco, Annual Premium of $27,943 for 10 years.

SCENARIO:
Martha Jenkins has a deferred annuity valued at $300,000. The initial annuity deposit was $100,000. Martha has sufficient income from social security, her pension, and her other investments to satisfy her retirement needs, therefore, she does not intend to use the annuity for income. She wants to make sure that these assets are available for her children. Martha's total estate is valued at $2 million dollars. Martha is 70 years old and in good health.

PROBLEM:
Martha Jenkins has sufficient income for her living expenses and would like to pass on the annuity value to her children. Estate and income taxes will significantly reduce the amount her children will receive from the annuity.

ISSUE:
Martha was introduced to the Capital Transfer concept by her financial advisor. During their conversation Martha described her desire to pass the annuity value to her children since her family had worked so hard over the years to save the money. However, she was concerned about the effect of income and estate taxes after some analysis by her financial advisor.

The forecasted value of the annuity at Martha's death is $827,709. Since she has only contributed $100,000 to the contract, her beneficiaries would owe income taxes on the remaining $727,709 of gain. This amount of income would put her beneficiaries in the highest possible income tax bracket, making the potential tax impact even worse.

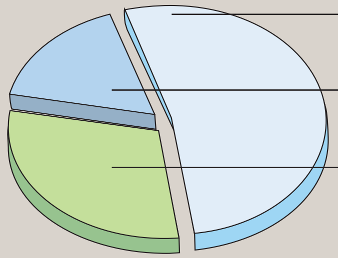
Please note: It is possible that her beneficiaries could stretch out the income tax payments on the annuity proceeds over a longer period of time instead of paying all of the taxes in one year, but it's important for you to understand the potential impact.

SOLUTION:
Capital Transfer. Martha's financial advisor compared leaving the annuity in place to liquidating the annuity over a ten year period to fund a life insurance policy held outside her estate. The comparison uses an
approximate annuity value at the time of death of $827,709 (at age 85).

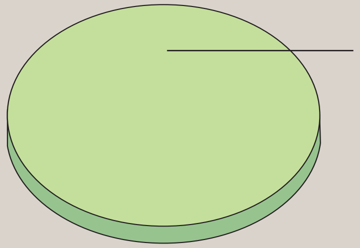
USING THE CAPITAL TRANSFER STRATEGY:
Martha begins taking annuity distributions at age 70 of $39,919 per year. After a 30% income tax is deducted ($11,976), she has $27,943 to pay the annual premium for a Protective Centennial G UL℠ life insurance policy owned by a properly drafted ILIT. This will fund a $590,667 Centennial G UL policy.

These estate tax calculations are based on the Economic Growth and Tax Relief Act of 2001. This act gradually increases the unified credit

Tax-Deferred Annuity at age 85: $827,709
Net to Beneficiaries = $279,749



Capital Transfer Strategy: (using life insurance proceeds)
Net to Beneficiaries = $590,667



exemption and decreases the maximum estate tax rate through 2009, with complete repeal in 2010. However, without new legislation, the estate tax will be re-established in 2011, with a maximum rate of 55% and a unified credit exemption of $1 million. The calculations assume the use of one unified credit, no prior gifting beyond annual excluded amounts and the applicable state tax credit. The premium payments used to fund the irrevocable life insurance trust assume the use of annual gift exclusions and/or partial use of the unified credit.

BENEFITS:
An additional $310,918 would be left for her children using the Capital Transfer Strategy.

The comparison revealed that income and estate taxes would reduce the annuity value by 66% if Martha passed away at age 85. The Capital Transfer strategy shows a total value of $590,667 being passed to Martha's beneficiaries at age 85. There are income taxes due each year as the annuity is liquidated each year for a ten year period to pay the life insurance premium. In this example the taxes due each year are deducted from the annuity payment and the net amount is used to pay the life insurance premiums.

IN SUMMARY
Protective's Capital Transfer Strategy

- Helps enhance assets transferred to beneficiaries
- Uses an asset that may be subject to both income and estate taxes at death to create an asset that will not be taxed at all upon death if structured properly (income taxes are generally due upon the withdrawal of funds from a tax-deferred investment)
- Life insurance death benefits are passed income and estate-tax free to beneficiaries, if structured properly

Protective makes it easy for you to find solutions to your financial challenges. Plan now to pass more of your estate to your beneficiaries.Using the attached Capital Transfer worksheet, your financial advisor can work with your tax and legal advisors who will help you explore your income and estate tax implications. This information can be used to help determine whether a Capital Transfer strategy will benefit your situation.

Capital Transfer Worksheet

Formula to estimate estate and income tax on a Tax-Deferred Asset at death

1. Value of Tax-Deferred Asset at death ______________
2. Tax-Deferred Asset cost basis ______________
3. Tax-Deferred Asset gain
   ☞ ***Step 1 - Step 2 =*** ______________
4. Estate tax bracket ______________
5. Estate tax owed
   ☞ ***Step 1 x Step 4 =*** ______________
6. Estate tax deduction
   ☞ ***Step 3 x Step 4 =*** ______________
7. Amount subject to income tax
   ☞ ***Step 3 – Step 6 =*** ______________
8. Income tax bracket ______________
9. Income tax owed
   ☞ ***Step 7 x Step 8 =*** ______________
10. Total taxes paid
    ☞ ***Step 5 + Step 9 =*** ______________
11. **Net to beneficiaries** (estimated)
    ☞ ***Step 1 – Step 10 =*** **$**

This formula is designed to provide merely an approximation of the estate tax and income tax of dying with a Tax-Deferred Asset in your estate.

For questions and additional information, please contact your Protective Representative.

The tax laws and tax rates are subject to change. Neither Protective Life Insurance Company nor its representatives offer legal or tax advice. We recommend you consult your tax and/or legal advisor before making any financial decisions.

About Protective Life

Celebrating its 100th year of service, Protective Life Insurance Company was built upon a belief in hard work and integrity. The Company's continued commitment to these timeless principles is reflected in its dedication to three core values: quality, serving people, and growth.

Protective Life Insurance Company's values-oriented management philosophy was established by its founder, former Alabama Governor William Dorsey Jelks. Governor Jelks left an indelible imprint on the Company by insisting that quality — in products, in service, and in people — be the standard applied to every aspect of its business. Understanding that serving people begins with being worthy of their trust, Jelks' initial pledge to Protective Life's customers, shareholders, and employees remains today the focus of the Company's leadership.

One hundred years later, Protective Life Insurance Company is one of the nation's leading insurance companies, providing financial security to individuals and families across the country through a broad portfolio of life and specialty insurance and investment products. Drawing upon the strengths of the past, while maintaining a keen eye toward the future, the Company's employees nationwide are dedicated to affirming the wisdom of our collective vision:

Doing the right thing is smart business.®

Protective Life Insurance Company has more than $162 billion of coverage in force to date.*

- A+ (Superior, 2nd highest of 15 ratings) from A.M. Best
- AA (Very Strong, 3rd highest of 21 ratings) from Standard & Poor's
- AA- (Very Strong, 4th highest of 22 ratings) from Fitch
- Aa3 (Excellent, 4th highest of 21 ratings) from Moody's Investors Service.

Each of these independent rating agencies has assigned its rating based on a variety of factors including Protective Life Insurance Company's operating performance, asset quality, financial flexibility and capitalization.**

*As of 9/30/2006

** These ratings are current as of February 2007. For more current information, please visit www.protective.com.

Protective Centennial G UL℠, policy form UL-15 and state variations thereof, is a flexible premium universal life insurance policy issued by Protective Life Insurance Company, 2801 Highway 280 South, Birmingham, AL 35223. Product features and availability may vary by state. Consult policy for benefits, riders, limitations, and exclusions. Subject to underwriting. Two-year contestable and suicide period. Benefits adjusted for misstatements of age or gender.

The death benefit is subject to the claims paying ability of Protective Life Insurance Company. The tax treatment of life insurance is subject to change. Neither Protective Life Insurance Company nor its Representatives offer legal or tax advice. We recommend that you consult your legal and tax advisor before making any financial decisions.

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