

Life Product Update: Beyond AG49-A and §7702

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AG 49-A

- Effective date ~~11/25/20~~ **12/14/20**
- Not retroactive to Inforce policies
- Illustrations of products with multipliers, cap buy-ups, and other enhancements that are linked to an index or indices should not illustrate better than products without such features
- Maximum participating or variable loan spread reduced from 100bps to 50bps
- Impacts illustrations only; no impact whatsoever on the underlying product features and benefits

Before & After

Carrier / Product	Bonus Interest Credits, Multipliers & Performance Factors
Allianz Life Pro+ Advantage IUL	Guaranteed 15% Multiplier (Bonused), 40% Multiplier (Select) Yr 1+ Guaranteed 0.90% (Classic), 15% Multiplier (Bonused), 40% Multiplier (Select) Yr 1+
John Hancock Accumulation IUL	Guaranteed 5% Multiplier (Select Capped), 45% Multiplier (Capped, High Par Capped, Hang Seng), 30% Multiplier (High Capped), 106 % Multiplier (Enhanced Capped), 80% Multiplier (Enhanced High Capped) Yr 1+
Lincoln WealthAccumulate IUL	Guaranteed 0.35% Yr 1+ (Conserve), 55% Multiplier (Balance), 56% Multiplier (Perform, Perform Plus) Yr 1+; Current Positive Performance Credit Yr 2+ (Perform, Perform Plus)
Lincoln WealthAccumulate 2 IUL	Guaranteed 0.25% (S&P 500® Fixed Bonus, Fidelity AIM® Dividend Index) Yr 1+; Current 1.00% (Fidelity AIM® Dividend Index); Guaranteed 50% Multiplier (S&P 500 Multiplier Account) Yr 1+
Nationwide IUL Accumulator II	Guaranteed 15% Multiplier (Core) or 65% Multiplier (Advanced Multiplier) Yr 1+; Guaranteed 0.20% Yr 16+ (IUL Rewards Program) Guaranteed 0.20% Yr 16+ (IUL Rewards Program)
North American Builder Plus IUL 2	Guaranteed 10% Account Index Multiplier Yr 1+ (Current 15% Yr 1-10); Guaranteed 1.0% Interest Bonus Yr 11+ Guaranteed 0.50% (All Index Options except Fidelity) Yr 11+; Current 1.0%
North American Builder Plus IUL 3	Guaranteed 0.50% (Fidelity Multifactor Yield Index) Yr 1+; Current 1.65% Yr 1-10, 2.65% Yr 11+ Guaranteed 0.50% (Fixed Interest Participating Policy Loans) Yr 1+; Current 2.0%
Pacific Discovery Xelerator 2	Current Persistency Credit Yr 11+, Guaranteed 20% to 49% Performance Factor (Performance), 30% to 72% Performance Factor (Performance Plus) Yr 2+ (Current 46% to 114% or 69% to 170%)

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Proprietary Index Options

- | | |
|-----------------|--|
| AIG | <ul style="list-style-type: none">■ <i>Merrill Lynch Strategic Balanced (S&P 500, Merrill Lynch 10 Yr U.S. Treasury)</i>■ PIMCO Global Optima (global equity and U.S. bond markets) |
| Allianz | <ul style="list-style-type: none">■ <i>Bloomberg US Dynamic Balance / ER (S&P 500, Barclays U.S. Bond)</i>■ <i>PIMCO Tactical Balanced / ER (S&P 500, PIMCO Synthetic Bond Index)</i> |
| Global Atlantic | <ul style="list-style-type: none">■ BlackRock Diversa Volatility Control (up to 21 ETFs with equity, fixed income and alternatives) |
| John Hancock | <ul style="list-style-type: none">■ Barclays Global Multi-Asset Index (global equities, domestic and international fixed income, gold) |

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Proprietary Index Options

- Lincoln
 - *Fidelity AIM® Dividend (large and mid-cap dividend-paying companies, Barclays U.S. Treasury Futures)*
- National Life
 - *Credit Suisse Balanced Trend Index (global equities, bonds, real estate, commodities)*
- North American
 - *Fidelity Multifactor Yield Index 5% ER (six equity factor indices, U.S. Treasuries and cash)*
- Prudential
 - *Goldman Sachs Voyager Indexed Account (global assets including equity, fixed income, emerging markets, commodities, and alternate assets)*
- Symetra
 - *JPMorgan ETF Efficiente 5 (up to 12 ETFs with developed equities, emerging markets, U.S. fixed income and alternatives)*

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Proprietary Index Options

Guide to IUL Proprietary Index Options

Proponents of indexed universal life (IUL) have, since its inception, touted its upside potential for cash value growth and its downside protection from negative returns. Typically, this has come from indexed interest credits linked to the growth of the S&P 500 or another well-recognized market index such as the Russell 2000 or NASDAQ-100. Over the past few years, a small number of IUL carriers have offered proprietary index options and, since the enactment of AG 49-A in late 2020, several more carriers have added proprietary index options to their IUL products. The recent proliferation of these index options has raised a few questions: what are they, how do they work, how do they differ, and who are they for?

What are they?

Proprietary index options are designed to include allocations to two or more asset classes, to reduce volatility, and help deliver more stable, consistent returns over time. While these index options offer some benefits that are simple to understand, there are other characteristics that are much more complex.



Multi-Asset Class

Some proprietary index options are a relatively simple mix of a stock index, a bond index, and a cash component.¹ Others include

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Proprietary Index Options

Index Option	Asset Class														
	US Large Cap Equity	US Mid Cap Equity	US Small Cap Equity	US Sectors	International Equity	Emerging Markets Equity	US Treasuries	US Investment Grade Bond	US High Yield Bond	International Bond	Emerging Markets Bond	Real Estate	Commodities	Gold	Cash
AIG Merrill Lynch Strategic Balanced Index	X						X								
AIG PIMCO Global Optima Index	X	X	X		X	X	X	X							X
Allianz Bloomberg US Dynamic Balance II ER Index	X						X	X							
Allianz PIMCO Tactical Balanced ER Index	X						X	X							

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Consolidated Appropriations Act 2021 & §7702

- Ensure Product Availability and Choice for Consumers
- Interest Rates for:
 - Guideline Level Premiums, Cash Value Accumulation Test (CVAT) and Modified Endowment Contract (MEC) reduced from 4% to 2%
 - Guideline Single Premiums reduced from 6% to 4%
- “Minimum non-MEC” - higher Premiums for a given Face Amount or, conversely, lower Face Amounts for a given Premium payment
- Accumulation vs Protection

Consolidated Appropriations Act 2021 & §7702

Male 55, PNT, \$1,000,000 Death Benefit

	Whole Life Legacy 10-Pay (6/2020)*				Whole Life Legacy 10-Pay (11/2021)			
Premium	\$64,990				\$87,330			
	Guaranteed	IRR	Current	IRR	Guaranteed	IRR	Current	IRR
CV Yr 20	\$651,820	0.02%	\$1,071,450	3.25%	\$799,740	-0.57%	\$1,509,050	3.56%
CV Yr 25	728,490	0.56%	1,371,159	3.68%	848,080	-0.14%	1,927,555	3.91%
CV Yr 30	801,390	0.82%	1,689,846	3.80%	891,620	0.08%	2,435,700	4.08%
CV Yr 35	860,740	0.92%	2,038,624	3.80%	925,620	0.19%	3,040,023	4.15%
CV Yr 40	906,140	0.94%	2,405,303	3.74%	950,930	0.24%	3,747,781	4.17%
DB Yr 20	\$1,000,000	2.80%	\$1,643,782	6.07%	\$1,000,000	0.88%	\$1,886,926	5.03%
DB Yr 25	1,000,000	2.12%	1,882,193	5.27%	1,000,000	0.66%	2,272,846	4.73%
DB Yr 30	1,000,000	1.70%	2,108,643	4.69%	1,000,000	0.53%	2,731,769	4.54%
DB Yr 35	1,000,000	1.42%	2,368,455	4.31%	1,000,000	0.44%	3,284,310	4.41%
DB Yr 40	1,000,000	1.22%	2,654,450	4.02%	1,000,000	0.38%	3,941,174	4.31%

*This policy is a MEC in Yr 1

Consolidated Appropriations Act 2021 & §7702

"Composite" of 13 Accumulation IULs

	"Old"	"New"		
Face Amount	\$244,314	\$155,683	(\$88,631)	-36.3%
Target	\$4,470	\$3,080	(\$1,391)	-31.1%
Income Solve @ Mild	\$20,152	\$21,821	\$1,669	8.3%
Income Solve @ Medium	\$24,389	\$25,486	\$1,097	4.5%
Income Solve @ Hot	\$25,180	\$25,948	\$768	3.1%

Consolidated Appropriations Act 2021 & §7702

Nationwide IUL Accumulator II 2020

	"Old"	"New"			"Balanced DB" Solve
Face Amount	\$251,947	\$160,021	(\$91,926)	-36.5%	\$251,947
Target	\$4,497	\$2,856	(\$1,641)	-36.5%	\$4,497
Income Solve @ Mild	\$18,726	\$22,160	\$3,439	18.4%	\$18,709
Income Solve @ Medium	\$24,969	\$26,819	\$1,648	6.6%	\$25,183
Income Solve @ Hot	\$25,011	\$26,947	\$1,805	7.2%	\$25,358

LIMRA Market Share Summary

LIMRA Industry	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>YTD '20</u>	<u>Q1</u>	<u>Q2</u>	<u>YTD '21</u>	<u>Share %</u>
Term	3%	4%	4%	4%	7%	8%	8%	22%
Universal Life	-12%	-5%	-25%	-13%	6%	16%	11%	32%
<i>Fixed UL</i>	-21%	-24%	-46%	-27%	-11%	7%	-2%	8%
<i>IUL</i>	-8%	3%	-16%	-7%	13%	20%	17%	24%
Whole Life	-8%	7%	5%	1%	20%	25%	22%	36%
<u>Variable Universal Life</u>	<u>17%</u>	<u>11%</u>	<u>1%</u>	<u>6%</u>	<u>54%</u>	<u>69%</u>	<u>62%</u>	10%
Total	-5%	2%	-8%	-3%	15%	21%	18%	
LIMRA Brokerage	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>YTD '20</u>	<u>Q1</u>	<u>Q2</u>	<u>YTD '21</u>	
Total	0%	5%	-12%	-2%	17%	20%	19%	

Crump Market Share Summary*

	2016	2017	2018	2019	2020	Q3'21
UL	75%	71%	69%	69%	58%	57%
<i>GUL</i>	48%	38%	31%	25%	20%	12%
<i>IUL</i>	32%	39%	51%	62%	68%	73%
<i>CAUL</i>	18%	23%	16%	12%	8%	14%
WL	10%	12%	8%	6%	6%	8%
VUL	15%	17%	24%	24%	34%	32%

*Excluding Term and COLI

New & Noteworthy

IUL	VUL	GUL / CAUL
Nationwide IUL Accumulator	John Hancock Accumulation SVUL	John Hancock Protection SUL
Nationwide IUL Protector	Lincoln AssetEdge VUL	Principal UL Flex
John Hancock Accumulation IUL	Pacific Life Admiral VUL	Protective Lifetime Assurance UL
Lincoln WealthPreserve IUL	Securian VUL Defender	Prudential PruLife Essential UL
National Life FlexLife IUL	Nationwide Protection VUL	Protective Executive UL
Nationwide Survivorship IUL	Prudential PruLife SVUL Protector	
North American Builder Plus IUL		
Pacific Life Pacific Indexed Accumulator UL		
Securian Eclipse Accumulator IUL		
Symetra Accumulator IUL		