

SPECIAL REPORT

DATE: June 26, 2020

TO: Life Insurance Producers, Management, Office Administrators, and Technical Staff

SUBJECT: AG 49 Update: New Rules Impacting Illustrations of Indexed Universal Life (IUL) Insurance

Category	
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Actuarial Guideline XLIX (AG 49) Update: New Rules Impacting Illustrations of Indexed Universal Life (IUL) Insurance

On June 25, 2020, the Life Actuarial Task Force (LATF) of the National Association of Insurance Commissioners (NAIC) have voted to adopt the following refinements to the AG 49 regulation governing illustrations of IUL products. These changes remain subject to final approval by the NAIC, which is anticipated to occur in August. Pacific Life is an active member of the American Council of Life Insurers (ACLI) working group and will continue to advocate for clarity and balanced illustrations for IUL products. We are monitoring the situation closely and will update you of all developments.

- **New Business Illustrations** – Likely beginning on or around November 25, 2020, indexed multipliers, buy-up accounts, and persistency bonuses may be limited for new business illustrations. Additionally, illustrations of indexed/variable/alternate loans must not exceed a 0.5% (or 50 basis points) maximum difference between the Policy Loan Interest Credited Rate and the loan interest rate charged (inclusive of all aforementioned indexed performance-based credits).
- **Inforce Illustrations** – IUL policies issued on or before the effective date are grandfathered and may continue to illustrate using the same rules as the as-sold illustration.

No Change to Product Features

These changes do not impact the policy's actual performance or availability of product features. Pacific Life stands by its innovative product designs which we believe continue to offer value in a variety of economic conditions.

The Navigator illustration system will reflect the necessary changes, on the effective date.

3 Tips for Managing Inforce Policies

1. Since illustrations are now limited as to the benefit they can demonstrate, clients and financial professionals are encouraged to use **the policyowner statement** as the best and most accurate depiction of true policy performance.
2. To help educate the potential and risks associated with our IUL products, Pacific Life has **added descriptive information to the policy illustration**. Additionally, when using illustrations in a new sale, **indicate to the prospect that future inforce illustrations will be limited**.
3. Lastly, we are committed to being not only a leader in IUL sales, but in IUL education. **Explore our wide range of educational materials** available from your Pacific Life representative.

Endnotes

Indexed Universal Life Insurance generally requires additional premium payments after the initial premium. If either no premiums are paid, or subsequent premiums are insufficient to continue coverage, it is possible that coverage will expire.

Indexed Universal Life Insurance products do not directly participate in any stock and equities investments.

Pacific Life is a product provider. It is not a fiduciary and therefore does not give advice or make recommendations regarding insurance or investment products.



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Investment and Insurance Products: Not a Deposit	Not Insured by any Federal Government Agency	
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