



## New IUL regulation and index cap rate changes

The National Association of Insurance Commissioners (NAIC) is making enhancements to Actuarial Guideline XLIX (AG 49), which governs indexed universal life (IUL) insurance products. The new regulation is called AG 49-A and is designed to provide more consistency in IUL illustrations by limiting how products with index-linked interest rate enhancements can illustrate. AG 49-A goes into effect Dec. 14, 2020—and all IUL illustrations must be compliant with the regulation by that date.

### What are the key points?

**Consistent approach to maximum illustrated rates.** Illustrations for products with additional charges that fund interest rate enhancements, such as higher index caps, bonuses, or multipliers, cannot illustrate better than products without these enhancements.

- Impact to Principal Indexed Universal Life Accumulation II<sup>SM</sup> (IUL Accumulation II): The S&P 500<sup>®</sup> Price Return High Cap account will have a maximum illustrated rate that equals the maximum allowed for the Benchmark Index Account (BIA) plus our budget for the increased cap. The S&P 500<sup>®</sup> Price Return account will now be the BIA.
- Impact to Principal Indexed Universal Life Flex II<sup>SM</sup> (IUL Flex II): There are no changes.

**Maximum loan spread is reduced.** A maximum spread of 0.5% is allowed between the illustrated loan interest rate charged and the loan interest rate credited (including multipliers or bonuses) for indexed loans.

- Impact to IUL Accumulation II: The new loan spread will be used when illustrations are run with alternate loans and a current credit rate greater than 0.5% higher than the charge rate.
- Impact to IUL Flex II: Because only fixed loans are offered, there's no impact to the product.

**Changes apply to new business only.** Policies issued on or after Dec. 14 fall under AG 49-A, while policies issued prior to that date continue to be governed by AG 49.

### Key transition dates related to AG 49-A guidelines

The following transition guidelines apply to all IUL Accumulation II new business cases. IUL Flex II is also subject to AG 49-A, but since there are no required illustration output changes, the transition guidelines aren't applicable to this product.

- **Dec. 11.** By this date, we must receive all policy issue requirements, including sufficient premium to place the policy in-force under AG 49 guidelines.
- **Dec. 14.** Any policy issued on or after this date will require an AG 49-A-compliant illustration.

## New cap rates and illustration updates coming soon

We'll be introducing new index cap rates for all IUL policies effective Nov. 1, 2020. Illustrations will be updated Oct. 24, 2020 to reflect the new cap rates and the AG 49-A illustration changes outlined above. The new rates are listed below.

Product	Index-linked account	November 2020 rate	May 2020 rate	Change
Principal IUL Flex II	S&P 500® Price Return	9.00%	9.50%	-0.50%
	S&P 500® Total Return	13.00%	14.00%	-1.00%
Principal IUL Accumulation II	S&P 500® Price Return	9.00%	9.50%	-0.50%
	S&P 500® Total Return	13.00%	14.00%	-1.00%
	S&P 500® Price Return High Cap	13.00%	13.50%	-0.50%
Principal IUL Flex and Principal IUL Accumulation	S&P 500® Price Return	10.50%	11.00%	-0.50%
	S&P 500® Total Return	16.00%	17.00%	-1.00%

## AG 49-A FAQs

### Do the changes affect policy performance or product features?

No, the changes are specific to how policies are illustrated.

### Are in-force policies affected?

Policies issued prior to Dec. 14, 2020 will continue to comply with the AG 49 guidelines. Policies issued Dec. 14 and later will be governed by AG 49-A for new and existing policy illustrations.

### When will the illustration system be updated with the changes?

All systems with Principal IUL products available—including the Principal illustration system and WinFlex—will reflect the AG 49-A changes beginning Oct. 24.

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