Frequently Asked Questions

Actuarial Guideline 49 and Protective Indexed Choice℠ UL

What is Actuarial Guideline 49?

Actuarial Guideline 49 (AG49) is a new regulation mandated by the National Association of Insurance Commissioners (NAIC) which sets a common methodology for how insurance carriers can calculate their maximum illustrated interest rate for indexed universal life (IUL) policies. This new guideline impacts only how IUL policies are illustrated, not how they actually function. It is in intended to make policy illustrations more consistent for the benefit of consumers.

AG49 has multiple components, but mostly:

- Addresses the concern about hypothetical illustrated index returns
- Limits policy loan leverage shown within illustrations
- Requires additional disclosure to improve consumer understanding

The first change regarding maximum illustrated rates is effective and required as of September 1, 2015. All other changes become effective March 1, 2016.

How is the new maximum illustration rate calculated?

Beginning September 1, 2015, the maximum illustrated rate for IUL policies is required to be limited by the average annual return for the S&P 500® Annual Point-to-Point, assuming a 100% participation rate, 0% floor rate and the policy's current annual cap using rolling 25-year periods dating back 65 years. You may see this referred to as a "Benchmark Index Account." If any carrier does not offer a "Benchmark Index Account", they are required to create a hypothetical one. This could result in carriers with the same cap, but slightly different maximum illustrated rates.

How is Protective Indexed Choice UL affected?

As of September 1, 2015, the maximum illustrated rate for Protective Indexed Choice UL will change from 6.28% to 5.76%. This only impacts the illustrated rate on new policies, not the actual credited rate which is based upon S&P 500 performance. This rate change goes live in our illustration system on August 17, 2015.

Protective Indexed Choice UL policies issued after August 15 will have an effective date of September 15 or later. We will request a revised illustration with the new 5.76% rate for any policy issued after August 15 originally illustrated with the 6.28% rate.

Thanks to its low-expense structure, we expect Protective Indexed Choice UL to continue being extremely competitive in the marketplace in terms of both lapse-protection guarantees and cash-value accumulation. In fact, we typically market and demonstrate our product's competitiveness using a hypothetical 5.0% illustrated rate, still much lower than the new 5.76% maximum rate.