

## Product Update

## AG49-A Illustration Update – FAQ

### IAUL 2018 Illustration Update for AG49-A

#### What is Actuarial Guideline AG49-A?

Actuarial Guideline AG49-A is an amendment to recent illustration regulation updates. Previous AG49 guidelines have focused around creating illustrative uniformity between Indexed UL products. This upcoming amendment requires products with index enhancements to illustrate similar index performance to products without enhancements. This requirement limits the ability for indexed enhancements and/or persistency credits to exceed a historical average when added to the illustrated indexed interest rate.

#### When does Actuarial Guideline AG49-A go into effect?

Insurance carriers have until November 25<sup>th</sup> to follow AG49-A for any new policy placed on or after this date. Policies placed before this deadline are exempt from the requirement and can continue to illustrate indexed enhancements and/or persistency credits without the limitation.

#### Which of Prudential Products does this regulation change affect?

Prudential's Indexed Advantage UL (IAUL) 2020 Revision and Survivorship Indexed UL are already in compliance with the new AG49-A limits. This includes the multiplier account on our Survivorship Indexed UL product that is already illustrated in compliance. However, the Indexed Advantage UL (IAUL) 2018 product has a persistency credit, *Plus 20 Bonus*, that currently has the potential to be above AG49-A limits and guidelines. Note this regulatory limit will need to apply to IAUL 2018 cases that are pending and have not completed the placement process by November 24<sup>th</sup>, 2020.

*Note the IAUL 2020 version is currently approved in all States except for NY and VA.*

#### What changes are being made to support AG49-A?

In advance of the upcoming regulation set to take effect on November 25<sup>th</sup>, Prudential is updating its max illustrated rate for the IAUL 2018 product to ensure that its persistency credit does not exceed AG49-A limits. Note this product still has a persistency credit and this restriction only applies to the previously mentioned illustrative limits. This rate change is scheduled for October 19<sup>th</sup> so that new illustrations and submissions are fully compliant with AG49-A. This will help make sure that new submissions, with the updated October rates, can continue to be placed on or after November 25<sup>th</sup> without the need for re-illustration.

#### How are max illustrated rates determined?

Along with new limit restrictions set by AG49-A, there are multiple additional regulations that must be followed in determining the maximum illustrated rate for an IUL product. The illustrated rate for AG49 must be based on a hypothetical cap that can also pass the Life Insurance Illustrations Model Regulation (#582) tests.

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## Product Update

## 2020 Cap Changes – FAQs

### What if a case is not AG49-A compliant by the deadline?

Cases must be compliant by the 25<sup>th</sup> of November. Any policy with an illustration that was run prior to this rate update cannot exceed the new guidelines. If needed, a revised illustration can be completed and signed by the policyholder. This will impact any cases that meet this criteria and are still in a pending status on or after November 25<sup>th</sup>.

### How will we know if a case is at risk of not complying with AG49-A?

Prudential will be proactively monitoring cases. We will reach out to Financial Professionals in November prior to the deadline if a case is at risk of needing re-illustration.

Cases that might need re-illustration have the following criteria:

- Indexed Advantage UL 2018 Version
- Illustration run prior to October 19<sup>th</sup>
- Illustrated Max Rate Above Limit

### Can I proactively re-illustrate if I do not expect to place by the deadline?

Yes, absolutely. There is no concern in being compliant prior to the November 25<sup>th</sup> regulation change. Financial professionals can most certainly re-illustrate prior to this regulation change to ensure that they do not need to re-illustrate on or after the 25<sup>th</sup> of November.

### Will Financial Professionals continue to be able to offer the IAUL 2018 product until the new IAUL 2020 product is available in their State?

Yes, by making the illustration rate change going forward on October 19<sup>th</sup> it will allow Financial Professionals to offer this product until a 2020 revision is approved in their State. Note each State's transition rules will continue to be in effect. These illustration changes supplement these rules with additional guidance to ensure compliance with upcoming AG49-A changes.

### Are Inforce Illustrations also affected?

Yes, similar to New Business Illustrations any case that is placed on or after November 25<sup>th</sup> will be subject to the new AG49-A guidelines. This will once again limit the ability to show this product's persistency credit, Plus 20 Bonus. Cases placed prior to this date will be exempt from this regulation change.

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