

October 4, 2020

AG49-A and the Illustrated Indexed Loan Spread on IULs

In November, as part of the AG49-A changes, insurance carriers will be required to illustrate no more than a 0.50% spread between their illustrated crediting rate and their indexed loan rate (lowered from a 1.00% spread). At Mutual of Omaha, we are good with that regulation change, and will be implementing it in our WinFlex illustration software beginning November 19th.

IUL illustrations are simply a tool that can help you show your clients how an IUL could hypothetically work over time. We agree that showing a larger spread in order to increase the illustrated distribution values isn't necessary in order to help clients understand the value an IUL product can add to their portfolio.

It's important to note that even though the illustrated spread will be changing, **we will still continue to offer the exact same STRONG indexed loan provision on our IUL products**, and that is still extremely important when your client is purchasing an accumulation-focused IUL product. Even though the *hypothetical illustration* will restrict the spread to 0.50%, your client's accumulation value in their *actual policy* could still earn a crediting rate that is greater than the rate being charged on their loaned amount.

That's why we encourage you to take a close look at the loan provisions on the IUL policies you are selling. Are they client-friendly products like ours with **a low current index loan charge, in addition to a guaranteed maximum index loan charge**, or do they leave your clients susceptible to additional risk?

At United of Omaha, our Income Advantage IUL product is designed with client-friendly loan features, including:

- A low index loan charge – currently at 4%, which is one of the lowest charges on index loans in the industry
- A guarantee on the maximum loan charge. We put *in writing* that our index loan charge will never exceed 6%. Many companies don't set a limit, allowing them to set it as high as they would like, leaving your clients' IUL policies susceptible to additional risk.
- The ability to switch back and forth between standard and index loans

Learn more about how our index loans work and how we stand apart from the competition in our recently redesigned [The Potential of Index Loans flyer](#).

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