

AG49-A: Changes for Indexed Universal Life Illustrations

316NB

Date: November 12, 2020**Effective:** November 25, 2020

This year the National Association of Insurance Commissioners (NAIC) was tasked with revisiting Actuarial Guideline 49 (AG49) regarding how to illustrate IUL products. On June 25, 2020, the Life Actuarial Task Force approved a revised version of AG49 called “AG49-A”. North American has been proactive in its product design approach with regard to compliance with AG49-A, so the changes to our products will be minimal. The biggest impact you will notice is with regard to illustrated loan crediting, as changes to maximum illustrated rates are minimal.

Currently, on participating loans, AG49 allows for the illustrated loan crediting rate to be up to 1.00% higher than the illustrated loan charged rate. AG49-A reduces this allowable difference from 1.00% to **0.50%**.

What products are impacted?

All currently marketed indexed universal life (IUL) insurance products available for sale as of November 25, 2020, will be impacted by this change.

What business is impacted by the new AG49-A guidelines?

- Business that was solicited with an application signed date of November 25, 2020 and after will be impacted by AG49-A guidelines.
- Business that was solicited with an application signed date of November 24, 2020 and prior will not be impacted by AG49-A guidelines, but will continue to be required to adhere to restrictions set forth in the original AG49.

Does this update impact policy performance?

No. This update only impacts illustrations, not how the life insurance product operates or performs.

How does AG49-A impact North American’s product with an account interest multiplier?

Products with a multiplier fall within the maximum illustrated rates set by AG49-A and can still be included in illustrations.

Updates in Web-Based Illustrations

On November 25, 2020, Web-Based Illustrations will be updated to include a “Prior to 11-25-20” version for each IUL product. This version will not include updates for AG49-A and should only be used for

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business with an application signed date of November 24, 2020 and prior. It will be available solely for revised illustrations. Business with an application signed date of November 25, 2020 and after should utilize the version of the IUL product that does not contain “Prior to 11-25-20” in the product title.

***Please note these changes apply to our inforce illustrations as well.*

Note the following hypothetical illustration examples:

Date illustration ran	Application Signed Date	Will a new illustration be required?
11/22/2020	November 25, 2020 or after	Yes, a new illustration needs to be ran under new AG49-A rules.
11/22/2020	November 24, 2020 and prior	No, unless changes are needed to what was illustrated. If a new illustration is needed, it should be ran using the “Prior to 11-25-20” version that will only be available as a revised illustration.

Note: Refer to Field Bulletin 317NB “Cap, participation, spread, and illustrated rates for indexed universal life products,” for information regarding updates to Web Illustrations that are also being implemented on 11/25/20 in regards to cap, participation, illustrated, and spread rates. Both versions of the IUL products will be updated to the new rates as of 11/25/20.

More information:

For further information on these changes, please contact your MGA.

Indexed Universal Life Insurance products are not an investment in the “market” or in the applicable index and are subject to all policy fees and charges normally associated with most universal life insurance.

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