



# Indexed UL Maximum Illustrated Rates

In an effort to standardize how Indexed Universal Life (IUL) policies are illustrated and compared, the National Association of Insurance Commissioners (NAIC), the U.S. standard-setting and regulatory support organization, has recently adopted Actuarial Guideline 49 (AG49). The first phase of requirements will be effective September 1, 2015.

## Changes to Illustration Regulations for Indexed UL Products

All policies sold on or after September 1, 2015 are subject to a maximum illustrated rate established in accordance with the NAIC's methodology. Additional illustration requirements regarding loans and disclosures will take effect March 1, 2016. These requirements only impact how IUL policies are illustrated and do **not** change the way our IUL products function.

The maximum illustrated rate for IUL policies will be the average annual return for the S&P 500<sup>®</sup> Annual Point-to-Point assuming a 100% participation rate, a 0% floor rate, and the product's current annual cap using rolling 25-year periods going back 65 years. The maximum illustrated rate may vary by index selection but cannot exceed the rate defined above. North American will set the maximum illustrated rate for each index strategy at the lesser of the maximum rate for the S&P 500 or a rate calculated using a similar method, applied to the other index selection.

North American is supportive of standardizing how IUL policies are illustrated. The NAIC is enforcing principles that we have encouraged for many years—specifically, that policy designs with more favorable index parameters should be illustrated at higher rates. We believe the illustration requirements will highlight that North American's IUL products continue to be very competitive.

### Important dates to know:

- **July 28, 2015**  
In preparation for the required September 1 changes, North American will be updating our illustration software with new default illustrated rates. The default illustrated rates for the index accounts will be set at the maximum rate that will be allowed under AG49 starting in September of 2015. However, you will be allowed to input the illustrated rate up to our current maximum until the August 25, 2015 software update.



- **August 25, 2015**

We will officially release the new maximum illustrated rates, which will be reflected in the NACIS software. At this time, you will be able to update your software and will be prompted to do so.

- **August 31, 2015**

You will not be able to run your NACIS illustration software after this date until you update your software to reflect the updated maximum illustrated rate.

**The following are examples of how you will be able to use the illustration software before and after August 31, 2015:**

*The current maximum illustrated rate for Builder IUL<sup>®</sup> with an S&P 500\* Point-to-Point 13.5% cap is 8.2%. After the July 28 update, the software will default to 7.42%. You will be allowed to override this default and enter any rate up to 8.2%. After August 31, the maximum illustrated rate will be 7.42%.*

*The current maximum illustrated rate for Rapid Builder IUL<sup>®</sup> with an S&P 500\* Point-to-Point 12.5% cap is 7.8%. After the July 28 update, the software will default to 7.05%. You will be allowed to override this default and enter any rate up to 7.8%. After August 31, the maximum illustrated rate will be 7.05%.*

*\*Different index selections will have their own maximum and default rates.*

- **September 1, 2015**

Please be advised that any illustration for applications dated September 1, 2015 or later must be illustrated equal to or less than the maximum illustrated rate, which is specific to product and index selection. Illustrations showing a rate higher than this rate will not be allowed.

**For further information on these changes, please contact Sales Development at 800-800-3656 Ext. 10411 or [SalesSupport@nacolah.com](mailto:SalesSupport@nacolah.com).**

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These Indices do not include dividends paid by the underlying companies.

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These Index Universal Life 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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