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**FOR IMMEDIATE RELEASE**

**Press Release**

## **Milliman Survey Reveals Reactions to UL/IUL Regulatory Changes**

**New participant results relative to Principle-Based Reserves and Actuarial Guideline 49**

**SEATTLE – July 12<sup>th</sup>, 2016** – Milliman, Inc., a premier global consulting and actuarial firm, today released new results from participants in its annual comprehensive study of universal life (UL) and indexed universal life (IUL) issues, namely, the reaction of issuers of universal life products to recent and upcoming regulatory changes. Principle-based reserves (PBR) will be effective January 1, 2017, and nine survey participants reported they anticipate implementing PBR immediately. Nineteen expect phasing-in the implementation of PBR over the three-year phase-in period allowed. Factors impacting the rationale for participants' implementation plans include resource issues, the impact on reserves and capital, the need for preparation and research, and competitive reasons. Fifteen participants do not know what approach they will use for pricing new UL/IUL products in a PBR environment for products that require one of the VM-20 reserve components (VM-20 includes valuation manual minimum requirements for PBR for life insurance products).

On September 1, 2015, sections 4 and 5 of Actuarial Guideline 49 (AG 49) became effective, impacting issuers of IUL contracts. These sections of AG 49 provided guidance regarding the determination of the maximum indexed crediting rate that may be used with IUL illustrations. The survey included 22 IUL participants and the majority (19) reported they had made adjustments to illustrations based on AG 49, but few participants had made changes to their product designs because of AG 49. Eighteen of the 22 IUL participants reported the rate that was calculated for the Benchmark Index Account per Section 4A of AG 49. The rates ranged from 5.02% to 7.77% with a median of 6.87% and an average of 6.72%. This was also the range reported for the rate typically illustrated by reps in IUL illustrations for participants' most popular strategies. The median illustrated rate was 6.70% and average was 6.59%. This compares with the median illustrated rate one year ago of 7.50%, and average of 7.10%. Twenty of the 22 participants reported the illustrated rate decreased relative to the rate one year prior.

The ninth annual Milliman study, "Universal Life and Indexed Universal Life Issues", focuses on current topics relative to universal life with secondary guarantees (ULSG), cash accumulation UL, current assumption UL, and the corresponding indexed UL (IUL) versions. A new high of 35 carriers of universal life and indexed universal life products participated in this annual survey.

In addition to PBR and AG 49 information, the survey also indicates that the popularity of IUL products generally and UL/IUL products with living benefits has continued, consistent with the past several years. IUL sales during YTD 9/30/15 accounted for 51% of total UL/IUL sales combined (reported by survey participants) during YTD 9/30/15, increasing from 37% in 2012. During YTD 9/30/15, sales of chronic illness riders as a percentage of total sales were 23% of UL products and 41% for IUL products, at or near peak levels. Despite a shift away from single premium business to limited pay business for sales of UL/IUL with LTC riders, during YTD 9/30/15 sales of LTC riders as a percentage of total sales by premium were 19.2% for UL products and 9.4% for IUL products, both at peak levels.



The study includes detailed information on product and actuarial issues, such as sales, target surplus, reserves, risk management, underwriting, product design, compensation, pricing, administration, and illustrations.

The 444 page “Universal Life and Indexed Universal Life Issues – Detailed Report” is available for purchase by visiting the Milliman website at <http://www.milliman.com/insight/2016/Universal-life-and-indexed-universal-life-issues--2015-survey/> or by calling Gina Ritchie at (312) 499-5605. Participating companies receive a complimentary copy of the detailed report, as well as individual company responses reported on an anonymous basis.

#### **About Milliman**

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe. For further information, visit [www.milliman.com](http://www.milliman.com).

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