FAQs AG 49-A

What is AG 49-A?

AG 49-A is the third phase Actuarial Guideline 49 originally adopted by the NAIC in 2015. To fully understand the newest guideline, a discussion of the background is necessary:

AG 49 – Background

In September 2015 the NAIC came out with AG 49 which placed certain restrictions on the interest rate assumptions that companies could make on Index UL illustrations. Previously, carriers could set their max crediting rates according to their own lookback duration and calculations, which caused some inconsistencies. AG 49 was developed to bring uniformity to the illustrations of policies tied to an external index or indices by providing a reasonable cap on the illustrated credited rate.

AG 49 – Phase 2

AG 49 Phase 2, which took effect on March 1, 2016, significantly reduced the spread insurers assumed between policy loan interest rates and index credits achieved through arbitrage loans in the illustrations. Due to these changes, life insurance carriers developed alternate ways to illustrate the product while still adhering to the new rules, so they began using Interest Credit Enhancements, commonly known as Multipliers.

AG 49 – Phase 3

In 2019, the NAIC decided that illustrations of products with multipliers, cap buy-ups, and other enhancements that are linked to an index or indices should not illustrate better than products without such features. This guideline provides uniform guidance for policies with index-based interest. In particular, this guideline:

- Provides guidance in determining the maximum crediting rate for the illustrated scale and the earned interest rate for the disciplined current scale.
- Limits the policy loan leverage shown in an illustration.
- Requires additional consumer information (side-by-side illustration and additional disclosures) that will aid in consumer understanding

When does this go into effect?

DBS CDAs will no longer be able to illustrate interest enhancement credits on new or inforce illustrations on policies placed inforce after **December 14th**(this varies by carrier - please check with your CDA to verify). This will make it difficult for the customer to visualize the true potential of the product they are purchasing. These are illustration rules that will not affect actual policy performance.

What does this mean for advisors?

- The insurance companies may need to adjust their illustrations to comply with AG 49-A for any IUL products sold on, or after, December 14, 2020.
- Variable Universal Life policies – even with indexed accounts – are not affected by AG 49.

Why is this impacting year-end sales?

- If you are working on an IUL case, you need to submit in-good-order applications by November 24, 2020 date to secure pre-AG49-A illustration requirements.
- Formal applications or tickets that are signed, dated and received in the carrier's home office in good order prior to December 14, 2020 will not be subject to the illustration guideline changes.
- Any IUL application/ticket received on or after December 14, 2020 will be subject to the new AG49-A illustration guideline changes.

What can advisors do?

If you are selling Index UL policies that offer enhancements or multipliers – now is the time to get the cases placed, allowing you to demonstrate the value of these enhancements to your client before and after the sale. Call your dedicated CDA today for an illustration, so we can get your case going before this important deadline.

Count on DBS to keep you informed on this and any other issue affecting your business. We have the team of experts that are ready to help make this process simple and answer any questions you have.

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