

Upcoming IUL Illustration Regulation Changes to Loan Rates

A Strong History, a Stronger Future

We previously announced two regulatory changes that impacted how Indexed Universal Life (IUL) can be illustrated. The first change involved maximum interest rates and went into effect on **9/1/2015**. The second change impacts illustrated loan rates and will be effective on **3/1/2016**

Some important points to keep in mind:

- The changes impact all companies who sell IUL products.
- Our IUL products are NOT changing
- Only IUL Variable Net Cost Loan illustrated loan rates are impacted

The change

Based on the new illustration regulation, if loans are illustrated, the loan charge can be no more than 1% below the illustrated interest rate.

Transition Rules

*The new limits on illustrated loan leverage and additional disclosures will apply to all new business illustrations for policies sold on or after **March 1, 2016**.*

*All updates due to the illustration regulation will apply to inforce illustrations for policies sold on or after **September 1, 2015**. This includes the maximum illustrated rate, the loan leverage limit, and disclosure changes.*

The following transition rules will apply:

- Pending or approved applications signed and dated **prior to March 1, 2016** received in the Home Office in good order **on or before March 7, 2016** with an illustration that matches the policy as sold will not require a new illustration. Applications that are not received by this date, or that aren't in good order with an illustration that matches the policy as issued, will require a new illustration to be signed on delivery.
- Pending or approved applications signed and dated **March 1, 2016 and later** will be subject to new maximum loan leverage and additional disclosure. A new illustration will be required to be signed on delivery.

These changes will impact all new applications (including eApp), pending cases, rewrites, and term conversions.

As a reminder:

Are we the only company impacted?

No. All companies will be required to adopt the new guidelines within the same time frame.

Will we still be competitive?

Yes. All IULs will be impacted by the regulations and our products will remain competitive.

In fact, with LIBR along with other Living Benefits, we feel that our product will stand out even more.

What changes will I see and when?

- Illustrations will show a maximum of 100bp loan leverage
 - This change only impacts illustrations with Variable Net Cost Loans
 - Lifetime Income Benefit Rider illustrations will not change
- Alternative Pass updated and now printed Side by Side with equal Prominence to Max illustrated Rate
- Additional Disclosures added to Historical Returns Report
- Our illustration software will be updated effective **2/27/16**

What can I do now to better understand this change?

You can begin to use the maximum difference today. Spend some time on our illustration software reviewing or check in with the Sales Desk to discuss illustration design. You can reach them at 800-906-3310 Option 1.

Thank you for representing National Life. For more than 167 years we have been proud of what we do and we are excited about what the future holds.

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