Indexed Universal Life – An Analysis of Product and Industry Trends

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At Issue

The demand for Indexed Universal Life (IUL) products continues to expand, and IUL policies continue to grow significantly as part of the current market for life insurance products across distribution channels. The product has experienced considerable expansion in sales and product development in the last decade, attributable to an economic environment nurturing to insurance solutions balancing growth and protection. However, as market cycles fluctuate and market conditions change, impacts are being felt in insurer economics and pricing options, and product results are affected in varying means and degrees at the consumer level. *This has led constituents from across the industry, including insurers, distributors, regulators and consumers, to turn heightened attention to policy design and long-term sustainability. This analysis will address the current industry landscape, risk factors associated with the products, performance of the policies, and potential future trends for the IUL industry.*

Background

Offering benefits that appeal to a broad base of consumers seeking flexibility and a balance of protection and accumulation potential, IUL is designed as a subset of Universal Life insurance, with its core structure combining term insurance with a cash account earning tax-deferred interest, either fixed or tied to the performance of an index. In most contracts, premiums and death benefits can fluctuate, both by timing and amount (within the bounds of the contract), at the direction of the policyholder. The policy stays in effect as long as the cash value is significant enough to cover the cost of insurance, and the insurer may offer secondary guarantees that keep the policy in effect even if the cash value will not cover the cost of insurance. Loans can be taken against the cash value of the policy to be used, tax-free, at the discretion of the policy owner for supplemental income. *(NAIC, Universal Life Insurance)*

Early versions of the IUL developed during the 1980s, shortly after the introduction of variable life insurance products that derived from traditional universal life policies. According to LIMRA data, the product began to experience accelerated consumer interest following the 2008 market crisis, as consumers sought products marketed to have upside potential with no downside risk. The extended low-interest rate environment that followed further supported consumer appetite for market-based growth coupled with protection from negative market returns. It also allowed insurers to price and illustrate highly competitive index-linked policies, further appealing to the demand. The product has since experienced ten consecutive years of sales growth, increasing from approximately 3% of annualized premium among all life insurance products in 2006 to 21% of all annualized premium at the end of 2016. By year-end 2017, annual premium sold in IUL products across all channels reached $2.3 billion, becoming the majority of all U.S. individual Universal Life sales. UL, in total, accounted for 40% of all Life Insurance annual premiums. *(LIMRA, InvestmentNews 12/13/17. NAIC, Universal Life Insurance, 12/5/17)*

By year-end 2017, annual premium sold in IUL products across all channels reached $2.3 billion, becoming the majority of all U.S. individual Universal Life sales.

PART I › Summary of the Indexed Universal Life Landscape

Drivers of IUL Market Development: Post-Crisis Environment has Favored IUL-Led Product Mix

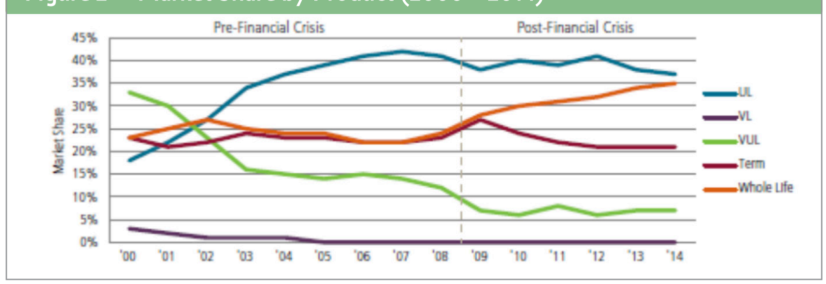
Long-term data shows that Individual Life Insurance sales in the U.S. of all product categories has fluctuated between $11 billion and $14 billion in annualized premium per year for the last two decades. The highest levels of life insurance sales were seen in the years just preceding the 2008 financial crisis, when premiums reached just over $14 billion, primarily led by sales of popular fixed UL and Term Insurance products.

Following the crisis, the product mix shifted, a result of ongoing low interest rates and higher reserve requirements that forced many UL and Term carriers to re-price and, in some cases, exit the market. Seeking opportunity to reclaim lost revenues, many insurance carriers began to focus on developing their indexed-linked UL products, the design of which attracted consumers seeking the potential for higher returns in a low-rate environment, as well as a degree of downside protection following the market crisis. For carriers, the product represented a "pathway of least resistance" to spur sales in a difficult market for their traditional fixed-rate products. The product began to gain market share, supported by large carrier marketing campaigns aimed at the middle, affluent, and HNW consumer segments.

Figure 1 — U.S. Individual Life Annualized Premium (2000 – 2014)

Source: LIMRA International, scorgloballifeamericas.com

Figure 2 — Market Share by Product (2000 – 2014)

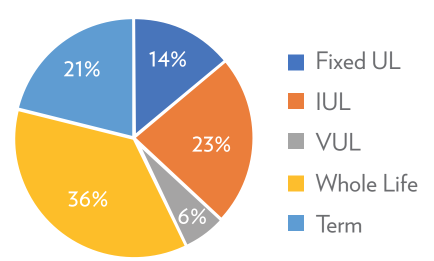


Source: LIMRA International, scorgloballifeamericas.com. IUL shown as part of UL

IUL Continues as a Bright Spot in U.S. Life Sales, Supported by Slow-to-Rise Interest Rates

The pricing and low-rate environment has encouraged more carriers to enter the market, which, in turn, has led to increasing competitiveness and creativity in structures as the market fills and insurers seek differentiation and competitive edge. Campaigns and marketing have been successful in raising awareness of IUL in customer, and perhaps more importantly, in financial advisor circles, promoting the growth of IUL as a "go-to" solution for moderate-risk customers seeking tax-free income strategies and guarantees. The result is IUL growth that continues to remain strong. As of Q1 2018, new annualized premium grew 8%, the 6th consecutive quarter of increasing sales for the products. IUL accounted for 63% of total UL sales and has reached a high of 23% of all U.S. individual life premiums. Based on LIMRA estimates, this trend is expected to continue into 2019. *(Limra.com, LIMRA Releases 2019 Predictions: Growth Expected in Individual Life Insurance, Technology and Workplace Retirement Savings Plans)*

Figure 3 — Market Share by Product, Q1 2018



Source: LIMRA International

Conversely, while IUL sales rise, overall sales have been sluggish for the rest of the insurance market. LIMRA data shows that total sales of all U.S. Individual Life Insurance products have continued a modest decline seen consecutively for the last three quarters, as of the first quarter 2018. Individual life insurance new annualized premium fell 2 percent, and the total number of policies sold in Q1 decreased 3%, when compared to 2017. Much of the Q1 decline is again attributed to declining fixed Universal Life sales, which continue to be hindered by low interest rates, principal-based reserving and product discontinuations. *(Limra.com, LIMRA: U.S. Individual Life Insurance Sales Decline in First Quarter 2018)*

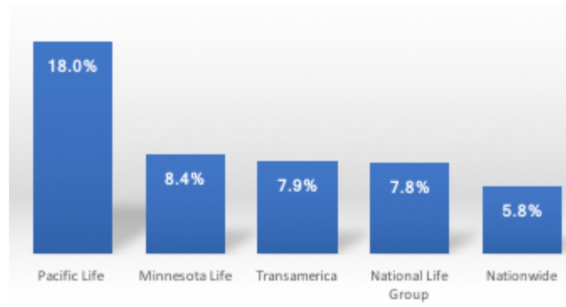
Product Innovators and Insurers with Long-Term Focus Now Dominate the Market, but All Will Face Headwinds

However, in a changing market anticipating increases in interest rates, the question as to whether or not the product can survive and continue to thrive has started to circulate. IUL products rely primarily on index option pricing as the basis for setting policy crediting rates, caps, and participation levels. If interest rates begin a cycle of rising, option prices will increase, forcing insurers to adjust downward their crediting rates, participation, caps, and/or tighten profit margins. Already, current product evolution has seen the design of multipliers, bonus structures, and the use of proprietary and volatility-controlled indices to strengthen the pricing parameters for many products, while differentiating products and, in many cases making the products more appealing by raising the illustrated crediting to consumers.

Current Market is Dominated by Pacific Life, with Next Leading Carriers in a Steady Pack Far Behind

While the market continues to flood with IUL offerings from carriers across the industry, a significant percentage of market share has been drawn by Pacific Life, capturing 18% of annualized premium as of latest reporting in the second quarter. Other leading carriers captured just half of that share, with the next highest share going to Minnesota Life (Securian) at 8.4%, and the third and fourth carriers, Transamerica and National Life within a point. The market share drops at the fifth carrier, Nationwide, with a 5.8% market share.

Figure 4 — IUL Market Share by Carrier, Q2 2018



Source: LIMRA International

Pacific Life leads sales with a mix of its Pacific Discovery Xelerator IUL (PDX) and the newly launched Pacific Discovery Protector IUL. Following a trend that will be further discussed below, Pacific has segregated products into two categories based on policy holder objective for either death benefit or cash value accumulation. The pair of products attempt to solve for each, with PDX positioned as the accumulation product and Discovery as the Death Benefit-focused product. Sales have been driven by several factors, not the least of which are design components of the products that produce highly competitive illustrated rates of return on the products through the use of multipliers.

Of the other top five carriers, Minnesota Life (Securian) has lead with high current rates in caps and participation (an edge that may change as interest rates rise and option prices become more costly), and Transamerica and Nationwide have gained competitively through a high level of resources committed to supporting complex case design and wholesaling of effectively priced products. National Life Group is a relatively new entrant into the space. The carrier has committed to increasing the share of IUL in its product mix and expanding distribution into third party channels, all of which have led to wider wholesaling, competitive product development, pricing, and an emerging presence in insurance processing technology that has kept the carrier in the top five in results over the last 12 months.

Based on trends and emerging product development, these carriers are anticipated to remain in the top of the universe for IUL sales through 2019.

PART II > Positioning of IUL Products and Assessment of Risk Factors

Establishment of the Target Customer for IUL Products:

DDW views the IUL as a product that can bring value to customers in various circumstances, providing, but not limited to, benefits such as:

- Tax-advantages: Tax-free Income for retirement years from policy loans, tax deferred growth, and tax-free death benefit to beneficiaries
- Advanced Estate Planning — Insurance Trusts, Wealth Transfer
- Business Planning and Succession
- Access to limited downside risk and guaranteed floors, with potential for greater upside earnings than in alternative life insurance products (in accumulation account).
- Ability to include additional protections, such as riders for long term care, chronic and terminal illness in case of future need

The capabilities of the product give the IUL a wide range of uses and client appeal; however, we suggest that the product is constructed to perform best primarily for high net worth, high-earning individuals. This generally includes clients:

- Seeking tax-deferral by highly-funded contract
- Exceeding contribution limits on alternative savings vehicles and seeking investment option with high cap limits on contributions
- Seeking tax-free distributions from loans
- Exhausting other investment options for retirement and income
- With an optimistic view of the market
- Expecting index performance to be great enough to:
  - fund annual Cost of Insurance, mortality risk charge, account fees
  - generate excess cash value enough to fund loans for supplemental income, while maintaining the death benefit for estate
- Able to invest at a younger age, allowing their contract time for growth

Or Business Owners

- Seeking insurance to fund buy/sell agreements
- Using insurance as executive bonus

Conversely, we suggest caution in using IUL for mass-affluent and mass-market segments. IUL costs, risks and benefits should be compared to guaranteed UL products, or a combination of other investments paired with term insurance or guaranteed whole life insurance. These solutions may solve the client need with less-expensive options with fewer risks, guaranteed death benefit and level premiums, and less complexity. In addition,

- There is limited concern with exceeding tax-deferred contribution limits for clients in these segments. In many cases, IRAs, employer-sponsored retirement plans or annuities provide opportunity for clients in these segments for making tax-deferred contributions.
- Death Benefit protection can be maintained and guaranteed with lower premiums when separated from the objective for cash value accumulation
- Tax-deferred accumulation options exists that will allow flexible access to cash and supplemental less expensively, with potentially equal or greater growth opportunity

Discussion on Risks

Insurance companies, distributors and consumers all face risks inherent in the manufacture, sale and purchase of life insurance products. Specific risks have been identified associated with the construction and sale of Indexed Universal Life policies, and these risks vary by the structure and type of policy, as well as by the unique business model of the carrier, distributor and the individual policyowner profile.

1. Carrier-Related Risks & Risks in Product Manufacturing

Many factors impact insurance companies in their construction of IUL products. Distributing B/Ds and agents should understand these factors, monitor changes taking place in carrier partners and in the overall market environment. Distributors should determine ways to control potential negative impacts and communicate risks across their teams.

Carrier Business Risk:
Distributors should understand the business risks faced by their Insurance Company partners, asking questions to ensure that their carriers have programs in place to effectively manage factors that pose risk to the carrier's organizational structure, competitiveness and long-term financial stability, including:

- Compliance and Legal Risk. Identification and interpretation of applicable laws, rules and regulations that apply to Indexed Universal Life products. Implementation of processes and controls to ensure adherence and oversight. Specifically, NAIC and state-specific regulations defining requirements for IUL products, including NAIC Model Regulation #582 and requirements for IUL illustrations and benchmarking outlined in Actuarial Guideline 49 (AG49).
- Claims Management: Appropriately projecting percentage and timing of claims.
- Re-insurance: Appropriately spreading risk of the portfolio, including to third parties.
- Reserve Risk: Maintaining adequate reserves based on outstanding liabilities. Maintaining awareness of regulatory and industry changes that impact requirements.

Carrier Product Construction Risk:
As markets and interest rates rise and fall, pricing of the IUL product is highly sensitive, and insurers face related risks. Distributors should understand general insurer policies and methodology related to:

- General Account Performance: Development, documentation, and adherence to the investment policy guiding investment quality and durations of general account assets. For all insurance products, including IUL, actuarial model accuracy is critical in matching duration of assets and liabilities. Insurers should consider the average issue age for IUL policy holders is generally younger than for alternative life insurance products (49 male NS, 45 female NS, as of 2017, Milliman), and positioning of the product as accumulation or death benefit-focused. Younger issue ages and probability of loans based on policy strategy should weigh into general portfolio for the product issued.
- Option Pricing: There is risk exposure in fluctuating cost of options on IUL indices. As interest rates rise, options become more expensive. Insurer model must accommodate with adjustment to caps, participation rates, and/or embedded option profit spread.
- Index Selection and Performance: Competitive and pricing risks exist in selection of index options used in IUL product. Special considerations should be made for risk analysis of proprietary or alternative indices. Options on these indices may be less expensive than on the S&P 500, which may be an attractive alternative for the insurer. However, these indices may benchmark at historically higher rate of return within consumer illustrations than the S&P 500, while still adhering to the current version of AG49, posing risk of misinformed purchase.
- Optional Rider and Guarantees: Actuarial accuracy in models projecting take rates of optional riders. Insurer risk lies in balancing payout of benefit and competitive pricing and product options.
- Pricing Decisions (cap levels, floors, spreads, participation rates, riders): Overall pricing of components and crediting methods must work in accurate actuarial model in order to preserve insurer profit and ensure competitiveness of the product.

Carrier Distribution Risk:
Finally, when distributing any insurance products through their captive agents or third-party firms, carriers consider and distributors should understand:

- Actuarial Model Accuracy: Matching each risk with an appropriate policy and premium.
- Reputational Risk: Protecting the insurer's brand and the long-term financial stability of the parent company. Maintaining credit and financial quality / ability of the insurer to meet contract obligations of contracts sold to distributors' clients.
- Underwriting (Pool) Risk: Avoiding adverse selection and concentrations of high-risk insureds that raise rates and reduce competitive pricing for low-risk insureds.
- Operational and processing risk.

2. Risks involved in IUL Product Sales at the B/D or Agency Level

In addition to consideration of carrier-related risks, broker/dealers and other distributing agencies should consider the following in their due diligence and risk management process when selling IUL products:

- Consumer Complaints: Complexity of IUL products, including concepts of caps, floors, participation rates, indices and crediting methods, increase risk of policyholder not understanding the product, its' function and costs. Increases risk of consumer complaints due to misunderstanding of the product.

- Insufficient Advisor Training: Advisor training should include material to help understanding of how market conditions and interest rates will impact pricing, underlying options, and future performance or potential failure of the policy requires in-depth training of agents and internal support teams. Risk of unsuitable sales exists due to lack of understanding by the advisor.

- Oversight of IUL Illustrations: Firms risk overstatement of projected IUL returns and policy performance shown in hypothetical illustrations for the contract. Max illustrated returns should be set by the firm and monitored. Distributors should understand and follow updates to NAIC and state guidance. Illustrations should also show both historical and hypothetical performance.

- Manufacturer Risks: Firms face risk associated with performance or failure on the part of the issuing insurer. This risk can be reputational or tangible in the form of customer complaints related to IUL performance or failure.

- Compliance Risk: Risk of insufficient processes and controls in place to meet NAIC requirements for sales of IUL products. This includes providing access to required training courses for Advisors related to all approved IUL products, adherence to standards set by NAIC and state insurance regulators for illustrations and sales practices. Risk of insufficient suitability review leading to inappropriate sales. Lack of internal safeguards to comply with HIPAA regulations (fines, criminal charges, civil lawsuits), if advisors will come into contact with Protected Health Information (PHI).

- Operational and case management process failures.

3. Risks related to the Consumer

- Understanding of the IUL Lifecycle: IUL products are structured with components that have the potential to change over the life of the contract. Customers may have difficulty understanding complex concepts of leverage, crediting methods, caps, participation rates, and floor guarantees. Risk lies in the policyholder not monitoring the policy regularly for changes to these components, leading to an under-funded policy, declining cash value, and potential lapse. Risk of customer not understanding non-guaranteed components of the product, such as multipliers or bonuses.

- Opportunity Cost: Alternative options, such as mutual funds or annuities, and/or other categories of life insurance, may provide benefits similar to the IUL in terms of return and guarantees, with lower costs and fees, and can be paired with Term life insurance products for death benefit options.

- IUL Performance: Risks to monitor:

  - Returns do not include the dividend on the index (dividends average 2% on S&P each year).

  - Know timing and funding ability: To perform best when purchased for cash value for use as tax-free income, most policies will require heavily funded premiums, potentially large upfront costs, and require adequate time to grow before they can be used for income. *Investment News, Mercado*

  - Be aware: Performance should be monitored at least once a year. Policy could be considered a modified endowment contract if funded excessively, meaning that distributions will come out "Income first" and gains in the policy are taxable and subject to 10% penalties. *Investment News, Mercado*

  - Outsized performance is often shown in illustrations, particularly in periods of low interest rates.

- Costs and Expenses:

  - Costs and charges decrease the amount of premium allocated to cash value and index accounts.

  - Cost of Insurance increases annually with age. This decreases amount of funding available for interest-earning index accounts.

  - Variable loan interest rates are subject to change and should be monitored.

- Other Product-Specific Risks:
  - Lack of consistency in illustrations — Actuarial Guideline 49 addresses the rate maximum and benchmark calculations that can be shown my insurers. However, current rules allow carriers to add factors, such as bonuses and multipliers, with little transparency.
  - Increasing interest rates impact insurer pricing, which may decrease policy crediting rates, increase policyholder cost, and lower overall performance.
  - Policyholders need to be aware of funding levels and timing based on objective. Accumulation products need heavy upfront funding and years of growth in order to perform. Death Benefit-focused products perform better when funding spread out for the life of the policy.
  - When funding contracts, IRS rules are in place. Policyholders must be careful not to make them Modified Endowment Contracts, subject to different taxation.
  - Costs increase annually for COI and maintenance costs may increase to stated max in contract.

4. Best Practices for Distributors in Mitigating IUL-Related Risks

- KYC, KYC, KYC
- Set limits on illustrated rates internally and monitor.
- Require certification for advisors.
- Policyowners need to monitor the contract annually to ensure cash value is sufficient to keep the policy in effect.

PART III > Observations of Hypothetical Testing

A sample was tested for results of hypothetical illustrations of prominent products, including "flexible" products designed to accommodate accumulation and death benefit, and products designed specifically to focus on either the objective of accumulation or death benefit. The population includes products identified in DDW review as Levels 1, 2 and 3 for risk and intricacy, with Level 1 products being least and 3 being most sophisticated. For consistency, illustrations were set with the following criteria:

- Male
- Age 49 to 50
- Standard, non-tobacco
- Death Benefit target of $1MM (when death benefit is the primary objective)
- $20,000 to $50,000 early year annual premium (when cash value accumulation is the primary objective)

Illustrations were run without optional (for-cost) riders. Multiplier and persistency bonuses have been included, where available.

General Observations Regarding Illustration Results:

1 All policies will lapse under extended adverse conditions.

IUL products are designed to benefit the policyholder in anticipated market conditions by generating credits (through options on index performance) that can be used to increase cash value in the policy. The cash value, in turn, helps to pay contract expenses and costs of insurance, and in cases of excess value, provide the policyholder with the ability to take distributions and loans from the policy to use as income, or to extend or otherwise enhance the death benefit.

This is accomplished in part because the policyholder's cash value transfers some carrier risk, for example, of offering guaranteed fixed rates and guaranteed death benefits, from the carrier to the policyholder. In other words, the policyholder assumes some risk that the market or the index may return flat or negative results, that caps or carrier rates may change, and that costs will increase. Over an extended time, these flat or negative conditions will cause the policy to run out of cash value to cover costs and the policy will lapse, even if the policyholder never takes a distribution.

Agents and advisors should be prepared to explain to the policyholder the worst-case scenario and that additional premium payments may be required in the future to maintain the policy, should conditions change. Agents should also understand the safeguards available, such as no-lapse guarantees or fixed account options, that can help to protect against policy failure. These ingredients are product and case-specific.

2 AG49 improves consumer views of potential product results, but leaves room for improvement.

NAIC Actuarial Guideline 49 (AG49) has impacted illustrations and created some uniformity in how carrier hypothetical results are displayed to consumers. The rule requires carriers to provide three potential outcomes for the IUL, one showing results with Guaranteed Values (depending on the contract, this is generally 0% credited from the index); a mid-point value showing values calculated generally as one-half the sum of current and guaranteed rates; and a Current Rate, showing actual historical returns of the index (not to exceed 6% on the S&P 500), plus bonus or multipliers. While this is a significant improvement from past illustration requirements that did not provide guidelines for rates of return, carriers still compete with one another for high illustrated rates in the Current Rate section. As consumers and advisors review the illustration, it should be made very clear to the potential policyholder that:

- Carriers have some leeway in calculations of the index return and benchmarks.
- If the product offers proprietary, blended, or other alternative indices, consumers should carefully review the displayed returns and points used to calculate the historical returns.
- While the index return is capped by the AG49 guidelines, the most attractive illustrated scenario is based on the rate as calculated by the carrier selling the product, and may include other *non-guaranteed* components, such as multipliers and bonus percentages added to the index crediting rate.

- Current expenses and rates for caps and participation are *non-guaranteed* and subject to change throughout the life of the contract within the bounds set in the policy for carrier minimum and maximums.

In all cases, agents and advisors should be very clear with customers that the illustration is hypothetical, and that the experience and outcome of the customer *will indeed vary from the illustrated rates.*

3 **Carriers have improved overall transparency and explanations of how the IUL works.**
Perhaps as a result of NAIC and state guidelines, as well as of growing industry and consumer criticism of the IUL, there was noticeable improvement in illustration transparency and product description. In illustrations reviewed, it was clear that efforts had taken place at the major carriers to improve front sections of the illustration documents that outline the purpose of the IUL. Most carriers included narrative and diagrams describing the key objectives for the IUL, including accumulation, access to income or cash, and death benefit, and sections on key definitions of insurance concepts. These sections are written in language that consumers, not insurance experts, are likely to more readily understand. Several carriers also included diagram pictures showing premium payments flowing through the product, identifying charges taken, application of net premium, and credits.

4 **However, work still needs to be done by the agent or advisor to help customers compare options.**
In sections displaying hypothetical numerical outcomes, disparity exists from carrier to carrier in how illustrated results are shown by policy year. It is often difficult to locate terms for the guaranteed and non-guaranteed rates. Explanations vary in transparency and location for of crediting rates and product-specific persistency credits, multipliers, and other bonuses.

Product-Specific Results:

The Observations included in this section come from analysis of illustration results for individual IUL contracts. Please contact authors directly for illustrations for specific products or contracts.

PART IV › Future of the IUL Market

The past decade, largely due to extended low interest rates, has created an environment in which the concept of the IUL, including its pricing, internal costs, participation rates and caps, has been very attractive for both insurers and consumers. IUL became recognizable as a solution by which policyholders and carriers could keep risk low, while at the same time gaining access to rates for cash value growth that were slightly higher than had been available in fixed rate products. This appeal and product design success will likely change as overall economic conditions change. Carriers and distributors both have begun to show trends that will shape the future of the IUL product. Key trends to watch:

1 Additional Changes to Actuarial Guideline 49 and Distributor Monitoring of Illustrations.

Carriers and industry regulators such as the NAIC have made progress in creating more realistic and consistent scenarios for consumers to review in illustrations, based on historic performance of indices and benchmarks. While this has improved transparency and created some consistency, many in the industry indicate that the guidelines have not gone far enough. NAIC is continuing to review the requirements, and it is expected that more rigorous requirements will be enacted to outline benchmarks, as well as to tighten rules for calculation of historical returns on indices. In the meantime, distributors have started to include controls internally to monitor their producers' illustrations, cap hypothetical rates allowed within their firms, and in some cases, restrict showing multipliers and bonuses.

2 Heightened Attention to Product Pricing and Product Designs to Absorb Costs Associated with Higher Interest Rates.

As interest rates climb, options become more expensive for insurers to purchase on their IUL indices. Insurers will need to offset the higher cost, which indicates that cap and participation rates may begin to decline for the policyholder, and/or administrative costs will rise. Alternatively, insurers that wish to remain competitive may choose to reduce internal profit margins built into their options, which may keep customer rates steady for some period of time.

Some carriers have turned to more complex product structures to help absorb higher costs (or the threat of), by increasing use of multipliers, persistency and other bonuses, as well as less-expensive alternative or proprietary indices. While these additional rates and index options may boost illustrated performance and may appeal to policyholders initially, complex structures and decisions to be made in the future by the customer tend to lead to higher numbers of complaints. This risks mistrust and damage to the reputation of the product. Additionally, distributors still adjusting to conservative regulatory environments driven by the Department of Labor and the SEC have in many cases shifted product mix to less-complex products, and away from those with moving parts and perceived higher risk.

3 Carrier Priorities Will Drive Future of the Market and Participants.

It may be that some carriers are forced out of the market by higher costs; shifting focus to fixed-rate alternatives that price better as rates rise. For carriers committed to the IUL space; however, a long-term approach to the sustainability of the product may ultimately lead to a smaller universe of more conservative products. These carriers will accept smaller profit margins on the product in exchange for a design that can continue to appeal to core IUL consumers.

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