

Prepared by:

**Carl A. Friedrich**  
FSA, MAAA

**Susan J. Saip**  
FSA, MAAA

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# Universal Life and Indexed Universal Life Issues

Executive Summary



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## BACKGROUND

Universal life (UL) and indexed universal life (IUL) continue to play a significant role in the life insurance market today. In recent years, the market share of UL products has consistently been around 40%, and IUL has been the biggest driver of sales. In 2014, Milliman conducted its eighth annual comprehensive survey aimed at addressing UL and IUL issues, and to provide carriers with competitive benchmarking to evaluate where they stand relative to their peers. Survey topics and questions were determined based on input from Milliman consultants, as well as participants in the prior year's survey. The survey is updated annually to include current topics of interest.

The survey was sent via e-mail to UL/IUL insurance companies on November 5, 2014; 29 companies submitted responses. The companies that participated in the study were:

- Allianz
- Americo
- Ameriprise
- Ameritas
- AXA
- Bankers Life and Casualty Company
- Columbus Life
- EquiTrust
- FBL Financial Group
- Foresters
- Genworth
- Global Atlantic
- John Hancock
- Kansas City Life
- Liberty Mutual
- Lincoln Financial
- Met Life
- Midland
- Mutual of Omaha
- National Life Companies
- Nationwide
- New York Life
- Ohio National
- Pan American
- Principal Financial
- Protective
- Symetra
- Thrivent Financial
- Voya

The questions asked of survey participants can be found in the Appendix.

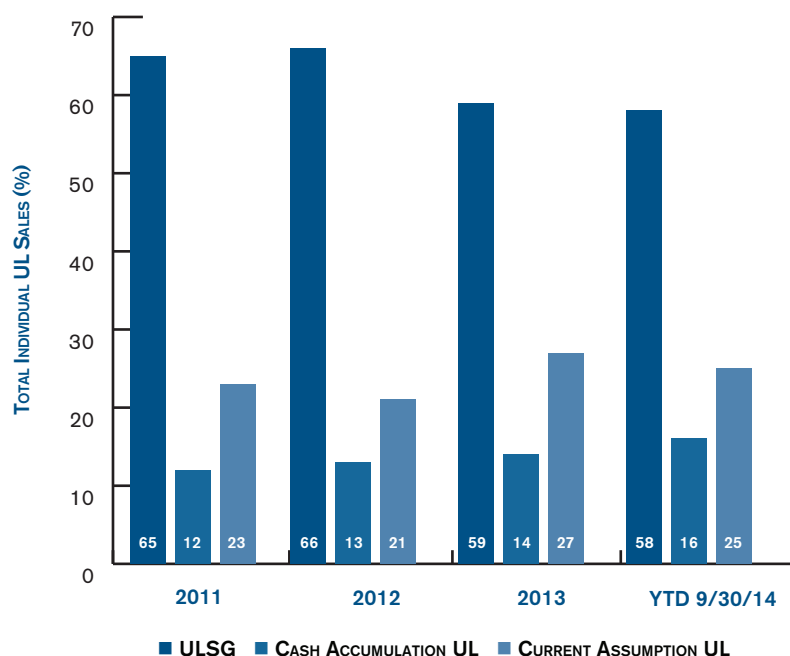
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## EXECUTIVE SUMMARY

### UNIVERSAL LIFE SALES DETAILS

Survey participants reported total individual UL sales (excluding IUL sales), measured by the sum of recurring premiums plus 10% of single premiums, of \$1.62 billion, \$1.47 billion, \$1.26 billion, and \$0.80 billion, respectively, for calendar years 2011, 2012, 2013, and for 2014 as of September 30, 2014 (YTD 9/30/14). There has been a decreasing trend of UL sales for survey participants since 2011. Since 2011, the UL with secondary guarantee (ULSG) and current assumption UL (CAUL) market shares have shifted up and down from year to year, as the cash accumulation UL (AccumUL) share gradually increased (see Figure 1).

FIGURE 1: UL PRODUCT MIX BY YEAR



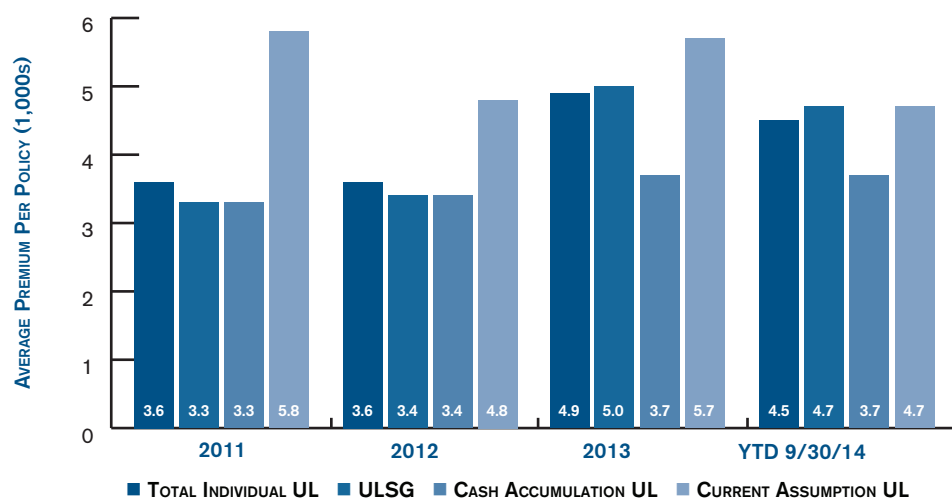
Individual company results were varied, but nine participants reported at least a 25% shift from or to any one UL product when looking at the YTD 9/30/14 product mix compared to that of 2011. Nine of the 29 participants reported movement to ULSG products, nine to AccumUL products, and eight to CAUL products. **Five participants discontinued sales of ULSG products. One participant began selling ULSG products, and one began selling AccumUL products.**

The percentage of ULSG sales, based on policy count, with the selection of no lapse guaranteed (NLG) premiums to age 90 or longer was reported for both 2013 and YTD 9/30/14. The average was 81.3%, with a median of 100.0% in 2013. During YTD 9/30/14, the average was 78.2%, with a median of 99.0%. Percentages ranged from 3.7% to 100%, and in general, were slightly higher than percentages reported in last year's survey.

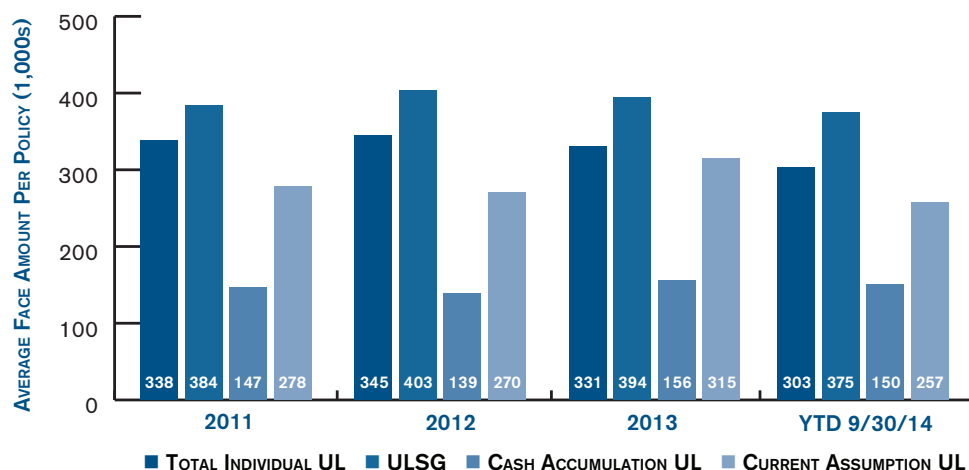
Premium issued, the number of policies issued, and face amount issued reported by survey participants were used to determine the overall average premiums per policy and average face amount per policy. Per Figure 2, ULSG average premiums per policy increased from 2011 through 2013, followed by a decline during YTD 9/30/14. Cash accumulation UL average premiums per policy gradually increased over the survey period. Average premiums per policy for current assumption UL alternated between increases and decreases throughout the survey period. Per Figure 3, ULSG average face amounts per policy increased from 2011 to 2012, and then declined thereafter. Average face amounts per policy for cash accumulation UL and current assumption UL alternated between increases and decreases during the survey period.

The highest average premium per policy among the UL product types was reported for current assumption UL for all periods. The highest average face amount per policy for all periods was reported for ULSG.

**FIGURE 2: AVERAGE PREMIUMS PER POLICY BY PRODUCT TYPE**



**FIGURE 3: AVERAGE FACE AMOUNT PER POLICY BY PRODUCT TYPE**



Expectations regarding the mix of UL/IUL business in the future vary widely by company. Similar to responses in the past, overall survey statistics suggest that companies plan to focus more on cash accumulation IUL and current assumption IUL products, and less on ULSG.

The brokerage and career agent channels continued to be the most popular channels through which UL products were sold. Market share changes by distribution channel from 2013 to YTD 9/30/14 varied by UL product. The biggest change was seen in the career agent channel for current assumption UL when sales were measured on a premium basis. This channel gained CAUL market share (on both a premium and face amount basis) from 2013 to YTD 9/30/14 at the expense of the brokerage channel. For ULSG products, the brokerage and stockbroker channels gained market share at the expense of the personal-producing general-agent (PPGA) and career agent channels. For cash accumulation UL products, the financial institution channel gained market share at the expense of the PPGA channel when sales were measured on a premium basis. When sales were measured on a face amount basis for cash accumulation UL products, the financial institutions and direct response channels gained market share at the expense of the PPGA channel.

A weighted average issue age was determined for sales of survey participants for all distribution channels combined based on the midpoint of the specified issue age ranges. The average issue ages remained stable for current assumption UL from 2013 to YTD 9/30/14. Average issue ages for ULSG were stable when sales were measured by premiums, and decreased by one year when sales were measured by face amount. For AccumUL, there was an increase in the average issue age of two years when sales were measured by premiums, and an increase of one year when sales were measured by face amount. The table in Figure 4 shows a summary of the average issue ages calculated based on sales reported by issue age range for all distribution channels combined for 2013 and YTD 9/30/14.

**FIGURE 4: UL WEIGHTED AVERAGE ISSUE AGES FOR ALL DISTRIBUTION CHANNELS COMBINED**

BASIS OF SALES	TOTAL INDIVIDUAL UL	ULSG	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL
<b>BASED ON 2013 SALES</b>				
PREMIUM	60	61	58	62
FACE AMOUNT	50	49	47	55
<b>BASED ON YTD 9/30/14 SALES</b>				
PREMIUM	61	61	60	62
FACE AMOUNT	49	48	48	55

A weighted average issue age was also determined for sales of survey participants by gender based on the midpoint of the specified issue age ranges. Average issue ages for males and females decreased from 2013 to YTD 9/30/14 for ULSG on a face amount basis, and remained the same on a premium basis. All AccumUL average issue ages increased from 2013 to YTD 9/30/14. Average issue ages for males and females remained the same for CAUL sales (on a face amount basis) from 2013 to YTD 9/30/14. When measured on a premium basis, average issue ages for males decreased and for females remained the same for CAUL sales. The table in Figure 5 summarizes the average issue ages calculated based on sales reported by issue age range and gender for 2013 and YTD 9/30/14.

**FIGURE 5: UL WEIGHTED AVERAGE ISSUE AGES BY GENDER**

GENDER	TOTAL INDIVIDUAL UL	ULSG	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL
<b>BASED ON 2013 SALES, PREMIUM</b>				
MALE	60	60	56	62
FEMALE	61	61	59	62
<b>BASED ON 2013 SALES, FACE AMOUNT</b>				
MALE	50	49	47	55
FEMALE	50	49	48	55
<b>BASED ON YTD 9/30/14 SALES, PREMIUM</b>				
MALE	60	60	58	61
FEMALE	62	61	62	62
<b>BASED ON YTD 9/30/14 SALES, FACE AMOUNT</b>				
MALE	49	48	48	55
FEMALE	49	48	49	55

## INDEXED UNIVERSAL LIFE SALES DETAILS

Survey participants reported total IUL sales, also measured by the sum of recurring premiums plus 10% of single premiums, of \$547.6 million, \$752.7 million, \$748.1 million, and \$643.5 million, respectively, for calendar years 2011, 2012, 2013, and for 2014 as of September 30, 2014 (YTD 9/30/14). Generally, the level of IUL sales increased during the survey period, with a slight drop from 2012 to 2013. In recent years more companies have entered the IUL market. **Total IUL sales as a percent of total UL and IUL sales combined for survey participants increased from 25% in 2011 to 45% during YTD 9/30/14.** Also, the IUL sales percent increased for cash accumulation IUL (AccumIUL) and current assumption IUL (CAIUL) from 2011 to YTD 9/30/14, with AccumIUL increasing from 70% to 82% of total cash accumulation UL/IUL sales. Current assumption IUL sales increased from 5% to 17% of total current assumption UL/IUL sales. The most significant change in the mix of total individual IUL sales was seen from 2012 to 2013. AccumIUL sales as a percent of total individual IUL sales increased about 6% for survey participants during this period. Indexed UL with secondary guarantees (IULSG) sales decreased 8% and CAIUL increased 2% during this period. AccumIUL products dominated the IUL market with a share of 89% reported during YTD 9/30/14. The market share of CAIUL sales gradually declined from 2011 to 2012, but increased thereafter. The market share of IULSG products fluctuated up and down from 2011 through YTD 9/30/14. This summary will focus primarily on characteristics of AccumIUL products because they are such a significant part of the IUL market.

The average premium per policy for AccumIUL has been declining year after year, from \$10,685 in 2011, to \$7,315 during YTD 9/30/14. The average face amount per policy for AccumIUL has also declined year after year from \$383,218 in 2011, to \$316,593 during YTD 9/30/14.

The same channels reported to be the most popular for UL products (brokerage, career agent) were also the most popular channels through which AccumIUL products were sold. There was a slight gain in market share for the career agent channel from 2013 to YTD 9/30/14 for these products, when measured by premiums. On a face amount basis, the brokerage channel gained market share for AccumIUL products.

A weighted average issue age was determined for IUL sales of survey participants for all distribution channels combined based on the midpoint of the specified issue age ranges. Average issue ages remained stable for AccumIUL when sales were measured on a premium basis, and increased by one year when measured on a face amount basis. The table in Figure 6 summarizes the average issue ages calculated based on sales reported by issue age range for all distribution channels combined, for all IUL products, and for 2013 and YTD 9/30/14. Average issue ages for IUL sales during both 2013 and YTD 9/30/14 were significantly lower than those for UL sales during the same periods, with one exception. For IULSG, the average issue age during YTD 9/30/14 was one year higher than that for ULSG when sales were measured by face amount.

**FIGURE 6: IUL WEIGHTED AVERAGE ISSUE AGES FOR ALL DISTRIBUTION CHANNELS COMBINED**

BASIS OF SALES	TOTAL INDIVIDUAL IUL	IULSG	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
<b>BASED ON 2013 SALES</b>				
PREMIUM	53	54	53	53
FACE AMOUNT	44	48	44	40
<b>BASED ON YTD 9/30/14 SALES</b>				
PREMIUM	53	55	53	55
FACE AMOUNT	45	49	45	44

A weighted average issue age was also determined for IUL sales of survey participants by gender based on the midpoint of the specified issue age ranges. Average issue ages for AccumIUL remained the same from 2013 to YTD 9/30/14 for males and females when measured by premium. Female average issue ages stayed the same, but male average issue ages increased by one year when sales were measured by face amount. The table in Figure 7 summarizes the average issue ages calculated for all IUL products based on sales reported by issue age range and gender for 2013 and YTD 9/30/14.

**FIGURE 7: IUL WEIGHTED AVERAGE ISSUE AGES BY GENDER**

GENDER	TOTAL INDIVIDUAL IUL	IULSG	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
<b>BASED ON 2013 SALES, PREMIUM</b>				
MALE	53	54	53	53
FEMALE	54	53	54	51
<b>BASED ON 2013 SALES, FACE AMOUNT</b>				
MALE	45	48	45	42
FEMALE	44	47	44	38
<b>BASED ON YTD 9/30/14 SALES, PREMIUM</b>				
MALE	54	55	53	56
FEMALE	54	55	54	54
<b>BASED ON YTD 9/30/14 SALES, FACE AMOUNT</b>				
MALE	46	49	46	46
FEMALE	44	48	44	42

### SALES WITH CHRONIC ILLNESS RIDERS

As the popularity of chronic illness riders has grown over the last few years, more sales data has become readily available. Seven participants reported total UL sales with chronic illness riders of \$196.2 million of premium for 2011. Ten reported sales of \$244.8 million for 2012, \$188.4 million for 2013, and \$139.2 million during YTD 9/30/14. The reduction in chronic illness sales from 2012 to 2013 can be attributed primarily to the significant reduction in sales reported by one participant. An additional participant reported the total face amount issued for UL policies with chronic illness riders for 2011 through YTD 9/30/14, but did not report sales in terms of premium. The total face amount issued for UL policies with chronic illness riders was reported as \$8.6 billion for 2011, \$12.1 billion for 2012, \$8.5 billion for 2013, and \$6.1 billion during YTD 9/30/14.

Total indexed UL sales with chronic illness riders were reported equal to \$130.5 million by five participants for 2011, \$212.6 million by seven for 2012, and \$319.5 million in 2013 and \$287.3 million for YTD 9/30/14 by nine participants each. The total face amount issued for IUL policies with chronic illness riders was \$8.7 billion, \$12.9 billion, \$17.1 billion, and \$14.3 billion, respectively, for 2011, 2012, 2013, and during YTD 9/30/14.



The table in Figure 8 summarizes sales of chronic illness riders relative to total sales reported by survey participants. Sales of chronic illness riders as a percent of total sales are shown in Figure 9. During YTD 9/30/14, sales of chronic illness riders as a percent of total sales were 17% for UL products and 45% for IUL products.

**FIGURE 8: TOTAL SALES AND CHRONIC ILLNESS RIDER SALES (\$ MILLIONS)**

CALENDAR YEAR	TOTAL INDIVIDUAL UL	ULSG	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL
<b>UL SALES (PREMIUM)</b>				
2011	\$1,618.5	\$1,046.6	\$198.5	\$373.4
2012	\$1,474.2	\$977.6	\$189.2	\$307.3
2013	\$1,263.6	\$745.6	\$175.7	\$342.3
YTD 9/30/14	\$796.6	\$465.7	\$130.0	\$201.1
<b>UL SALES WITH CHRONIC ILLNESS RIDERS (PREMIUM)</b>				
2011	\$196.2	\$106.3	\$72.3	\$17.6
2012	\$244.8	\$177.0	\$51.8	\$15.9
2013	\$188.4	\$115.4	\$53.8	\$19.3
YTD 9/30/14	\$139.2	\$80.9	\$48.6	\$9.6
CALENDAR YEAR	TOTAL INDIVIDUAL IUL	IULSG	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
<b>IUL SALES (PREMIUM)</b>				
2011	\$547.6	\$57.8	\$468.7	\$21.1
2012	\$752.7	\$88.5	\$641.5	\$22.7
2013	\$748.1	\$32.8	\$678.6	\$36.7
YTD 9/30/14	\$643.5	\$29.8	\$572.9	\$40.8
<b>IUL SALES WITH CHRONIC ILLNESS RIDERS (PREMIUM)</b>				
2011	\$130.5	\$1.7	\$109.7	\$19.0
2012	\$212.6	\$9.3	\$183.0	\$20.4
2013	\$319.5	\$4.9	\$286.1	\$28.6
YTD 9/30/14	\$287.3	\$9.2	\$254.4	\$23.7

**FIGURE 9: CHRONIC ILLNESS RIDER SALES AS A PERCENT OF TOTAL SALES**

CALENDAR YEAR	TOTAL INDIVIDUAL UL	ULSG	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL
<b>UL SALES WITH CHRONIC ILLNESS RIDERS AS A PERCENT OF TOTAL UL SALES</b>				
2011	12.1%	10.2%	36.4%	4.7%
2012	16.6%	18.1%	27.4%	5.2%
2013	14.9%	15.5%	30.6%	5.6%
YTD 9/30/14	17.5%	17.4%	37.4%	4.8%
CALENDAR YEAR	TOTAL INDIVIDUAL IUL	IULSG	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
<b>IUL SALES WITH CHRONIC ILLNESS RIDERS AS A PERCENT OF TOTAL IUL SALES</b>				
2011	23.8%	2.9%	23.4%	90.1%
2012	28.2%	10.5%	28.5%	89.6%
2013	42.7%	14.9%	42.2%	77.9%
YTD 9/30/14	44.6%	30.7%	44.4%	58.3%

Among UL products with chronic illness riders, average premiums per policy were the highest in all periods for ULSG. Average face amount per policy was also highest for ULSG products in all periods. Among IUL products with chronic illness riders, average premiums per policy were highest for cash accumulation IUL products for all periods. Average face amount per policy was highest for IULSG in 2011 and 2012, and for AccumIUL for 2013 and during YTD 9/30/14. The most popular distribution channels through which UL/IUL products with chronic illness riders were sold were the brokerage, PPGA, and career agent channels. For males, the average issue age for UL/IUL products with chronic illness riders equaled 56 in 2013 and during YTD 9/30/14 on a premium basis. When measured on a face amount basis, the average issue age for males equaled 46 in 2013 and 47 during YTD 9/30/14. For females, the average issue ages equaled 59 in 2013 and 58 during YTD 9/30/14 on a premium basis. When measured on a face amount basis, the average issue age for females equaled 46 in 2013 and 47 during YTD 9/30/14. Eight of 12 survey participants that reported UL sales with chronic illness riders automatically included them with the base UL policy. Across all periods, the average election rates were high for the remaining four participants (32%–54%). Seven of 10 participants automatically included chronic illness riders with the base IUL policy. Across all periods, the average election rates were high for the remaining three participants (64%–98%). **Eight of the 15 participants that reported UL/IUL sales with chronic illness riders provide a discounted death benefit as an accelerated benefit. Six additional participants reported their chronic illness rider uses a lien against the death benefit to provide the accelerated benefit, and one uses a dollar-for-dollar death benefit reduction approach.**

### SALES WITH LONG-TERM CARE (LTC) RIDERS

The total face amount issued for UL policies with LTC riders was reported as \$3.9 billion, \$3.5 billion, \$4.1 billion, and \$2.6 billion, respectively, for 2011, 2012, 2013, and YTD 9/30/14. For 2011, 2012, 2013, and YTD 9/30/14, the total face amount issued for IUL policies with LTC riders was \$126.4 million, \$1.9 billion, \$3.1 billion, and \$2.6 billion, respectively.

Sales of LTC riders as a percent of total sales are shown in Figure 10. **Note that in the last two to three years there has been a shift away from single premium business to limited pay business. Thus, sales results by premium are somewhat misleading. Despite this shift, during YTD 9/30/14, sales of LTC riders as a percent of total sales were 18% for UL products and 9% for IUL products, both at peak levels.**

**FIGURE 10: LTC RIDER SALES AS A PERCENT OF TOTAL SALES**

CALENDAR YEAR	TOTAL INDIVIDUAL UL	ULSG	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL
<b>UL SALES WITH LTC RIDERS AS A PERCENT OF TOTAL UL SALES</b>				
2011	15.4%	21.8%	5.5%	0.6%
2012	14.6%	18.8%	7.6%	5.3%
2013	15.3%	21.0%	7.2%	7.1%
YTD 9/30/14	17.6%	25.5%	9.7%	4.2%
CALENDAR YEAR	TOTAL INDIVIDUAL IUL	IULSG	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
<b>IUL SALES WITH LTC RIDERS AS A PERCENT OF TOTAL IUL SALES</b>				
2011	0.5%	0.2%	0.5%	0.5%
2012	5.3%	8.0%	5.1%	<0.1%
2013	9.3%	30.2%	8.7%	2.5%
YTD 9/30/14	9.4%	22.1%	9.2%	2.9%

The distribution of sales by LTC rider type elected has changed significantly from 2011 to YTD 9/30/14 for riders attached to UL products. Rider type refers to the election of an LTC accelerated benefit rider (ABR) only, an ABR and an extension of benefits (EOB) rider, or an ABR, an EOB rider, and an inflation protection rider (IPR). In 2011, the distribution of UL sales with an LTC rider based on premium was 23% LTC ABR only, 54% LTC ABR and EOB, and 22% ABR, EOB, and IPR. During YTD 9/30/14, this distribution was 32% LTC ABR only, 34% LTC ABR/EOB, and 33% LTC ABR/EOB/IPR. For IUL products, the distribution was fairly stable over the survey period with nearly 100% electing an LTC accelerated benefit rider only.

Average premiums per policy were the highest for ULSG products with LTC riders for all periods, except 2013, and for AccumIUL products with LTC riders in 2013. Average face amounts per policy were the highest for AccumIUL in 2011 and 2012, and for CAIUL in 2013 and YTD 9/30/14. The brokerage and career agent channels were the most popular channels through which these products were sold. Average issue ages were 60 for both males and females in 2013 and 59 during YTD 9/30/14, on a premium basis. On a face amount basis the male average issue ages were 54 and 53, and the female average issue ages were 55 and 52 for the two periods. Among policies that offer LTC riders, average election rates were 30.7% for YTD 9/30/14 for UL policies and were 24.5% in that same period for IUL policies, similar to prior years. Note that an LTC ABR was mandatory on some of these policies.

## PROFIT MEASURES

The predominant profit measure reported by survey participants continues to be an after-tax, after-capital statutory return on investment/internal rate of return (ROI/IRR). The median ROI/IRR reported continues to be 12% for all UL/IUL products, except it is 10% for AccumUL and 12.5% for IULSG. Nine participants reported changes to profit measures/goals in the last two years. Two of the nine lowered their statutory ROI/IRR profit goals, and two increased their ROI/IRR goals. Another two participants reported no change in the target, but were more willing to consider a statutory IRR below their targets, which was due to the sustained low interest rate environment.

Survey participants reported their actual results relative to profit goals for 2013. For ULSG, 53% were short of their profit goals, and for the remaining UL/IUL products the majority of the participants were at least meeting their profit goals. For YTD 9/30/14, 59% were short of their profit goals for ULSG, and the majority of participants were at least meeting their profit goals for all other UL/IUL products. **The primary reasons reported for not meeting profit goals in 2013 and YTD 9/30/14 were low interest earnings and expenses.**

## TARGET SURPLUS

The majority of survey participants continue to set target surplus pricing assumptions as a percent of the National Association of Insurance Commissioners (NAIC) company action level. The overall NAIC risk-based capital (RBC) percent of company action level ranged from 200% to 400%. The report includes details about the overall NAIC RBC percentage, broken down by component, and is shown by UL/IUL product type. Changes to target surplus were reported by survey participants, including increases and decreases in the overall NAIC risk-based capital (RBC) level, increases and decreases in target surplus factors, changes in measure (e.g., S&P to NAIC RBC), recognition of the covariance benefit, and changes that were due to higher expectations/requirements of rating agencies.

## RESERVES

Responses were varied by survey participants regarding what approach they would use for pricing new UL products in a principle-based reserves (PBR) environment. Where stochastic reserves will be required, nine of 22 participants currently did not know what approach will be used in pricing in a PBR environment. For the remaining participants it was nearly evenly split between those that will reflect stochastic reserves in pricing and those that will use approaches that estimate the stochastic reserves. Where deterministic reserves will be required, seven of 19 participants currently have not yet determined what approach will be used in pricing in a PBR environment. Some participants reported they will reflect deterministic reserves in pricing, some will use estimates of deterministic reserves, and others will use the same or similar approaches used in the past.

**Concern was expressed by 11 of 29 participants about the net premium reserve floor that was included in the valuation manual. The reasons for concern included: the net premium reserve is perceived to be too high, there is a significant amount of work in implementing the new regulations with little reserve relief, the calculation is complex, and there are potential tax inefficiencies.**

## RISK MANAGEMENT

Note that the survey was conducted prior to the adoption of Actuarial Guideline 48, which affects the rules to be followed for new life reserve financing after January 1, 2015 (if not grandfathered). This factor should be considered when reading the risk management section of the report.

Details regarding the cost of financing assumed in pricing ULSG products currently and one year ago may be found in the report.

Eleven of the 29 participants were reacting to the current market by repricing, and eight were riding it out. Other comments included responses that no lapse guarantees had been discontinued.

Retention limits ranged from \$350,000 to \$40 million for survey participants, with a median limit of \$2 million and an average of \$6.8 million.

Few participants hedge the investment risk in ULSG products, but all IUL participants reported that they hedge the index included in their IUL products, or intend to hedge the index in 2015 for one participant that recently launched its IUL product.

## UNDERWRITING

Table-shaving programs are offered by eight of the 29 participants; seven participants intend to continue their programs, and one reported that it intends to discontinue its program. Sixteen of the 29 participants use a credit program or other type of program that improves ratings for favorable risk factors. Modifications have been made to such programs in the last two years by two of the 16. The first replaced its table shaving program with a credit program in the last two years, and another reported that added impairments are eligible for its program. One of the 16 participants reported that it will not continue its program.

The most popular of five specific supplemental underwriting tools used by survey participants for some portion of their fully underwritten business is prescription drug database searches (used by all 28 participants with fully underwritten UL/IUL business). Also reported were cognitive impairment testing (20), tele-underwriting/telephonic screening (20), activities of daily living (ADL) measures (16), and additional questions on applications (10). Four companies increased their use of prescription drug database searches in the last year. Fifteen of 19 companies responded that they use cognitive impairment testing at ages 70 or 71 and older.

Sixteen of the 29 survey participants reported offering simplified issue (SI) underwritten UL/IUL products. The individual middle/upper income market was the top market among survey participants where such products are offered. The most popular channel where SI UL products are offered is the brokerage channel with 11 of the 16 offering products in this channel. The most common underwriting tools used in this market are MIB Group reports (15 participants), prescription drug database searches (14), and motor vehicle reports (12). Three participants add "actively-at-work" questions to their simplified issue UL/IUL application that are not found in their fully underwritten UL/IUL applications.

The majority of survey participants (20 of 28 responding) have created at least one preferred risk parameter that differs at the older ages relative to those used at the younger ages.

## PRODUCT DESIGN

Secondary guarantee designs of ULSG products were split between the following structures: shadow account with a single fund (8), shadow account with multiple funds (4), and minimum scheduled premium design (5).

**Four of the 17 participants reporting ULSG sales repriced their ULSG design in the last 12 months, and three of those four also reported repricing their ULSG designs in the last 13 to 24 months. Six additional participants repriced in the last 13 to 24 months for a total of nine participants. Four reported that premium rates on the new basis versus the old basis increased, and one discontinued its ULSG product.**

Strategies used in light of the recent low interest rates include intentionally reducing or limiting UL sales by increasing premium rates (11) or by discontinuing sales of certain products (11), riding it out (10), or launching new designs with reduced guarantees (9). Seven participants are dealing with the low interest rate environment by instituting premium limitations.

A total of eight survey participants reported they currently offer a long-term care (LTC) accelerated benefit rider on either a UL or IUL product (six of the eight offer this rider on both a UL and IUL chassis). Five of the eight expect to develop an enhanced LTC combination product in the next 24 months. One additional participant expects to develop an LTC combination product in the next 24 months, and two others are considering the possibility.

The popularity of chronic illness benefits has been growing recently and 15 of the 29 participants reported they currently offer a chronic illness accelerated benefit rider on either a UL or IUL chassis, although only 14 of the 15 reported sales of UL/IUL products with such riders. Two of the 15 expect to develop an enhanced chronic illness benefit rider and four additional companies expect to develop such a rider in the next 24 months. **Nearly 86% of survey respondents expect to market either an LTC or chronic illness rider within 24 months.**

Twenty-seven survey participants currently offer living benefits other than chronic illness and LTC or expect to offer such benefits in the next 12 months. Twenty-four of the 27 currently offer or expect to offer terminal illness accelerated death benefits in the next 24 months. Fourteen offer or expect to offer critical illness accelerated death benefits in the next 24 months.

Survey participants were asked to rank eight specific benefits based on their value. Chronic illness benefits were ranked the most valuable, while longevity and unemployment benefits were ranked the least valuable of the seven.

Simplified issue single premium UL products are currently offered by nine of the 29 participants, and another three are considering offering such a policy in the next 24 months.

Cash accumulation-type UL/IUL products were the most common UL/IUL products to include wash loan provisions. Eleven survey participants reported including a wash loan provision on AccumUL and/or AccumIUL products. The cumulative outstanding wash loan amount relative to the cash surrender value as of 9/30/14 ranged from 0% up to 42%. For other loans, the cumulative outstanding loan amount ranged from 0% to 28.0%.

## COMPENSATION

Compensation structures are quite varied among survey participants. It is nearly evenly split among participants that offer multiple UL/IUL products to vary commissions and/or marketing allowables by product type versus not varying them. The report includes fairly granular information about first-year compensation, renewal compensation, and marketing allowables.

Few survey participants offer asset-based compensation on UL/IUL products, but its use is highest for cash accumulation UL/IUL products. Levelized compensation paid on cash value enhancement (CVE) riders is somewhat more common than asset-based compensation. Its use is also highest for cash accumulation UL/IUL products.

In general, it appears that rolling target premiums are more common on IUL products than on UL products. A rolling target means that higher percentage commissions up to the target are paid based on cumulative paid premium, even if the target premium is not met in the first year. Rolling target premiums are the most common in cash accumulation IUL compensation programs, with 87% of AccumIUL respondents using them. They are least common in current assumption UL compensation plans, with only 33% of CAUL respondents using them. Target premiums are commonly rolled for two years, i.e., the higher percentage commissions up to target may be applied in year two. There are a few companies that do not limit the number of years that target premiums are rolled on some plans.

Average incentive compensation for external wholesalers was reported by UL/IUL product type by survey participants. The highest average compensation payable up to target premium was reported for IULSG products (22.4%), and the lowest for CAUL products (8.1%). The highest average compensation payable on excess premium was reported for AccumIUL (2.5%), and the lowest for current assumption IUL (0.3%).

The most common commission chargeback period on lapse/surrender is 12 months for all UL/IUL products. It is also the most common chargeback period on face amount decreases. Several companies extend the chargeback period to two or more years for surrenders or face amount decreases.

## PRICING

There was an even split between respondents assuming a new money crediting strategy versus a portfolio crediting strategy in pricing secondary guarantee UL products. A portfolio crediting strategy was assumed by 75% of survey participants regarding IULSG products. The report includes details about earned rates assumed in pricing ULSG and IULSG products, in total and by crediting strategy. For ULSG products, the majority of participants reported a decrease in earned rates relative to those assumed in pricing one year ago. For IULSG products it was fairly evenly split between decreases in earned rates and no change.

The report includes some very granular information about lapse rate assumptions for secondary guarantee products. A wide variety of factors are considered, including premium funding patterns, age, cash value status and whether the secondary guarantee is "in-the-money," premium requirements if the secondary guarantee is in-the-money, and other factors.

Thirteen of the 29 participants reported their mortality assumptions are strictly based on company experience. Five participants reported their mortality assumptions are based on company experience and consultants' recommendations, and four additional participants base them on company experience and input from reinsurers. All other participants use various combinations of company experience, industry tables, consultants' recommendations, and underwriting criteria. Sixteen survey participants reported that the slopes of their mortality assumptions are more similar to the 2008 Valuation Basic Table (VBT) than other recent mortality tables (e.g., 1975–1980 Select & Ultimate Table, 2001 VBT, 2014 VBT<sup>1</sup>). Another eight reported they are more similar to the 2001 VBT, three are more similar to the 1975–1980 Select & Ultimate Table, and two are more similar to the 2014 VBT. The majority of participants vary their preferred to standard ratios by issue age and/or by duration. An assumption that preferred to standard ratios eventually converge is used by 67% of the companies. Twenty-four of the 29 participants assume mortality improvement in pricing UL/IUL products, with details provided in the report.

1 Currently referred to as the 2015 VBT.

Actual expense levels and those assumed in pricing UL/IUL products vary widely among survey participants, with details provided in the report. For comparison purposes, we converted acquisition and maintenance expenses to a dollar amount for a representative sample policy for each participant. The calculation was done for both pricing expenses and actual (fully allocated) expenses. We assumed an average face amount of \$500,000 and premiums of \$15 and \$25 per \$1,000 of face amount. The tables in Figure 11 show statistics relative to dollars of pricing and actual expenses for the representative sample policy.

**FIGURE 11: PRICING AND ACTUAL EXPENSES FOR A REPRESENTATIVE SAMPLE POLICY**

PRICING EXPENSES	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
<b>HIGH PREMIUM</b>					
ACQUISITION	29	\$2,130	\$1,944	\$225	\$4,800
MAINTENANCE	29	\$389	\$350	\$70	\$971
<b>LOW PREMIUM</b>					
ACQUISITION	29	\$2,074	\$1,878	\$225	\$4,738
MAINTENANCE	29	\$272	\$238	\$70	\$596
ACTUAL (FULLY ALLOCATED) EXPENSES	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
<b>HIGH PREMIUM</b>					
ACQUISITION	22	\$2,742	\$2,751	\$677	\$5,282
MAINTENANCE	22	\$431	\$359	\$155	\$971
<b>LOW PREMIUM</b>					
ACQUISITION	22	\$2,583	\$2,673	\$677	\$4,738
MAINTENANCE	22	\$309	\$265	\$155	\$654

## ADMINISTRATION

A wide range of practices are followed regarding the information that is included on the annual policy statement relevant to the policy's funding status. In some cases, nothing beyond what is required in the NAIC UL Model regulation is included in the policyholder statement. The majority of participants included the projected lapse date, and some included projections with additional premium payments, even if not required. Projections based on current values were also provided in many cases.

Participants were asked to rate the effectiveness of their administrative systems on monitoring guideline premium limits and seven-pay premiums when there were changes to the contract coverage. Ratings were from 1 to 5, with a rating of 1 being excellent, and a rating of 5 meaning needs improvement. In general, survey participants rated their systems as very good in doing such monitoring, with an average rating of 1.9.

## ILLUSTRATIONS

Fourteen of the 29 participants are no longer illustrating non-guaranteed elements on UL/SL products, up slightly from last year.

The credited rate used in IUL illustrations for participants' most popular strategies ranged from 4.10% to 8.50%. The current maximum illustrated rate allowed for their most popular strategies ranged from 4.40% to 10%. More participants made no change to this rate (eight participants) or decreased this rate relative to the illustrated rate of one year ago (five participants), rather than increased this rate (four participants). The median illustrated rate one year ago was 7.29%, with an average of 7.06%. This compares to the current median illustrated rate of 7.50% and current average of 7.10%.

Nineteen of 20 participants reported that the illustrated rate is based on a look-back period, with 11 using a 25-year period, and seven using a 30-year period. Eight participants reported that the illustrated rate applies to both non-loaned and loaned values, and 11 reported that it does not apply to both non-loaned and loaned values.

Twenty-two of the 29 companies were aware of the actuarial guideline proposed at the time the survey was sent regarding IUL illustrations. The actuarial guideline has since been modified, and this study does not include updated information regarding the steps that companies are taking to comply.

Fifteen of the 29 survey participants reported that they find illustration actuary requirements create constraints in UL/IUL pricing. The majority of those participants also believe the constraints are more severe for certain product types, especially UL/SL. Various solutions were reported to overcome illustration actuary challenges. Also, a variety of practices are employed regarding illustrating in-force policies if the lapse support test fails. Nearly half of the responses indicated a negative effect of the low interest rate environment on the ability to support illustration testing of in-force business and illustration testing of new business. Participants have reacted by discontinuing illustrations for some products, illustrating guarantees only, increasing premiums, lowering credited rates, etc.

Twelve of 25 participants reported they are currently using Actuarial Standard of Practice (ASOP) 24 Section 3.7 to not test when certifying for illustration actuary testing. (ASOP 24 Section 3.7 applies to illustrations on policies in-force for one year or more.) Nine additional participants are testing in-force business, and four are using both approaches.

Twenty-one of 28 participants are doing sensitivity testing to see where the disciplined current scale (DCS) breakpoints are (i.e., when the DCS might fail).

Three participants reported they are illustrating utilization scenarios/examples for accelerated death benefit (ADB) riders with a discounted death benefit approach. Four participants are doing so for other ADB riders. The majority of participants that are illustrating ADB utilization reported that the illustrations are in a supplemental illustration, rather than in the basic illustration.

## APPENDIX: THE SURVEY

### MILLIMAN, INC. 2014 UNIVERSAL LIFE AND INDEXED UNIVERSAL LIFE SURVEY

This survey covers individual U.S. universal life insurance and indexed universal life insurance plans. **Survivorship life and variable universal life plans are NOT included.**

Throughout the survey various terms are used to describe UL product type/markets. Following are the definitions of these terms:

#### **UNIVERSAL Life (UL)**

A flexible premium permanent contract that credits cash value with current interest rates and deducts mortality and expense charges from the cash value. A UL policy can fall into any of the three product types listed below. Single premium sales and juvenile sales should be reported in the appropriate category listed below.

**UL with secondary guarantees (ULSG):** A UL product designed specifically for the death benefit guarantee market that features long-term (guaranteed to last until at least age 90) no-lapse guarantees either through a rider or as part of the base policy.

**Cash accumulation UL (AccumUL):** A UL product designed specifically for the accumulation-oriented market where cash accumulation and efficient distribution are the primary concerns of the buyer. Within this category are products that allow for high early cash value accumulation, typically through the election of an accelerated cash value rider.

**Current assumption UL (CAUL):** A UL product designed to offer the lowest cost death benefit coverage without death benefit guarantees. Within this category are products sometimes referred to as *dollar-solve* or *term-alternative* products.

**Total individual UL:** Individual UL products that include ULSG, cash accumulation UL and current assumption UL, but do not include any indexed UL products.

#### **INDEXED UNIVERSAL Life (IUL)**

A UL product with the cash value linked to an equity index, such as the S&P 500 or Dow Jones. An IUL product can fall into any of the three product types listed above under Universal Life. Single premium sales and juvenile sales should be reported in the appropriate category listed below.

**IUL with secondary guarantees (IULSG)**

**Cash accumulation IUL (AccumIUL)**

**Current assumption IUL (CAIUL)**

**Total indexed UL:** Indexed UL products that include IUL with secondary guarantees, cash accumulation IUL, and current assumption IUL.

#### **LONG-TERM CARE (LTC)**

Long-term care refers to plans that qualify under Long-Term Care Model Laws and Regulations.

#### **CHRONIC ILLNESS (CI)**

Chronic illness refers to plans, other than terminal illness plans, that qualify under Model Regulation 620 governing accelerated death benefit designs.

Unless noted otherwise, *sales* refers to the sum of recurring premiums plus 10% of single premiums. **Exceptions include the single premium sales under item F. (UL Sales Details tab and IUL Sales Details tab) and item C. (LTC Rider Sales tab and Chronic Illness Rider Sales tab).**

If sales for a particular cell are negative, please report them as zero.

To avoid reporting sales by face amount without a corresponding entry for sales by premium, please round premiums to 2–3 decimal places.



## SALES

A1. Please provide historical UL sales (in \$ millions) broken down by market.

UL sales are reported in the tab *IUL Sales Details* tab.

CALENDAR YEAR	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
2011				
2012				
2013				
YTD 9/30/14				

A2. What percent of sales (based on policy count) elected a cash value enhancement rider?

CALENDAR YEAR	TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
2013				
YTD 9/30/14				

A3. What percent of sales (based on policy count) selected no lapse guaranteed premiums to age 90 or longer?

CALENDAR YEAR	TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
2013				
YTD 9/30/14				

B. Please provide historical UL policies issued and face amount issued (in \$ millions) broken down by market.

CALENDAR YEAR	TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>NUMBER OF POLICIES ISSUED</b>				
2011				
2012				
2013				
YTD 9/30/14				
<b>FACE AMOUNT ISSUED</b>				
2011				
2012				
2013				
YTD 9/30/14				

C. What are your expectations regarding the mix of UL/IUL business in the future?

TIME FRAME	TOTAL	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
TODAY	100%						
2 YEARS FROM NOW	100%						
5 YEARS FROM NOW	100%						

If your expectations have changed in the last year please explain the reason for the change.

D1. Within each market, please provide 2013 UL sales (in \$ millions) by distribution channel.

DISTRIBUTION CHANNEL	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>2013 UL SALES (PREMIUM)</b>				
PPGA				
BROKERAGE				
MLEA				
CAREER AGENT				
STOCKBROKERS				
FINANCIAL				
INSTITUTIONS				
WORKSITE				
HOME SERVICE				
DIRECT RESPONSE				
TOTAL (SHOULD AGREE WITH QUESTION A1)				
DISTRIBUTION CHANNEL	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>2013 UL SALES (FACE AMOUNT)</b>				
PPGA				
BROKERAGE				
MLEA				
CAREER AGENT				
STOCKBROKERS				
FINANCIAL				
INSTITUTIONS				
WORKSITE				
HOME SERVICE				
DIRECT RESPONSE				
TOTAL				

D2. Within each market, please provide YTD 9/30/14 UL sales (in \$ millions) by distribution channel.

DISTRIBUTION CHANNEL	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>YTD 9/30/14 UL SALES (PREMIUM)</b>				
PPGA				
BROKERAGE				
MLEA				
CAREER AGENT				
STOCKBROKERS				
FINANCIAL INSTITUTIONS				
WORKSITE				
HOME SERVICE				
DIRECT RESPONSE				
TOTAL (SHOULD AGREE WITH QUESTION A1)				

DISTRIBUTION CHANNEL	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>YTD 9/30/14 UL SALES (FACE AMOUNT)</b>				
PPGA				
BROKERAGE				
MLEA				
CAREER AGENT				
STOCKBROKERS				
FINANCIAL INSTITUTIONS				
WORKSITE				
HOME SERVICE				
DIRECT RESPONSE				
TOTAL				

E1. Within each market, please provide 2013 UL sales (in \$ millions) by distribution channel and issue age group.

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>2013 UL SALES (PREMIUM) ALL DISTRIBUTION CHANNELS COMBINED</b>				
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
TOTAL (SHOULD AGREE WITH QUESTION D1)				

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>2013 UL SALES (FACE AMOUNT) ALL DISTRIBUTION CHANNELS COMBINED</b>				
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
TOTAL (SHOULD AGREE WITH QUESTION D1)				

E2. Within each market, please provide YTD 9/30/14 UL sales (in \$ millions) by distribution channel and issue age group.

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>YTD 9/30/14 UL SALES (PREMIUM) ALL DISTRIBUTION CHANNELS COMBINED</b>				
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
TOTAL (SHOULD AGREE WITH QUESTION D2)				

<b>YTD 9/30/14 UL SALES (FACE AMOUNT) ALL DISTRIBUTION CHANNELS COMBINED</b>				
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
TOTAL (SHOULD AGREE WITH QUESTION D2)				

- F. Within each market, please provide UL sales (in \$ millions) by premium type;  
Single Premium Sales should be reported at 100% rather than 10%.

PREMIUM TYPE	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>2013 UL SALES (PREMIUM)</b>				
SINGLE PREMIUM				
PERIODIC PREMIUM				
LIMITED PAY				
TOTAL = 10% OF SP + PP + LP (SHOULD AGREE WITH QUESTION A1)				
<b>YTD 9/30/14 UL SALES (PREMIUM)</b>				
SINGLE PREMIUM				
PERIODIC PREMIUM				
LIMITED PAY				
TOTAL = 10% OF SP + PP + LP (SHOULD AGREE WITH QUESTION A1)				

- G. Within each market, please provide 2013 UL sales (in \$ millions) by gender and issue age group.

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>2013 UL SALES (PREMIUM) - MALES</b>				
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
<b>2013 UL SALES (PREMIUM) - FEMALES</b>				
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
TOTAL MALE/FEMALE (SHOULD AGREE WITH QUESTION D1)				

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>2013 UL SALES (FACE AMOUNT) - MALES</b>				
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
<b>2013 UL SALES (FACE AMOUNT) - FEMALES</b>				
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
TOTAL MALE/FEMALE (SHOULD AGREE WITH QUESTION D1)				
Within each market, please provide YTD 9/30/14 UL sales (in \$ millions) by issue age group.				
<b>YTD 9/30/14 UL SALES (PREMIUM) - MALES</b>				
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
<b>YTD 9/30/14 UL SALES (PREMIUM) - FEMALES</b>				
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
TOTAL MALE/FEMALE (SHOULD AGREE WITH QUESTION D2)				

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>YTD 9/30/14 UL SALES (FACE AMOUNT) - MALES</b>				
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
<b>YTD 9/30/14 UL SALES (FACE AMOUNT) - FEMALES</b>				
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
<b>TOTAL MALE/FEMALE (SHOULD AGREE WITH QUESTION D2)</b>				

H. Within each market, please provide 2013 UL sales (in \$ millions) by underwriting class.

UNDERWRITING CLASS	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>2013 UL SALES (PREMIUM)</b>				
BEST NS/NT CLASS				
NEXT BEST NS/NT CLASS				
SECOND NEXT BEST NS/NT CLASS				
THIRD NEXT BEST NS/NT CLASS				
FOURTH NEXT BEST NS/NT CLASS AND LOWER				
BEST S/T CLASS				
NEXT BEST S/T CLASS				
SECOND NEXT BEST S/T CLASS AND LOWER				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
UNDERWRITING CLASS	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>2013 UL SALES (FACE AMOUNT)</b>				
BEST NS/NT CLASS				
NEXT BEST NS/NT CLASS				
SECOND NEXT				
BEST NS/NT CLASS				
THIRD NEXT BEST NS/NT CLASS				
FOURTH NEXT BEST NS/NT CLASS AND LOWER				
BEST S/T CLASS				
NEXT BEST S/T CLASS				
SECOND NEXT BEST S/T CLASS AND LOWER				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				

Within each market, please provide YTD 9/30/14 UL sales (in \$ millions) by underwriting class.

#### YTD 9/30/14 UL SALES (PREMIUM)

BEST NS/NT CLASS

NEXT BEST NS/NT CLASS

SECOND NEXT BEST NS/NT CLASS

THIRD NEXT BEST NS/NT CLASS

FOURTH NEXT BEST NS/NT CLASS AND LOWER

BEST S/T CLASS

NEXT BEST S/T CLASS

SECOND NEXT BEST S/T CLASS AND LOWER

TOTAL (SHOULD AGREE WITH QUESTION D2)

UNDERWRITING CLASS	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
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#### YTD 9/30/14 UL SALES (FACE AMOUNT)

BEST NS/NT CLASS

NEXT BEST NS/NT CLASS

SECOND NEXT BEST NS/NT CLASS

THIRD NEXT BEST NS/NT CLASS

FOURTH NEXT BEST NS/NT CLASS AND LOWER

BEST S/T CLASS

NEXT BEST S/T CLASS

SECOND NEXT BEST S/T CLASS AND LOWER

TOTAL (SHOULD AGREE WITH QUESTION D2)

### IUL SALES DETAIL

A1. Please provide historical IUL sales (in \$ millions) broken down by market. **UL sales are reported in the Sales tab.**

CALENDAR YEAR	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
---------------	--	---	---------------------------------	----------------------------------

2011

2012

2013

YTD 9/30/14

A2. What percent of sales (based on policy count) elected a cash value enhancement rider?

CALENDAR YEAR	TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
---------------	-------------------------	---	---------------------------------	----------------------------------

2013

YTD 9/30/14



A3. What percent of sales (based on policy count) selected no lapse guaranteed premiums to age 90 or longer?

CALENDAR YEAR	TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
2013				
YTD 9/30/14				

B. Please provide historical IUL policies issued and face amount issued (in \$ millions) broken down by market.

CALENDAR YEAR	TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>NUMBER OF POLICIES ISSUED</b>				
2011				
2012				
2013				
YTD 9/30/14				

CALENDAR YEAR	TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>FACE AMOUNT ISSUED</b>				
2011				
2012				
2013				
YTD 9/30/14				

C. Respond to Question C under the *Sales* tab. Proceed to Question D below.

D1. Within each market, please provide 2013 IUL sales (in \$ millions) by distribution channel.

DISTRIBUTION CHANNEL	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>2013 IUL SALES (PREMIUM)</b>				
PPGA				
BROKERAGE				
MLEA				
CAREER AGENT				
STOCKBROKERS				
FINANCIAL INSTITUTIONS				
WORKSITE				
HOME SERVICE				
DIRECT RESPONSE				
TOTAL (SHOULD AGREE WITH QUESTION A1)				

DISTRIBUTION CHANNEL	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>2013 IUL SALES (FACE AMOUNT)</b>				
PPGA				
BROKERAGE				
MLEA				
CAREER AGENT				
STOCKBROKERS				
FINANCIAL INSTITUTIONS				
WORKSITE				
HOME SERVICE				
DIRECT RESPONSE				
TOTAL				

D2. Within each market, please provide YTD 9/30/14 IUL sales (in \$ millions) by distribution channel.

DISTRIBUTION CHANNEL	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>YTD 9/30/14 IUL SALES (PREMIUM)</b>				
PPGA				
BROKERAGE				
MLEA				
CAREER AGENT				
STOCKBROKERS				
FINANCIAL INSTITUTIONS				
WORKSITE				
HOME SERVICE				
DIRECT RESPONSE				
TOTAL (SHOULD AGREE WITH QUESTION A1)				
<b>YTD 9/30/14 IUL SALES (FACE AMOUNT)</b>				
PPGA				
BROKERAGE				
MLEA				
CAREER AGENT				
STOCKBROKERS				
FINANCIAL INSTITUTIONS				
WORKSITE				
HOME SERVICE				
DIRECT RESPONSE				
TOTAL				

E1. Within each market, please provide 2013 IUL sales (in \$ millions) by distribution channel and issue age group.

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>2013 IUL SALES (PREMIUM) ALL DISTRIBUTION CHANNELS COMBINED</b>				
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
TOTAL (SHOULD AGREE WITH QUESTION D1)				
<b>2013 IUL SALES (FACE AMOUNT) ALL DISTRIBUTION CHANNELS COMBINED</b>				
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
TOTAL (SHOULD AGREE WITH QUESTION D1)				

E2. Within each market, please provide YTD 9/30/14 IUL sales (in \$ millions) by distribution channel and issue age group.

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>YTD 9/30/14 IUL SALES (PREMIUM) ALL DISTRIBUTION CHANNELS COMBINED</b>				
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
TOTAL (SHOULD AGREE WITH QUESTION D2)				
<b>YTD 9/30/14 IUL SALES (FACE AMOUNT) ALL DISTRIBUTION CHANNELS COMBINED</b>				
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
TOTAL (SHOULD AGREE WITH QUESTION D2)				

- F. Within each market, please provide IUL sales (in \$ millions) by premium type;  
Single Premium Sales should be reported at 100% rather than 10%.

PREMIUM TYPE	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>2013 IUL SALES</b>				
SINGLE PREMIUM				
PERIODIC PREMIUM				
LIMITED PAY				
TOTAL = 10% OF SP + PP + LP (SHOULD AGREE WITH QUESTION A1)				
<b>YTD 9/30/14 IUL SALES</b>				
SINGLE PREMIUM				
PERIODIC PREMIUM				
LIMITED PAY				
TOTAL = 10% OF SP + PP + LP (SHOULD AGREE WITH QUESTION A1)				

- G. Within each market, please provide 2013 IUL sales (in \$ millions) by gender and issue age group.

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>2013 IUL SALES (PREMIUM) - MALES</b>				
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
<b>2013 IUL SALES (PREMIUM) - FEMALES</b>				
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
TOTAL MALE/FEMALE (SHOULD AGREE WITH QUESTION D1)				

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>2013 IUL SALES (FACE AMOUNT) - MALES</b>				
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
<b>2013 IUL SALES (FACE AMOUNT) - FEMALES</b>				
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
TOTAL MALE/FEMALE (SHOULD AGREE WITH QUESTION D1)				
Within each market, please provide YTD 9/30/14 IUL sales (in \$ millions) by issue age group.				
<b>YTD 9/30/14 IUL SALES (PREMIUM) - MALES</b>				
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
<b>YTD 9/30/14 SALES (PREMIUM) - FEMALES</b>				
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
TOTAL MALE/FEMALE (SHOULD AGREE WITH QUESTION D2)				

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>YTD 9/30/14 IUL SALES (FACE AMOUNT) - MALES</b>				
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
<b>YTD 9/30/14 IUL SALES (FACE AMOUNT) - FEMALES</b>				
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
<b>TOTAL MALE/FEMALE (SHOULD AGREE WITH QUESTION D2)</b>				

H. Within each market, please provide 2013 IUL sales (in \$ millions) by underwriting class.

UNDERWRITING CLASS	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>2013 IUL SALES (PREMIUM)</b>				
BEST NS/NT CLASS				
NEXT BEST NS/NT CLASS				
SECOND NEXT BEST NS/NT CLASS				
THIRD NEXT BEST NS/NT CLASS				
FOURTH NEXT BEST NS/NT CLASS AND LOWER				
BEST S/T CLASS				
NEXT BEST S/T CLASS				
SECOND NEXT BEST S/T CLASS AND LOWER				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2013 IUL SALES (FACE AMOUNT)</b>				
BEST NS/NT CLASS				
NEXT BEST NS/NT CLASS				
SECOND NEXT BEST NS/NT CLASS				
THIRD NEXT BEST NS/NT CLASS				
FOURTH NEXT BEST NS/NT CLASS AND LOWER				
BEST S/T CLASS				
NEXT BEST S/T CLASS				
SECOND NEXT BEST S/T CLASS AND LOWER				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				

Within each market, please provide YTD 9/30/14 IUL sales (in \$ millions) by underwriting class.

**YTD 9/30/14 IUL SALES (PREMIUM)**

BEST NS/NT CLASS

NEXT BEST NS/NT CLASS

SECOND NEXT BEST NS/NT CLASS

THIRD NEXT BEST NS/NT CLASS

FOURTH NEXT BEST NS/NT CLASS AND LOWER

BEST S/T CLASS

NEXT BEST S/T CLASS

SECOND NEXT BEST S/T CLASS AND LOWER

TOTAL (SHOULD AGREE WITH QUESTION D2)

UNDERWRITING CLASS	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
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**YTD 9/30/14 IUL SALES (FACE AMOUNT)**

BEST NS/NT CLASS

NEXT BEST NS/NT CLASS

SECOND NEXT

BEST NS/NT CLASS

THIRD NEXT BEST NS/NT CLASS

FOURTH NEXT BEST NS/NT CLASS AND LOWER

BEST S/T CLASS

NEXT BEST S/T CLASS

SECOND NEXT BEST S/T CLASS AND LOWER

TOTAL (SHOULD AGREE WITH QUESTION D2)

**CHRONIC ILLNESS RIDER SALES**

Note: Sales reported in this section should also be included in the sales reported in the UL Sales Details tab and/or the IUL Sales Details tab.

A1. Please provide historical UL sales (in millions) on all business with chronic illness riders.

CALENDAR YEAR	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
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**UL SALES WITH CHRONIC ILLNESS ACCELERATED BENEFIT RIDERS (PREMIUM)**

2011

2012

2013

YTD 9/30/14

**UL SALES WITH CHRONIC ILLNESS ACCELERATED BENEFIT RIDERS (FACE AMOUNT)**

2011

2012

2013

YTD 9/30/14

A2. Please provide IUL sales for 2013 and YTD 9/30/14 sales (in \$ millions) on all business with chronic illness riders.

CALENDAR YEAR	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>IUL SALES WITH CHRONIC ILLNESS ACCELERATED BENEFIT RIDERS (PREMIUM)</b>				
2011				
2012				
2013				
YTD 9/30/14				
<b>IUL SALES WITH CHRONIC ILLNESS ACCELERATED BENEFIT RIDERS (FACE AMOUNT)</b>				
2011				
2012				
2013				
YTD 9/30/14				

B. Please provide historical policies issued and face amount issued (in \$ millions) on all business with chronic illness riders.

CALENDAR YEAR	TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>NUMBER OF POLICIES ISSUED ON UL SALES WITH CHRONIC ILLNESS RIDERS</b>				
2011				
2012				
2013				
YTD 9/30/14				
<b>FACE AMOUNT ISSUED ON UL SALES WITH CHRONIC ILLNESS RIDERS</b>				
2011				
2012				
2013				
YTD 9/30/14				



Historical policies issued and face amount issued (in \$ millions) on IUL business with chronic illness riders.

CALENDAR YEAR	TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>NUMBER OF POLICIES ISSUED ON IUL SALES WITH CHRONIC ILLNESS RIDERS</b>				
2011				
2012				
2013				
YTD 9/30/14				
<b>FACE AMOUNT ISSUED ON IUL SALES WITH CHRONIC ILLNESS RIDERS</b>				
2011				
2012				
2013				
YTD 9/30/14				

- C. Please provide UL/IUL sales (in \$ millions) of all business with chronic illness riders that is single premium business (at 100%, not at 10% and in dollars, not percentages).

CALENDAR YEAR	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>UL SINGLE PREMIUM SALES WITH CHRONIC ILLNESS RIDERS (BASED ON PREMIUM)</b>				
2011				
2012				
2013				
YTD 9/30/14				
<b>UL SINGLE PREMIUM SALES WITH CHRONIC ILLNESS RIDERS (BASED ON FACE AMOUNT)</b>				
2011				
2012				
2013				
YTD 9/30/14				
<b>IUL SINGLE PREMIUM SALES WITH CHRONIC ILLNESS RIDERS (BASED ON PREMIUM)</b>				
2011				
2012				
2013				
YTD 9/30/14				
<b>IUL SINGLE PREMIUM SALES WITH CHRONIC ILLNESS RIDERS (BASED ON FACE AMOUNT)</b>				
2011				
2012				
2013				
YTD 9/30/14				

D. Please provide UL/IUL combined sales of all business **with chronic illness riders** by distribution channel.

DISTRIBUTION CHANNEL	UL/IUL SALES (PREMIUM)		UL/IUL SALES (FACE AMOUNT)	
	2013	YTD AS OF 9/30/14	2013	YTD AS OF 9/30/14
PPGA				
BROKERAGE				
MLEA				
CAREER AGENT				
STOCKBROKERS				
FINANCIAL INSTITUTIONS				
WORKSITE				
HOME SERVICE				
DIRECT RESPONSE				
TOTAL				

E. Please provide UL/IUL combined sales of all business **with chronic illness riders** by issue age group and gender.

ISSUE AGE GROUP	MALES			
	SALES (PREMIUM)		SALES (FACE AMOUNT)	
	2013	YTD AS OF 9/30/14	2013	YTD AS OF 9/30/14
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
ISSUE AGE GROUP	FEMALES			
	SALES (PREMIUM)		SALES (FACE AMOUNT)	
	2013	YTD AS OF 9/30/14	2013	YTD AS OF 9/30/14
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
TOTAL MALE/FEMALE				

F1. Is your chronic illness rider automatically included with the base UL policy? (Yes/No)

If not, what was the election rate of UL chronic illness riders at the time of sale for the following time periods? (e.g., X% of UL policies issued in calendar year YYYY elected a chronic illness ABR)

YEAR	2011	2012	2013	YTD AS OF 9/30/14
CHRONIC ILLNESS ABR ELECTION RATE				

F2. Is your chronic illness rider automatically included in the base IUL policy? (Yes/No)

If not, what was the election rate of IUL chronic illness riders at the time of sale for the following time periods? (e.g., X% of IUL policies issued in calendar year YYYY elected a chronic illness ABR)

YEAR	2011	2012	2013	YTD AS OF 9/30/14
CHRONIC ILLNESS ABR ELECTION RATE				

G. What is the structure of your chronic illness rider? (Please indicate with an X)

#### STRUCTURE OF CHRONIC ILLNESS RIDERS

LIEN APPROACH

DISCOUNTED DEATH BENEFIT APPROACH

DOLLAR-FOR-DOLLAR BENEFIT REDUCTION APPROACH

OTHER (PLEASE DESCRIBE)

#### LTC RIDER SALES

A1. Please provide 2011 UL sales (in \$ millions) on all business with LTC riders.

LTC RIDER TYPE	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>2011 UL SALES (PREMIUM) WITH LTC RIDERS</b>				
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				
<b>2011 UL SALES (FACE AMOUNT) WITH LTC RIDERS</b>				
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				

Please provide 2012 UL sales (in \$ millions) on all business with LTC riders.

LTC RIDER TYPE	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>2012 UL SALES (PREMIUM) WITH LTC RIDERS</b>				
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				

LTC RIDER TYPE	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>2012 UL SALES (FACE AMOUNT) WITH LTC RIDERS</b>				
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				

Please provide 2013 UL sales (in \$ millions) on all business with LTC riders.

LTC RIDER TYPE	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>2013 UL SALES (PREMIUM) WITH LTC RIDERS</b>				
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				

<b>2013 UL SALES (FACE AMOUNT) WITH LTC RIDERS</b>				
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				

Please provide YTD 9/30/14 UL sales (in \$ millions) on all business with LTC riders.

LTC RIDER TYPE	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>YTD 9/30/14 UL SALES (PREMIUM) WITH LTC RIDERS</b>				
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				

<b>YTD 9/30/14 UL SALES (FACE AMOUNT) WITH LTC RIDERS</b>				
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				

A2. Please provide 2011 IUL sales (in \$ millions) on all business with LTC riders.

LTC RIDER TYPE	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>2011 IUL SALES (PREMIUM) WITH LTC RIDERS</b>				
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				
<b>2011 IUL SALES (FACE AMOUNT) WITH LTC RIDERS</b>				
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				

Please provide 2012 IUL sales (in \$ millions) on all business with LTC riders.

LTC RIDER TYPE	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>2012 IUL SALES (PREMIUM) WITH LTC RIDERS</b>				
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				
<b>2012 IUL SALES (FACE AMOUNT) WITH LTC RIDERS</b>				
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				

Please provide 2013 UL sales (in \$ millions) on all business with LTC riders.

LTC RIDER TYPE	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>2013 IUL SALES (PREMIUM) WITH LTC RIDERS</b>				
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				
<b>2013 IUL SALES (FACE AMOUNT) WITH LTC RIDERS</b>				
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				

Please provide YTD 9/30/14 IUL sales (in \$ millions) on all business with LTC riders.

LTC RIDER TYPE	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>YTD 9/30/14 IUL SALES (PREMIUM) WITH LTC RIDERS</b>				
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				
<b>YTD 9/30/14 IUL SALES (FACE AMOUNT) WITH LTC RIDERS</b>				
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				

B. Please provide historical policies issued and face amount issued (in \$ millions) on all business **with LTC riders**.

CALENDAR YEAR	TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>NUMBER OF POLICIES ISSUED ON UL BUSINESS WITH LTC RIDERS</b>				
2011				
2012				
2013				
YTD AS OF 9/30/14				
<b>FACE AMOUNT ISSUED ON UL BUSINESS WITH LTC RIDERS</b>				
2011				
2012				
2013				
YTD AS OF 9/30/14				
CALENDAR YEAR	TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>NUMBER OF POLICIES ISSUED ON IUL BUSINESS WITH LTC RIDERS</b>				
2011				
2012				
2013				
YTD AS OF 9/30/14				
<b>FACE AMOUNT ISSUED ON IUL BUSINESS WITH LTC RIDERS</b>				
2011				
2012				
2013				
YTD AS OF 9/30/14				

C. Please provide UL/IUL sales of all business **with LTC riders** that is single premium business (at 100%, not at 10% and in dollars, not percentages).

CALENDAR YEAR	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>UL SINGLE PREMIUM SALES WITH LTC RIDERS (BASED ON PREMIUM)</b>				
2011				
2012				
2013				
YTD AS OF 9/30/14				
<b>UL SINGLE PREMIUM SALES WITH LTC RIDERS (BASED ON FACE AMOUNT)</b>				
2011				
2012				
2013				
YTD AS OF 9/30/14				

CALENDAR YEAR	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>IUL SINGLE PREMIUM SALES WITH LTC RIDERS (BASED ON PREMIUM)</b>				
2011				
2012				
2013				
YTD AS OF 9/30/14				
<b>IUL SINGLE PREMIUM SALES WITH LTC RIDERS (BASED ON FACE AMOUNT)</b>				
2011				
2012				
2013				
YTD AS OF 9/30/14				

D. Please provide UL/IUL combined sales (in \$ millions) of all business **with LTC riders** by distribution channel.

DISTRIBUTION CHANNEL	UL/IUL SALES (PREMIUM)		UL/IUL SALES (FACE AMOUNT)	
	2013	YTD AS OF 9/30/14	2013	YTD AS OF 9/30/14
PPGA				
BROKERAGE				
MLEA				
CAREER AGENT				
STOCKBROKERS				
FINANCIAL INSTITUTIONS				
WORKSITE				
HOME SERVICE				
DIRECT RESPONSE				
TOTAL				

E. Please provide UL/IUL combined sales (in \$ millions) of all business **with LTC riders** by issue age group and gender.

ISSUE AGE GROUP	SALES (PREMIUM)		SALES (FACE AMOUNT)	
	2013	YTD AS OF 9/30/14	2013	YTD AS OF 9/30/14
<b>MALES</b>				
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				



ISSUE AGE GROUP	FEMALES			
	SALES (PREMIUM)		SALES (FACE AMOUNT)	
	2013	YTD AS OF 9/30/14	2013	YTD AS OF 9/30/14
<25				
25-34				
35-44				
45-54				
55-64				
65-74				
75+				
TOTAL MALE/FEMALE				

F1. What was the election rate of UL LTC riders at the time of sale for the following time periods? (e.g., X% of UL policies issued in calendar year YYYY elected an LTC ABR Only)

LTC RIDER TYPE	2011	2012	2013	YTD AS OF 9/30/14
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				
ALL LTC RIDERS				

F2. What was the election rate of IUL LTC riders at the time of sale for the following time periods? (e.g., X% of IUL policies issued in calendar year YYYY elected an LTC ABR Only)

LTC RIDER TYPE	2011	2012	2013	YTD AS OF 9/30/14
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				
ALL LTC RIDERS				

## PROFIT MEASURES

A. Please provide responses relevant to the pricing of new sales issued today.

PROFIT MEASURES AND GOALS	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
<b>STATUTORY</b>						
STATUTORY ROI/IRR (%)						
AFTER-TAX? (Y/N)						
AFTER-CAPITAL? (Y/N)						
PRIMARY OR SECONDARY MEASURE?						
STATUTORY ROA (BPS)						
AFTER-TAX? (Y/N)						
AFTER-CAPITAL? (Y/N)						
PRIMARY OR SECONDARY MEASURE?						
PROFIT MARGIN (% OF PREMIUM)						
AFTER-TAX? (Y/N)						
AFTER-CAPITAL? (Y/N)						
PRIMARY OR SECONDARY MEASURE?						
IN THE PRICING OF NEW SALES ISSUED TODAY, WHAT IS THE DISCOUNT RATE THAT IS USED TO CALCULATE THE PROFIT MARGIN? (E.G., 0%, 10%)						
WHAT IS THE BASIS OF THE DISCOUNT RATE THAT IS USED TO CALCULATE THE PROFIT MARGIN? (E.G., THE NET INVESTMENT EARNINGS RATE)						
IS THE DISCOUNT RATE ON A PRE-TAX OR AFTER-TAX BASIS?						
OTHER PROFIT MEASURE (DESCRIBE)						
OTHER PROFIT MEASURE GOAL						
AFTER-TAX? (Y/N)						
AFTER-CAPITAL? (Y/N)						
PRIMARY OR SECONDARY MEASURE?						
IF APPLICABLE, IN THE PRICING OF NEW SALES ISSUED TODAY, WHAT IS THE DISCOUNT RATE THAT IS USED TO CALCULATE THE OTHER MEASURE? (E.G., 0%, 10%)						
IF APPLICABLE, WHAT IS THE BASIS OF THE DISCOUNT RATE THAT IS USED TO CALCULATE THE OTHER MEASURE? (E.G., THE NET INVESTMENT EARNINGS RATE)						
IF APPLICABLE, IS THE DISCOUNT RATE USED TO CALCULATE THE OTHER STATUTORY PROFIT MEASURE ON A PRE-TAX OR AFTER-TAX BASIS?						

PROFIT MEASURES AND GOALS	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
<b>GAAP</b>						
GAAP ROE (%)						
AFTER-TAX? (Y/N)						
AFTER-CAPITAL? (Y/N)						
PRIMARY OR SECONDARY MEASURE?						
HOW IS ROE MEASURED OVER THE LIFE OF THE BUSINESS?						
AVERAGE PROFITS/AVERAGE CAPITAL? (Y/N)						
DISCOUNTED PROFITS / DISCOUNTED CAPITAL? (Y/N)						
IF DISCOUNTED, WHAT DISCOUNT RATE IS USED?						
OTHER METHOD OF MEASURING ROE (PLEASE DESCRIBE)						
GAAP ROA (BPS)						
AFTER-TAX? (Y/N)						
AFTER-CAPITAL? (Y/N)						
PRIMARY OR SECONDARY MEASURE?						
OTHER GAAP MEASURE (PLEASE DESCRIBE)						
OTHER GAAP GOAL						
AFTER-TAX? (Y/N)						
AFTER-CAPITAL (Y/N)						
PRIMARY OR SECONDARY MEASURE?						
IF APPLICABLE, IN THE PRICING OF NEW SALES ISSUED TODAY, WHAT IS THE DISCOUNT RATE THAT IS USED TO CALCULATE THE OTHER MEASURE? (E.G., 0%, 10%)						
IF APPLICABLE, WHAT IS THE BASIS OF THE DISCOUNT RATE THAT IS USED TO CALCULATE THE OTHER MEASURE? (E.G., THE NET INVESTMENT EARNINGS RATE)						
IF APPLICABLE, IS THE DISCOUNT RATE USED TO CALCULATE THE OTHER GAAP PROFIT MEASURE ON A PRE-TAX OR AFTER-TAX BASIS?						

- B. If your profit goals changed in the last two years, please describe the change in basis (e.g., statutory IRR to statutory profit margin) and/or the change in target (e.g., increased from 10% to 12%) and the rationale for the change.
- C. Do you measure profits on your in-force business based on the measure(s) reported above for new business?
- If not, describe the measure(s) used for in-force business.
- If not, why are different measures used for new business and in-force business?

D1. Indicate with an *X* your actual results for 2013 relative to profit goals:

ACTUAL RESULTS	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
EXCEED PROFIT GOALS						
MEETING OR CLOSE TO PROFIT GOALS						
SHORT OF PROFIT GOALS						

D2. If short of profit goals, which of the following factors were primary contributors to the shortfall? (Indicate with an *X*)

ACTUAL RESULTS	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
INTEREST EARNINGS?						
MORTALITY?						
EXPENSES?						
OTHER (PLEASE DESCRIBE)						

E1. Indicate with an *X* your actual results for YTD 9/30/14 relative to profit goals:

ACTUAL RESULTS	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
EXCEED PROFIT GOALS						
MEETING OR CLOSE TO PROFIT GOALS						
SHORT OF PROFIT GOALS						

E2. If short of profit goals, which of the following factors were primary contributors to the shortfall? (Indicate with an *X*)

FACTOR	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
INTEREST EARNINGS?						
MORTALITY?						
EXPENSES?						
OTHER (PLEASE DESCRIBE)						

## TARGET SURPLUS

A. Please provide responses relevant to the pricing of new sales issued today.

TARGET SURPLUS BASIS	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
OVERALL NAIC RBC (% OF COMPANY ACTION LEVEL)						
% OF NET AMOUNT AT RISK						
% OF RESERVES						
% OF PREMIUM						
S&P (RATING CAPITAL LEVEL – AAA, AA, A, BBB)						
A.M. BEST (% BCAR)						
% MCCR						
INTERNAL FORMULA (EXPRESS AS A % OF NAIC CAL)						
OTHER (PLEASE DESCRIBE AND EXPRESS AS A % OF NAIC CAL)						

B. If there has been a change in target surplus in recent years, please describe the change and the rationale for the change.

## RESERVES

- A. Realistically, when do you think that PBR will be in place? Do you anticipate your company will implement PBR immediately or over the three-year phase-in period allowed?
- B. Has your company analyzed the Stochastic Exclusion Test for the product(s) expected to be sold once the Valuation Manual becomes operative? If so, was the outcome what you expected?
- C. How do you expect the company will approach the pricing of new UL products in a PBR environment for products that require:
- Stochastic reserves?
  - Deterministic reserves?
- D. Do you have any concerns (including tax concerns) about the Net Premium Reserve floor? If so, please explain.
- E. Have you/your company examined the Underwriting Criteria Scoring system or any other actuarially sound method for establishing a valuation mortality basis?
- F. Understanding that not all cells (policy year/age/risk class combination) will have credibility, generally how credible (e.g., 30%, 50%, etc.) would you say the business is that has similar underwriting processes as the company's Total Individual UL business?
- G. PBR modeling and new designs

PBR MODELING AND NEW DESIGNS	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
HAVE YOU MODELED PBR-TYPE RESERVES ON EXISTING PRODUCTS?						
HAVE YOU DEVELOPED NEW DESIGNS FOR CONSIDERATION UNDER PBR?						

## RISK MANAGEMENT

A. Please indicate your use of the following risk management tools regarding your UL/IUL business:

RISK MANAGEMENT MEASURE	CURRENTLY	ONE YEAR AGO
EXTERNAL REINSURANCE (YES/NO)		
IF YES, WHAT FORM OF REINSURANCE IS USED (YRT, COINSURANCE)?		
IF YES, IS ONSHORE OR OFFSHORE REINSURANCE USED?		
INTERNAL REINSURANCE (YES/NO)		
IF YES, IS ONSHORE OR OFFSHORE REINSURANCE USED?		
IF ONSHORE REINSURANCE IS USED, IS ONSHORE WITH LOC OR OTHER 3RD PARTY FUNDING USED?		
IF ONSHORE REINSURANCE IS USED, IS ONSHORE WITH PARENTAL GUARANTEE ("IOWA SOLUTION") USED?		
ARE THE CAPITAL MARKETS ACCESSED FOR SUPPORT?		
IF YES, ARE PUBLIC OR PRIVATE SECURITIZATIONS ACCESSED?		

B. Capital solutions

CAPITAL SOLUTIONS	CURRENTLY	ONE YEAR AGO
HAVE YOU STRUCTURED CAPITAL SOLUTIONS SO YOU ARE ALLOWED TO HOLD AXXX-TYPE RESERVES AS TAX RESERVES?		

C. Cost of financing assumed in pricing

COST OF FINANCING	CURRENTLY	ONE YEAR AGO
WHAT COST OF FINANCING DO YOU ASSUME IN PRICING YOUR UL/SLG PRODUCTS?		
IF CHANGES WERE MADE TO YOUR ASSUMPTION IN THE LAST YEAR, WHEN WERE THEY MADE?		

D. With respect to risk management issues, how are you reacting to the current marketplace? (please indicate with an X)

HOW ARE YOU REACTING TO THE CURRENT MARKETPLACE?
REPRICING
RIDING IT OUT
OTHER (PLEASE DESCRIBE)

E. What implications has the recent economic environment had on your capital solutions?

F. What are your retention limits?

Do you start to reinsure at an *attachment point* below the ultimate retention level?

What is your attachment point as a percent of the full retention level? (For example, if your retention limit is \$5 million with an attachment point of \$2 million, your attachment point as a percent of the full retention level would be 40%.)

G. Do you hedge the investment rate risk in your UL with secondary guarantee business? (Yes/No)

If yes, how much of the liability is hedged?

**HOW MUCH OF THE LIABILITY IS HEDGED?**

FULL ACCOUNT VALUE

FULL CASH SURRENDER VALUE

OTHER (PLEASE DESCRIBE)

H. Do you hedge the index included in your IUL with derivative instruments or accept the risk?

If you hedge, please describe the hedging strategy you use to fund the index credits for IUL.

If you hedge, what is the threshold of volume (account value) before hedging is economically efficient?

If you hedge, do you hedge your IUL with your indexed annuity business? (Yes/No)

**UNDERWRITING**

A. Do you have a table-shaving program? (Y/N)

If yes:

What is the age range offering?

What is the maximum number of tables that may be shaved?

Please describe other pertinent components of your table shaving program.

Have you modified your program in the last two years?

If yes, please describe.

Do you expect to continue your table-shaving program?

B. Do you have a *credit program* or other type of program that improves the rating for favorable risk factors?

If yes:

What is the age range offering?

What is the maximum number of tables that may be reduced?

What risk classes are allowed in this program? Are substandard risks allowed in this program?

Please describe other pertinent components of your credit program.

Have you modified your program in the last two years?

If yes, please describe.

Do you expect to continue your program?

C. Underwriting exceptions

a. Do you allow underwriting exceptions in order to beat competitive offers?

b. What percent of policy count of total UL/IUL new business (YTD 9/30/14) is underwriting exceptions?

c. What percent of face amount of total UL/IUL new business (YTD 9/30/14) is underwriting exceptions?

D. Do you allow trial applications for UL/IUL business? (Normal application process without medical testing.)

What percent of business (policy count) YTD 9/30/14 came through trial applications?

E. Are you using any of the following tools for **fully underwritten** business? If so, at what ages? At what face amounts?

UNDERWRITING TOOLS	TOOL USED? (Y/N)	AGES WHERE USED	FACE AMOUNTS WHERE USED
DO YOU USE TELE-UNDERWRITING OR TELEPHONIC SCREENING?			
DO YOU USE COGNITIVE IMPAIRMENT TESTING?			
DO YOU USE ADL MEASURES?			
DO YOU USE PRESCRIPTION DRUG DATABASE SEARCHES?			
HAVE YOU DEVELOPED ADDITIONAL QUESTIONS ON YOUR APPLICATION?			

F. Do you use any simplified issue (SI) underwriting for any of your UL/IUL products?

If yes: Please indicate in which markets the SI UL/IUL products are offered.

MARKETS (INDICATE ALL THAT APPLY WITH AN X)	SI UL/IUL PRODUCTS OFFERED
INDIVIDUAL MIDDLE/UPPER INCOME	
BANK	
COLI/BOLI	
JUVENILE	
LOW/MIDDLE INCOME	
MORTGAGE	
OTHER (PLEASE DESCRIBE)	

Please indicate through which distribution channels the SI UL/IUL products are offered.

DISTRIBUTION CHANNELS (INDICATE ALL THAT APPLY WITH AN X)	SI UL/IUL PRODUCTS OFFERED
PPGA	
BROKERAGE	
MLEA	
CAREER AGENT	
STOCKBROKER	
FINANCIAL INSTITUTIONS	
WORKSITE	
DIRECT RESPONSE	
OTHER (PLEASE DESCRIBE)	



Please indicate which of the following underwriting tools are used with your SI UL/IUL products.

UNDERWRITING TOOLS (INDICATE ALL THAT APPLY WITH AN X)	TOOL USED? (Y/N)	AGES WHERE USED	FACE AMOUNTS WHERE USED
ATTENDING PHYSICIAN'S STATEMENT (APS)			
CONSUMER DATABASE SEARCH			
CREDIT SCORE			
COGNITIVE TESTING			
FACE-TO-FACE SALE			
FELONY			
FINANCIAL			
FRAUD CHECK			
FUNCTIONAL TESTING			
LIFESTYLE			
MEDICAL INFORMATION BUREAU (MIB)			
MOTOR VEHICLE REPORT (MVR)			
ORAL FLUID			
PERSONAL HISTORY INTERVIEW			
PRESCRIPTION DRUG DATABASE SEARCH			
TELE-UNDERWRITING WITH DRILL-DOWN QUESTIONS			
TELE-UNDERWRITING WITHOUT DRILL-DOWN QUESTIONS			
OTHER (PLEASE DESCRIBE)			

Do you add any underwriting questions to your SI UL/IUL application not found in your fully underwritten application?

If yes, please describe.

G. Do your preferred risk parameters at the older ages for the following items differ from those at the younger ages? (indicate Yes/No):

Family history	_____
Cholesterol	_____
BMI	_____
Blood pressure	_____
Other. Please describe.	_____

## PRODUCT DESIGN

A. On Secondary Guarantee Products, please indicate with an X which design(s) you offer:

DESIGN	ULSG	IULSG
MINIMUM SCHEDULED PREMIUM DESIGN		
SHADOW ACCOUNT DESIGN WITH A SINGLE FUND		
SHADOW ACCOUNT DESIGN WITH MULTIPLE FUNDS		
HYBRID (PLEASE DESCRIBE)		

If you have a minimum scheduled premium design, how late can the premium be paid to still meet the minimum premium requirement (e.g., 30 days, 60 days)?

ULSG	IULSG
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- B. Did you reprice your UL product in the last 12 months?  
Did you reprice your UL product in the last 13–24 months?  
If yes, please describe the general level of rates on the new vs. the old basis.

REPRICING	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
REPRICE IN LAST 12 MONTHS?						
REPRICE IN LAST 13-24 MONTHS?						
GENERAL LEVEL OF RATES ON NEW VS. OLD BASIS						

- C. Secondary guarantee modifications

SECONDARY GUARANTEE MODIFICATIONS	ULSG	IULSG
DO YOU EXPECT TO MODIFY YOUR SECONDARY GUARANTEES IN THE NEXT 12 MONTHS?		
DO YOU EXPECT TO MODIFY YOUR SECONDARY GUARANTEE IN THE NEXT 13-24 MONTHS?		
IF NO, ARE YOU WAITING FOR PRINCIPLES-BASED RESERVES TO BE EFFECTIVE PRIOR TO MAKING ANY CHANGES?		

- D. Are you moving toward guarantees (or limited guarantees) on Current Assumption UL business?
- E. Which strategies have you used in light of the recent low interest rate environment? (indicate with an X all that apply)

STRATEGY	STRATEGY USED
INTENTIONALLY REDUCE/LIMIT SALES BY:	
INCREASING PREMIUM RATES	
DISCONTINUED SALES OF CERTAIN PRODUCTS	
RIDING IT OUT/DOING NOTHING	
LAUNCHING A NEW DESIGN WITH:	
REDUCED GUARANTEES	
REMOVING THE NO LAPSE GUARANTEE	
OTHER (PLEASE DESCRIBE)	

- F. Do you currently offer a Long-term Care accelerated benefit rider (ABR) today? (This includes ABRs only which are sold as riders to life policies, as well as those offered with an Extension of Benefits rider and/or Inflation Protection rider.)

Do you expect to develop LTC combination products in the next 24 months?

- G. Do you currently offer a chronic illness accelerated benefit rider today?

Do you expect to develop a chronic illness rider in the next 24 months?

H. Which of the following Living Benefits do you offer or expect to offer in the next 24 months? (indicate with an X)

**LIVING BENEFITS**

**LIVING BENEFIT USED**

TERMINAL ILLNESS ACCELERATED DEATH BENEFIT

CRITICAL ILLNESS ACCELERATED DEATH BENEFIT

OTHER (PLEASE DESCRIBE)

I. In your opinion, which of the following riders/product features do you believe companies find valuable? Please assign a ranking of 1 to 5 to each of the following items (1 = most valuable and 5 = least valuable)

Long-Term Care (plans that qualify under Long-Term Care Model Laws and Regulations)

Chronic illness benefits (plans that qualify under Model Regulation 620 governing accelerated death benefit designs)

Terminal illness (typically, diagnosis of no more than 12 months to live; large % of face amount is available for qualified insureds)

Critical illness benefits (often defined ailments under the rider)

Longevity benefits (if you live to a certain age, you start receiving a payout of the death benefit. May get payout for 8–10 years; a small residual death benefit remains for the beneficiary.)

Disability income benefits (more than just waiver of premium; if disabled, receive a portion of the face amount for as long as disabled, differentiated from chronic illness or LTC since may meet the definition of disability, but not two of six ADLs)

Return of Premium benefits (can either be at death (face + premiums paid) or after a specified number of years get return of premiums)

Unemployment benefits (waiver of premium if you lose your job; usually must qualify for unemployment benefits and company waives premium for up to one year)

J. Do you currently offer a simplified issue, single premium UL policy? If yes, does it include a LTC Rider? If not, are you considering offering a simplified issue, single premium UL policy in the next 24 months?

K. Does your IUL product automatically allocate money to the fixed account so charges are deducted from the fixed account and the indexed accounts are not invaded?

L. Do you have a Death Benefit Option C (also known as Death Benefit Option 3) which is equal to the stated amount plus the sum of premiums?

M. Are your UL/IUL products designed to meet the cash value accumulation test (CVAT) or guideline premium test? (Indicate Yes/No)

	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
CVAT OR GUIDELINE PREMIUM TEST						
ALL CVAT						
ALL GUIDELINE PREMIUM						
MIX OF CVAT AND GUIDELINE PREMIUM, DEPENDING ON PRODUCT						
POLICYHOLDER CHOICE						

N. Do you include a wash loan provision in your UL/IUL product(s)? (Yes/No)

WASH LOAN PROVISION	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
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**DO YOU INCLUDE WASH LOAN PROVISION?**

What is the cumulative outstanding loan amount relative to the cash surrender value (%) as of 9/30/2014?

LOAN TYPE	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
-----------	------------------------------------	----------------------------	-----------------------------	-------------------------------------	-----------------------------	------------------------------

WASH LOANS (CREDITED  
RATE ON LOANS = LOAN INTEREST)

OTHER LOANS

O. Does your pricing reflect expected utilization of wash loans? (Yes/No)

## COMPENSATION

Please respond to questions A and B relative to your **non-New York** compensation.

A1. Please provide the following components of your compensation programs by market type: (Report total compensation across all levels of producers, excluding BGA bonuses).

COMPENSATION COMPONENT	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
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TYPICAL FIRST YEAR  
COMMISSION – UP TO TARGET

TYPICAL FIRST YEAR  
COMMISSION – EXCESS

TYPICAL RENEWAL COMMISSIONS

MARKETING ALLOWABLE  
(INCLUDES EXPENSES FOR HOME  
OFFICE SUPPORT AND/OR  
ALLOWABLES FOR BGA SUPPORT);  
ADDITIVE TO COMMISSION

DO YOU OFFER ASSET-BASED  
COMPENSATION?

IF YES, WHAT ARE YOUR  
ASSET-BASED COMPENSATION RATES?

IF YOU OFFER A CASH VALUE  
ENHANCEMENT RIDER, DO YOU  
OFFER LEVELIZED COMPENSATION  
ON THE RIDER?

IF YES, WHAT ARE THE RATES?

IF NO, DESCRIBE THE  
COMPENSATION PAID.

COMPENSATION COMPONENT	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
DO YOU PAY A PRODUCTION BONUS ON YOUR UL/IUL BUSINESS?						
IF YES, PLEASE DESCRIBE.						
DO YOU HAVE ROLLING TARGET PREMIUMS? (Y/N)						
IF YES, FOR HOW MANY YEARS?						

A2. Which of the following categories are included in the Marketing Allowable figures shown above? (indicate with an X all that apply)

CATEGORIES	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
ALLOWABLE FOR BGA SUPPORT						
REGIONAL STAFF EXPENSES						
ALL EXPENSES FOR THE MARKETING DEPARTMENT						
DIRECT PAYMENTS MADE TO DISTRIBUTORS TO SPONSOR MEETINGS OR EVENTS						
WHOLESALE AND DISTRIBUTION SUPPORT STAFF COMPENSATION						
WHOLESALE AND DISTRIBUTION SUPPORT STAFF TRAVEL AND EXPENSE BUDGETS						
RECOGNITION						
OTHER (PLEASE DESCRIBE)						

A3. Incentive compensation

CATEGORIES	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
WHAT IS THE AVERAGE INCENTIVE COMPENSATION FOR EXTERNAL WHOLESALE PAYABLE ON TARGET PREMIUM, AS A PERCENT OF TARGET PREMIUM?						
WHAT IS THE AVERAGE INCENTIVE COMPENSATION FOR EXTERNAL WHOLESALE PAYABLE ON PREMIUM IN EXCESS OF TARGET PREMIUM?						

#### A4. Commission chargebacks

CATEGORIES	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
WHAT IS THE LENGTH OF THE COMMISSION CHARGEBACK PERIOD?						
WHAT IS THE LENGTH OF THE COMMISSION CHARGEBACK PERIOD ON FACE AMOUNT DECREASES?						

## PRICING

Questions A through C apply to Secondary Guarantee products only.

#### A. Interest crediting strategy assumed in pricing UL/IUL with secondary guarantee products

INTEREST RATES/ CREDITING STRATEGY	UL WITH SECONDARY GUARANTEES	IUL WITH SECONDARY GUARANTEES
DO YOU ASSUME A NEW MONEY OR PORTFOLIO CREDITING STRATEGY IN PRICING UL/IUL PRODUCTS WITH SECONDARY GUARANTEES?		
WHAT NET EARNED RATE IS ASSUMED (NET OF INVESTMENT EXPENSES AND DEFAULT RISK CHARGES)?		
HOW HAS THIS RATE CHANGED RELATIVE TO THE RATE ASSUMED ONE YEAR AGO? (FOR EXAMPLE, IF RATES DROPPED FROM 5% TO 4%, YOU WOULD REPORT -20%)		

#### B. Stochastic modeling of UL with secondary guarantee products

USE OF STOCHASTIC MODELING	UL WITH SECONDARY GUARANTEES	IUL WITH SECONDARY GUARANTEES
USE STOCHASTIC MODELING TO EVALUATE THE INVESTMENT RISK IN YOUR UL/IUL WITH SECONDARY GUARANTEE PRODUCTS?		

C. Lapse rates in pricing secondary guarantee products

QUESTION	UL WITH SECONDARY GUARANTEES	IUL WITH SECONDARY GUARANTEES
IN PRICING YOUR SECONDARY GUARANTEE PRODUCTS, AT WHAT DURATION DO LAPSE RATES DECREASE TO THE ULTIMATE LAPSE RATE?		
WHAT ULTIMATE LAPSE RATE DO YOU ASSUME IN PRICING?		
WHAT ARE THE LAPSE RATES IF THE SECONDARY GUARANTEE IS FULLY PAID UP FOR LIFE, BUT THE CASH SURRENDER VALUE IS POSITIVE?		
WHAT ARE THE LAPSE RATES IF THE GUARANTEE IS <i>IN-THE-MONEY</i> (I.E., THE SECONDARY GUARANTEE IS STILL IN EFFECT BUT THE CURRENT CASH VALUES ARE NOT POSITIVE)?		
WHAT ARE THE LAPSE RATES IF THE GUARANTEE IS NOT <i>IN-THE-MONEY</i> ?		
HOW HAVE YOUR LAPSE RATES CHANGED RELATIVE TO THE RATES ASSUMED ONE YEAR AGO? (% INCREASE OR % DECREASE)		

D. Which of the following sensitivities are performed in the pricing process for each product type? (Yes/No)

SENSITIVITY	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
INCREASE/DECREASE IN NET INVESTMENT INCOME						
INCREASE/DECREASE IN LAPSE RATES						
LAPSE RATES IN THE TAIL						
INCREASE/DECREASE IN MORTALITY RATES						
INCREASE/DECREASE IN EXPENSES						
OTHER (PLEASE DESCRIBE)						

E. What are your mortality assumptions based on? (indicate with an X)

Company experience \_\_\_\_\_  
 Industry tables (specify which tables) \_\_\_\_\_  
 Consultant's recommendation \_\_\_\_\_  
 Other (please specify) \_\_\_\_\_

- F. Is the slope of your pricing mortality assumption more similar to the 1975–1980 Select & Ultimate Table, the 2001 Valuation Basic Table, the 2008 Valuation Basic Table, or the 2014 Valuation Basic Table?
- G. Do you vary the preferred to standard ratio by issue age? (Yes/No)  
Do you vary the preferred to standard ratio by duration? (Yes/No)  
Do these rates eventually converge? (Yes/No)  
If yes, at what age?  
If no, what permanent differential in rates exists?
- H. Do you use mortality improvement assumptions in your pricing? (Yes/No)  
Is mortality improvement implicit or explicit?  
If mortality improvement is applied for a certain number of years, how many years?  
If mortality improvement is applied to a certain age, to what age?  
Please provide detail on your mortality improvement assumptions (e.g., by age, gender, risk class, etc.)
- I. Have you changed your mortality assumption in pricing in light of 2008 VBT studies, 2014 VBT studies or other industry studies (e.g., MIMSAs)? (Yes/No)  
  
If based on other industry studies, please specify which studies.
- J. Is economic capital reflected in pricing? (Yes/No) (Economic capital is defined as the realistic amount of capital required to support a business to meet future needs [required from an economic point of view, not a regulatory point of view]. It reflects the insurer's specific financial condition and risk appetite.)  
  
Is market consistent economic capital reflected in pricing? (Yes/No) (For a market consistent economic capital, the market value of assets and liabilities is determined based on methods similar to those used for valuing other financial assets sold in the marketplace, and risk-neutral investment assumptions and discount rates).
- K. Are any special provisions reflected in pricing for redundant reserves? (Yes/No)  
If so, please indicate which provisions are reflected.  
Existing funding solutions \_\_\_\_\_  
Anticipated long-term funding solutions \_\_\_\_\_  
No funding solutions in place, but reduced cost assumed due to reduced risks \_\_\_\_\_  
Other (please describe) \_\_\_\_\_
- L. Home Office Expense Levels  
(Exclude field expenses). Expenses should be reported assuming a \$500,000 policy.

HOME OFFICE EXPENSE LEVELS	PRICING LEVELS	ACTUAL LEVELS (FULLY ALLOCATED)
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ACQUISITION (EXCLUDING COMMISSIONS)

\$ PER POLICY

% OF PREMIUM – UP TO TARGET

% OF PREMIUM – EXCESS

PER UNIT

OTHER (PLEASE SPECIFY)

MAINTENANCE

\$ PER POLICY

ANNUAL INFLATION %

% OF PREMIUM

% OF PREMIUM – PREMIUM TAXES

PER UNIT

% OF ACCOUNT VALUE

OTHER (PLEASE SPECIFY)



## ADMINISTRATION

- A. What administration platform are you currently using to administer your UL products?
- B. How diligent are you regarding prompting premiums and warning policyholders if the policy is *off-track*? (i.e., what action do you take in these circumstances?)
- C. What information regarding funding status is included on the annual policy statement?
- D. To what extent do you think your administrative system is effective on monitoring guideline limits and 7-pay premiums when there are changes to the contract coverage? (Please indicate with an X)

1=EXCELLENT

2

3

4

5=NEEDS IMPROVEMENT

Have you recently reviewed your administrative system and found any compliance issues regarding guideline limits or 7-pay premiums?

If so, what is the company's approach to fixing the issue? (Please indicate with an X)

FIX RETROSPECTIVELY AND PROSPECTIVELY

FIX PROSPECTIVELY ONLY, DUE TO SYSTEM LIMITATION

FIX PROSPECTIVELY AND REPORT TO THE IRS ASKING FOR EXEMPTION ON CERTAIN HISTORICAL CASES

OTHER (PLEASE DESCRIBE)

## ILLUSTRATIONS

- A. If applicable, do you treat the cost of letters of credit as an expense in illustration testing? (Yes/No)  
If not, do you handle LOC costs in illustration testing in another fashion, or are they ignored?
- B. Which of the following product types are no longer illustrating non-guaranteed elements (i.e., either removed as an illustrated form or showing only guarantees for current values)? (Mark all that apply with an X)

UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
------------------------------------	----------------------------	-----------------------------	-------------------------------------	-----------------------------	------------------------------

**NO LONGER ILLUSTRATING  
NON-GUARANTEED ELEMENTS**

C. What rate is the illustrated rate for your most popular strategy within your IUL product? (typically illustrated by your reps)?

What is the current maximum illustrated rate allowed for your most popular strategy within your IUL product?

What is that strategy/investment choice?

How has this rate changed relative to the rate used one year ago? **(For example, if rates dropped from 5% to 4%, you would report -20%)**

Is the illustrated rate based on a lookback period? (Yes/No)

If so, what is the lookback period (e.g., 30 years)

How often are you changing this rate?

Does this illustrated rate apply to both non-loaned and loaned values?

If not, what rate applies to loaned values?

If not, what rate applies to non-loaned values?

Do your IUL illustrations allow for a negative spread on loan interest charged vs. interest credited on the account value?

Are you aware of the proposed actuarial guideline related to indexed universal life products?

Have you made any adjustments to your illustrations based on the discussions around the actuarial guideline?

D. Do you find that Illustration Actuary requirements create a pricing constraint? (Yes/No)

If so, is the constraint more severe for certain product types? (Yes/No)

Please list the types of products that give rise to Illustration Actuary challenges.

What solutions have been employed during product development and pricing to overcome Illustration Actuary challenges?

What is your practice regarding illustrating in-force policies for which the lapse support test has failed? (e.g., do you create a new scale for illustrations that is not equal to the current scale?)

E. What has been the impact of the low interest rate environment on your ability to support illustration testing for:

In-force business?

New business?

Are the higher rate floors on older in-force blocks of business causing issues for illustration testing? (Yes/No)

F. Are you currently testing inforce business or using ASOP 24 Section 3.7 to not test when certifying for Illustration Actuary testing on inforce business?

Do you support any of your inforce products by using distributions of surplus or prior gains as indicated under ASOP 24 Section 3.7? If supporting with surplus or prior gains, do you set up a reserve or make any accounting adjustments to indicate this?

G. Do you sensitivity test to see where the disciplined current scale (DCS) breakpoints are (i.e., when the DSC might fail)?

H. Are you illustrating utilization scenarios/examples for accelerated death benefit riders with a discounted death benefit approach? (Yes/No)

Are you illustrating utilization scenarios/examples for accelerated death benefit riders with other death benefit approaches? (Yes/No)  
If so, are these demonstrations in the basic illustration or in a supplemental illustration?

I. Are there any issues that you would like to see addressed through an actuarial guideline or update of the Life Illustration Model Regulation for ANY illustrated product? If so, please describe.





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1200 Lakeside Drive  
Suite 110  
Bannockburn, IL 60015  
+1 312 726 0677

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