Guaranteed Universal Life (GUL) may be the best choice for some clients. Others may be open to a new form of Index Universal Life (IUL) – one with a protection-focus and strong guarantees.
WHY DO YOU SELL GUL?

It’s Permanent
You want long-term coverage, or you’d be selling term

It’s Guaranteed
Guaranteed premium and death benefit up to a specified age

It’s Easy
Easy to illustrate, easy to explain
A LITTLE HISTORY

IT’S ALL UNIVERSAL LIFE

UL was invented in 1979 as an alternative to underperforming whole life policies. Interest rates were high.
As interest rates dropped in the mid-to-late 80s, so did UL performance. VUL was invented to help take advantage of booming markets.
The volatility of VUL was too much for some. The Dotcom burst led to a desire for guarantees. GUL was the response.
IUL was created as a way to help protect policy benefits against the downside of the markets and provide upside potential.
Protection-focused IUL is the most-recent product innovation, combining the potential growth opportunities of IUL with strong guarantees – seeking the best of both worlds.
ALL UL WORKS THE SAME

GUL AND IUL ARE BUILT ON THE SAME CHASSIS

Think of universal life insurance coverage like a drive to the top of a winding mountain road.

The most permanent coverage would take the policy to the very pinnacle.

But, the higher you go, the steeper the climb. A gallon of gas doesn’t go as far later in the trip.

1The charges the policy pays to provide life insurance coverage.
ALL UL WORKS THE SAME

To begin the trip, the policy needs **gas in the tank**

But the policy can’t make it to the top on premiums alone

**INTEREST**
goes in the tank
to help the policy go farther

**ACCUMULATION ACCOUNT**

**PREMIUM + INTEREST**

**THE CLIMBING COST OF INSURANCE**

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ALL UL WORKS THE SAME

What if the interest credited isn’t enough to get to the top?

What if the Accumulation Account runs out of gas?
Certain UL products have a Contination Guarantee Account (CGA) The CGA will ensure the policy doesn’t run out of gas before reaching a desired Guarantee Age (e.g. 100)¹

¹ Assuming certain conditions are met, such as paying the full amount of all premiums and paying them on time. Withdrawals, surrenders or loans will reduce cash value and may impact the guarantees. Read the policy for details.
WHAT AIG PRODUCTS HAVE A **CGA**?

- Secure Lifetime GUL3
- Value+ Protector IUL
**Secure Lifetime GUL3**  
**Value+ Protector IUL @5.6%**

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²At 5.6%, the policy matures at age 121 for $6.3M

**LET’S LOOK AT THIS A LITTLE CLOSER**

For a 50-year-old male, preferred non-tobacco, 20-pay, same annual premium, same DB¹
MARKET IMPACT ON THE TWO OPTIONS

Secure Lifetime GUL3

CGA and very little accumulation potential

Value+ Protector IUL

Less CGA and much more potential for credited interest

IMPACT OF THE MARKET

With a Guarantee Age of 100 on the GUL:
- In a 0% market, the policy lapses at 101
- In a 5.6% market, the policy lapses at 101

MARKET PERFORMANCE HAS NO IMPACT ON THE POLICY

With the same premium and DB in the IUL
- In a 0% market, the policy lapses at 89
- In a 5.6% market, the policy matures at 121 for $6.3M

MARKET PERFORMANCE CAN HAVE A STRONG IMPACT ON THE POLICY

1 This policy example uses an index crediting strategy with a 9% cap. The AG49 rules limit this illustration to 5.6% (on 05/01/18).
2 In an IUL policy, clients are not invested in the market or an index. Clients can earn interest based, in part, on the performance of an underlying index. Clients cannot invest in an index directly.
In our example, there are 38 years from policy issue for our 50-year-old until the VPP’s ‘Guarantee to Age’ of 88. Therefore...

What does it mean to have a 0% market?

- Value+ Protector (VPP) ties its crediting rate to an index, like the S&P500®.
- For VPP to credit 0% in an index accumulation account in any year, the underlying index would have to experience a negative return for that year.¹

That means, if the index returns -10% for the year, 0% is credited to the account for that year.¹

In our example, there are 38 years from policy issue for our 50-year-old until the VPP’s ‘Guarantee to Age’ of 88.

Therefore...

The S&P500® would have to generate negative returns for ALL 38 years before the ‘Guarantee to Age’ of 88 could become a reality.

¹ Assumes an index crediting period of one year, point-to-point. FOR FINANCIAL PROFESSIONAL USE ONLY. NOT FOR USE WITH THE PUBLIC.
HOW OFTEN HAS THE S&P500® RETURNED A NEGATIVE?

SINCE 1927 (90 YEARS),
The S&P500® has returned 29 negative years (32% of the time)¹

BUT WHAT ABOUT CONSECUTIVE NEGATIVE YEARS?

4 years, 1929 – 1932

OKAY, BUT WHAT’S THE WORST 30-YEAR PERIOD?
Worst total return over a 30-year consecutive period: +2.8%

In the recorded history of the S&P500®

THERE HAS NEVER BEEN A 30+ YEAR PERIOD OF NEGATIVE RESULTS

¹This analysis was performed using S&P data from 1927 through 2017 (90 years). The S&P Composite Index started in 1923. By 1926, it tracked 90 stocks, growing to 500 stocks in 1957. The total return value excludes dividends. Of course, past performance is not a predictor of the future.
HOW BAD WOULD IT HAVE TO BE TO GET A 30+ YEAR NEGATIVE RETURN?

Consider the worst markets in US history.$^1$

**THE LONG DEPRESSION**
1873 to 1879
6 years of down markets

**THE GREAT DEPRESSION**
1929 to 1939
10 years of mostly down markets

**THE DOTCOM BUBBLE BURST**
2000 to 2002
3 years of down markets

**THE FINANCIAL CRISIS / GREAT RECESSION**
2007 to 2009
3 years of mostly down markets

$^1$ Of course, past performance is not a predictor of the future.
HOW BAD WOULD IT HAVE TO BE TO GET A 30+ YEAR NEGATIVE RETURN

Let's look at the most recent 90 years of the S&P500®


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HOW BAD WOULD IT HAVE TO BE TO GET A 30+ YEAR NEGATIVE RETURN

In order for our 50-year-old’s VPP policy to only last to the ‘Guaranteed to Age’ of 88, the next 30+ years would need to be...


...THE “LONGEST, GREATEST, BUBBLE BURST, RECESSION, DEPRESSION” EVER!

THE GREAT DEPRESSION
THE DOTHCOM BUBBLE BURST
THE FINANCIAL CRISIS / GREAT RECESSION

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IS "GUARANTEED" TOO CONSERVATIVE?

While the market’s history cannot be used to predict the future, a 30+ year negative return in the S&P500® seems unlikely.

If 0% for 30+ years is unprecedented and our current illustrated rate is not quite conservative enough for your GUL clients.

WHAT CONSERVATIVE RATE SHOULD YOU ILLUSTRATE VPP FOR YOUR GUL CLIENTS?
To start, let’s look at the last 90 years of the S&P500®

This analysis was performed using S&P data from 1927 through 2017 (90 years). The S&P Composite Index started in 1923. By 1926, it tracked 90 stocks, growing to 500 stocks in 1957. The total return value excludes dividends. Of course, past performance is not a predictor of the future.
HISTORICALLY, WHAT COULD BE CONSIDERED A CONSERVATIVE ILLUSTRATION RATE?

Now, let’s locate the worst 30-year period in that history.

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And calculate the total return for the WORST 30-year period 1928 – 1957

This analysis was performed using S&P data from 1927 through 2017 (90 years). The S&P Composite Index started in 1923. By 1926, it tracked 90 stocks, growing to 500 stocks in 1957. The total return value excludes dividends. Of course, past performance is not a predictor of the future.
Next, let's run this period through a hypothetical 9% Cap Index strategy, sharing in the positive years up to 9% and NONE of the negative years.

HISTORICALLY, WHAT COULD BE CONSIDERED A CONSERVATIVE ILLUSTRATION RATE?

9% Cap on the WORST S&P500® 30-Year Period (1928 – 1957)

Total Return: +2.8%
Interest Credited to Index Account: +4.5%

WHAT IF WE USED THIS RATE IN THE VPP?

This analysis was performed using S&P data from 1927 through 2017 (90 years). The S&P Composite Index started in 1923. By 1926, it tracked 90 stocks, growing to 500 stocks in 1957. The total return value excludes dividends. Of course, past performance is not a predictor of the future.
**LET’S COMPARE GUL3 TO VPP @4.5%**

Now, we’ll illustrate Value+ Protector at the 90-year historical worst case scenario of 4.5%¹

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For a 50-year-old male, preferred non-tobacco, 20-pay, same annual premium, same DB¹

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VPP Outlasts GUL3 in the Historical Worst Case Scenario with significant Cash Value in Year 20
THE RACE IS ON!

WATCH THE PERFORMANCE!

Pick a scenario to see how long the policy lasts:

- The “Longest, Greatest, Bubble Burst, Recession, Depression” ever (0% for 30+ years)
- The Worst 30 Years in S&P500® history (4.5%)
- The Current Illustration Rate for our VPP Cap Rate Account (5.6%)

1 Assuming certain conditions are met, such as paying the full amount of all premiums and paying them on time. Withdrawals, surrenders or loans will reduce cash value and may impact the guarantees. Read the policy for details.

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CGA guarantees coverage to age 88

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THE RACE IS ON!

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4.5% extends coverage to age 112

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Matures at age 121 for $6.3M

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IT’S AS EASY AS
1, 2, 3

For your next GUL case:
Run three illustrations
- The GUL
- The VPP at the current crediting rate, using the same premium and death benefit
- The same VPP using the 4.5% rate

After showing the GUL to your client:
- Show the current rate VPP illustration, including the guarantees
- Then show the “non-guaranteed values” in the 4.5% illustration and explain that this reflects the worst case scenario, historically

Then let your client choose:
- The GUL?
- The VPP?
- Perhaps, a combination of both?
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To learn more about bridging from GUL to Value+ Protector IUL visit aig.com/IUL