

New Indexed Life Product Has Agents Scratching Their Heads

The “inordinately high” cap rate is 40% higher than the industry average.

By **Cyril Tuohy** | February 21, 2024

A new indexed universal life contract to be released this week by **Americo** promises instant answers — but also raises questions.

Instant Decision IUL will be available to applicants between the ages of 18 and 75, and doesn’t require a medical exam for coverage of up to \$450,000, according to a company’s product profile. The new contract links cash value growth to the S&P 500 Index and offers a suite of living benefits.

Sales of indexed universal life insurance are expected to grow in 2024, helped long by a rising stock market.

Americo’s new product offers some of the most competitive rates in the market, said **Sheryl Moore**, CEO of **Wink**, publisher of *Wink’s Sales & Market Report*, which tracks the indexed life market. “It will be interesting to see how quickly Americo can ramp up sales.”

But those competitive rates have some agents scratching their heads and consumer advocates crying foul.

“I, and many others, including industry, have been saying the same thing for years — illustrations are deceptive and misleading by design,” said **Birny Birnbaum**, executive director of the Austin, Texas-based **Center for Economic Justice**. High initial “teaser rates” have led to cost of insurance lawsuits against insurers and tarred the industry for bait-and-switch sales strategies, he pointed out.

Instant Decision IUL comes with a 15.25% cap on the S&P 500 over a one-year period, according to policy details. Caps set a limit on how much index-linked accounts grow.

“A 15.25% cap on an S&P 500 annual point-to-point index strategy is inordinately high,” said insurance agent **Josh Mellberg**, owner of **Secure Investment Management**. “It’s 40% higher than the average cap in the industry right now and 20% higher than the company that currently has the highest S&P 500 cap in the industry.”

The policy’s fixed account offers a rate of 6.25% and future policy values are based on a maximum illustrated rate of 8.42%, according to Americo. **Family First Life** and other independent marketing organizations will have access to sell the contract, Americo added in an email.

Why So High?



Josh Mellberg, owner, Secure Investment Management

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Retirement wealth specialist Tracy Lownsberry

Tracy Lownsberry, a retirement wealth specialist, said higher interest rates have helped insurers afford more expensive options. A cap of more than 15% and a fixed account yielding 6.25% isn't feasible because insurers make money off what their bond portfolios generate versus the price of the S&P options, he said.

Americo's product is designed to do one of two things, he added. Either it's priced based on current rates, and as interest rates fall the rate of return of the product will also fall because the index strategies will have to be lowered based on the cost of the options. That means Americo will have to eventually make the product more affordable for their options budget.

On the other hand, the design may be that the cost of insurance is priced very high — or at least will be over time — to cover the difference between what Americo is earning in their general accounts from its bonds and the price it pays for the S&P 500 options, or other options available, he said.

Rates on good products offer a cap of about 10% or 12%, and a fixed rate of 4% to 5%, Lownsberry said. "Yes, some companies are higher, but it's 100% a teaser rate, and we know it because these companies do have history on doing exactly that," Lownsberry said. "Just ask around from advisors who have written these products for 10 to 15 years."

"An IUL will never do a 8.42% average," he added. "A good IUL will always be in this 6.50% mark, even at today's [high interest] rates."

The average fixed account rate on an indexed universal life contract is 3.25%, Wink said in an email last week.

The average S&P 500 annual point-to-point cap is 8.77%, and the average illustrated rate on an S&P 500 annual point-to-point strategy is 5.44%, according to Wink.

Financial planner **Andy Panko**, owner of **Tenon Financial** who chronicles the way indexed universal life policies are structured, said the Americo numbers appear "unsustainably high." Most insurers get somewhere around 5% from their general account, give or take a percentage point, he said.

A 15.25% cap on the S&P also seems overly generous, Panko said. "I have to again assume that's a teaser to essentially bait and switch people to buy policies, but then turn around and decrease the economics for the policyholder going forward."

S&P 500 Annual Point to Point Cap Rates

Data as of 2/14/24

Carrier	Product	Annual Pt. to Pt. Cap*	Max Illustrative Rate**	Fixed Account %	Comdex Rating	Total Admitted Assets (\$B)
American General	Max Accumulator+ III IUL	11.50%	6.97%	3.90%	80	211.62
Allianz Life Insurance	Life Pro+ Advantage	12.50%	7.42%	5.40%	96	162.12
American National	Signature Performance IUL	10.00%	6.28%	3.50%	76	24.80
Ameritas Life	FLX Living Benefits Index UL	9.25%	5.92%	4.00%	79	25.33
Columbus Life	Indexed Explorer Plus 2023 UL	10.00%	6.21%	4.20%	96	4.57
F&G	Pathsetter IUL	12.00%	7.23%	4.75%	71	46.73
John Hancock	Accumulation IUL 23	11.50%	6.97%	3.65%	93	236.71
Lincoln National	WealthAccumulator 2 IUL	10.50%	6.76%	3.50%	80	280.56
United of Omaha	Income Advantage IUL	10.00%	6.30%	3.50%	90	33.23
National Life	SummitLife	9.25%	6.42%	3.00%	90	28.47
Nationwide	Indexed UL Accumulator	12.75%	7.35%	3.50%	80	161.44

Nationwide	Accumulator II	12.75%	7.35%	3.00%	90	101.41
North American	Builder Plus IUL3	9.50%	5.81%	3.00%	89	37.76
Pacific Life	Horizon IUL	12.00%	7.08%	3.25%	95	178.80
Penn Mutual	Accumulation Indexed UL	10.00%	6.27%	3.25%	93	27.99
Principal National	Indexed UL Accumulation II	12.50%	6.74%	4.60%	91	214.08
Sagicore Life	WealthCare ISPUL	11.00%	7.75%	2.50%	NA	4.16
Securian	Eclipse Accumulator Indexed UL	10.00%	6.32%	4.00%	96	58.51
Symetra	Accumulator Ascent IUL 2.0	10.50%	6.61%	5.25%	79	49.13
Transamerica	Financial Choice IUL	12.00%	7.00%	2.50%	82	171.70

Source: Josh Mellberg, Secure Investment Management

* Highest S&P cap available on product. Some of the IUL products offer "High Cap" S&P 500 Index Strategies that require the client to pay an annual fee for the higher cap.

** With any available index strategy

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