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Fixed Indexed Universal Life Insurance 101



In this guide you'll discover how **fixed indexed universal life (FIUL) insurance** works. You'll be provided with an overview, key terms, and specifics on how the policy gets credited interest.

What is Fixed Indexed Universal Life Insurance?

Fixed indexed universal life insurance (FIUL) is permanent life insurance that offers death benefit protection when death occurs. Like other forms of permanent life insurance, your premium payments may earn interest and grow the cash value of your policy. What differentiates FIUL from other permanent life insurance is the way interest is credited to the policy. In addition to offering a traditional declared interest rate, FIUL also offers the ability to earn interest that is linked to the movement of a selected underlying stock market index over a specific period of time.

Index allocation and credits

When premium is allocated to a particular index selection, an index segment is created and an Index period begins. Each premium has its own segment and each Index segment receives its own index credit (if any) on the index crediting date, when an index period ends (typically one year after the index period begins). The amount credited is based on the index change of the allocation options that are chosen and may be subject to the index participation rate, the index cap rate, index spread rate and the index floor rate. The index credit will never be less than 0.25%.

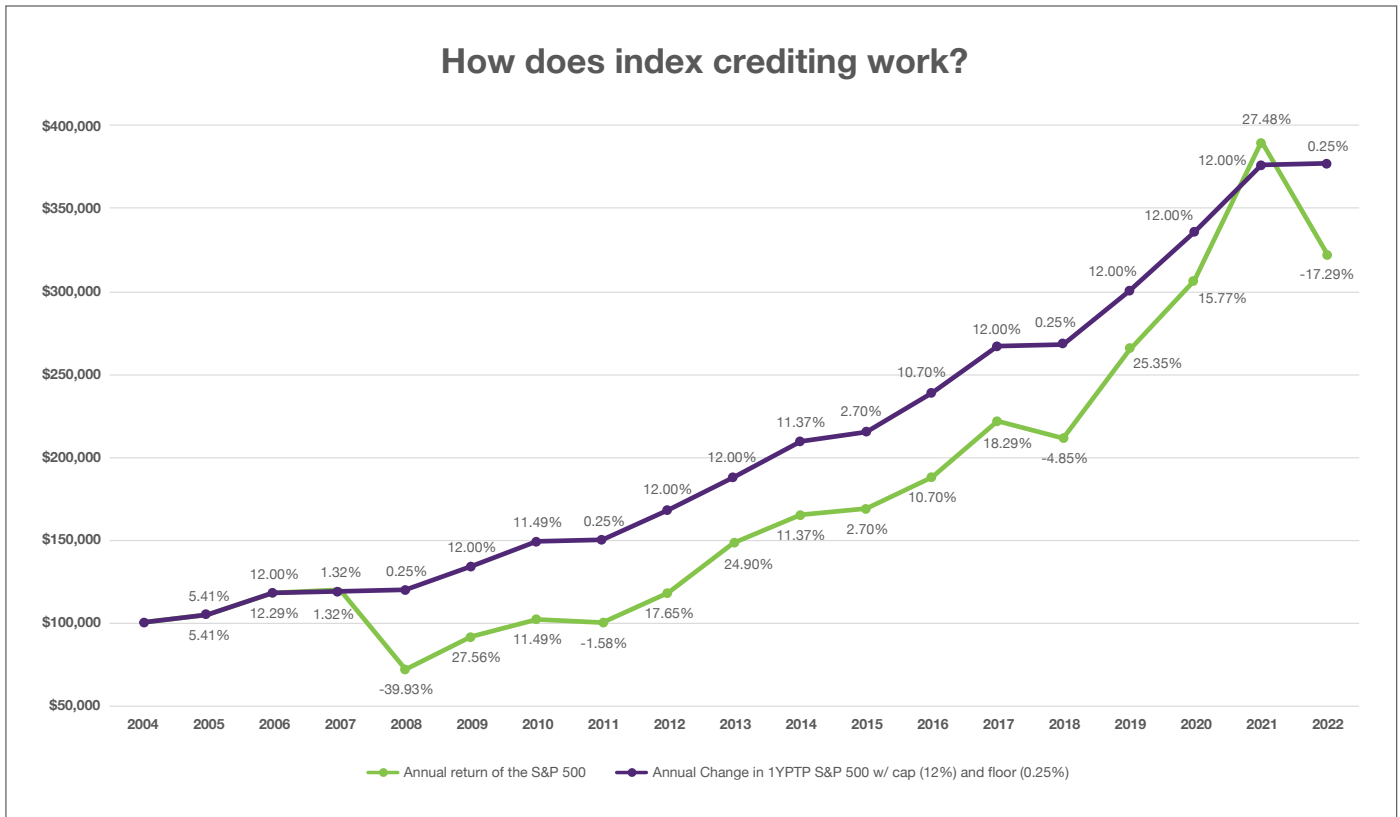
Note, index segments automatically renew for another index period unless you request a transfer. If premiums are received on the same day as the beginning of an index period, they will be rolled into the same index segment.

F&G FIUL's contain an annual reset design. This means that each year's credited interest is locked in on the index crediting date and a new starting point is determined, which is called the "annual reset." This allows for us to create a lower index start if the market has negative returns. Meaning that for the policy to work it only needs to gain in interest, it does not need to get back to where it was before. The chart on the next page shows the annual reset, with the index crediting option representing the purple line and the S&P 500® index as the green line. Where the green line decreases the purple line holds steady, resetting our starting point and maintaining interest earned.

Key points

- ✓ The interest rate credited to the policy's index account value is based on the performance of the index or indexes chosen and will never be less than 0.25%.
- ✓ The premiums are not invested in any stocks, bonds, or equity investments.
- ✓ The index performance does not include dividends on the stocks that make up each index.
- ✓ The premium allocation to an index selection does not represent an investment in any index or market.

How does index crediting work?



Does not account for policy monthly deductions. Uses December 15th S&P 500® index closing value each year. If December 15th falls on a weekend, then uses the next business day.

Index calculation examples

1

An index cap rate is the maximum interest rate that is used in the calculation of the index credit. The index cap rate will be declared for each index segment in advance of each index period. It will never be less than the minimum index cap rate shown in the policy. (Some index crediting option selections are available without any cap, which means there is no maximum limit on the interest rate.)

2

An index participation rate is the portion of the index change that is used in the calculation of the index credit. The index participation rate will be declared for each index segment in advance of each index period, but it will never be less than the minimum index participation rate shown in the policy.

3

An index spread rate is a percentage that will be deducted from the gross index return. The index spread rate will be declared for each index segment in advance of each index period. It will never be less than the maximum index spread rate shown in the policy.

4

An index floor rate is the minimum interest rate that is used in the calculation of the index credit. The index floor rate is declared for each index segment in advance of each Index period, and is guaranteed to never be less than 0.25%.

Annual point-to-point with index cap rate

- We measure the starting index compared to 12 months later at the ending index.
- Assumed index cap rate = 12%
- Assumed participation rate 100%
 - Beginning index value = 3,400
 - Ending index value = 3,900

Divide the ending value by the beginning value then subtract 1.

 - » $3,900 / 3,400 - 1 = 14.70\%$
 - » $14.70\% > 12\%$ cap rate

Subtract guaranteed interest previously credited

 - » $12\% - 0.25\% = 11.75\%$
 - » **Interest credit = 11.75%**

Annual point-to-point with index participation rate

- Participation rate: 150%
 - Beginning index value = 3,400
 - Ending index value = 3,900

Divide the ending value by the beginning value then subtract by 1.

 - » $3,900 / 3400 - 1 = 14.70\%$
 - » $14.70\% \times 150\% = 22.05\%$

Subtract guaranteed interest previously credited

 - » $22.05\% - 0.25\% = 21.80\%$
 - » **Interest credit = 21.80%**

Annual point-to-point with spread

- Participation rate: 100%
 - No cap rate
 - Spread = 1.5%
 - Beginning index value = 3,400
 - Ending index value = 3,900

Divide the ending value by the beginning value then subtract by 1.

 - » $3,900 / 3400 - 1 = 14.70\%$
 - » $14.70\% - 1.5\% = 13.20\%$

Subtract guaranteed interest previously credited

 - » $13.20\% - 0.25\% = 12.95\%$
 - » **Interest credit = 12.95%**

Loans

- Variable loans: 5% or 5.5% guaranteed maximum variable loan rate

Participating loan = the loaned amount still participates in the upward movement of the index

- » 12% index change, 5% loan interest, yields a net 7% gain on the loan.
- » 3% index change, 5% loan interest, yields a net -2% charge on the loan.

Fixed loans: 2% net charge in years 1-10, 0% net charge in years 11+ for preferred loans

0% net charge loans are commonly referred to as “wash loans”

- Built in Overloan Protection Rider to ensure coverage stays in force for the long-term

Partial and full surrenders

The minimum partial withdrawal is \$500.

After the first policy year, withdrawals from a policy's surrender value may be made with a \$25 charge for each partial withdrawal.

Withdrawals and loans are deducted from the account value. **Partial and full surrenders incur surrender charges. A portion of the policy's value can be withdrawn surrender charge free, please refer to the individual policy guide for more details.**

Surrender charges

The surrender charges vary by gender, risk class and age at issue. If coverage is increased, a new 15-year surrender charge period — with potentially different surrender charges — applies, based on the amount of the increase in coverage. The surrender value of the policy is the total account value less any outstanding loans, and the surrender charge.

Exam-Free¹ Underwriting

Issue ages: **0-60** Issue face amount: **Through \$1,000,000²**

A paramedical exam should not be ordered for applicants in the Exam-Free¹ program.

¹ Policy approval is determined by a review of medical and personal history on the application, and may be subject to additional underwriting requirements at the discretion of F&G. Certain age and face amounts are excluded from Preferred consideration, and are subject to cap and participation rate adjustment. Review F&G Underwriting Guidelines for additional details.

² For applicants who are not U.S. citizens or not Permanent Resident Cardholders, maximum Issue Face Amount for Exam-Free Underwriting: \$300,000. In Puerto Rico, exam-free underwriting is available for applicants age 0-45 who are applying for less than \$150,000.

Accelerated benefit riders

These riders provide for an accelerated payment of proceeds if the Insured becomes terminally ill in the case of the Terminal Illness Accelerated Death Benefit Rider, critically ill in the case of the Critical Illness Accelerated Death Benefit Rider or chronically ill in the case of the Chronic Illness Accelerated Death Benefit Rider. You can use the benefits to fit your individual needs; whether to help cover medical costs, provide a replacement income, or help manage other expenses.

How do these riders impact my policy?

If you accelerate 100% of the death benefit under the policy and any qualifying term life insurance rider covering the insured, your policy and all attached riders will no longer be in effect as you will have accelerated the full death benefit value. If you accelerate less than 100% of the death benefit under the policy and any qualifying term life insurance rider covering the insured, the death benefit in effect under the policy and any qualifying term life insurance rider covering the Insured will be reduced. The reduction is equal to the policy and term life insurance death benefit multiplied by the accelerated ratio. The account value, any minimum required premium, and target premium will be reduced by the same percentage. If the policy has a loan balance some of the accelerated benefit would be used to pay off a pro-rata portion of the loan.

The following table is a sample of what the policy would look like after a 25% acceleration.

	Before	After
Face amount	\$100,000.00	\$75,000.00
Account value	\$4,500.00	\$3,375.00
Surrender charge	\$2,000.00	\$2,000.00
Cost of insurance rate	0.05	0.05
Cost of insurance	\$4.77	\$3.58
Unit expense charge	1.00	1.00
Unit expense charge	\$100.00	\$75.00
Loan balance	\$1,000.00	\$750.00
Surrender value	\$1,500.00	\$625.00
Monthly no-lapse ¹	\$100.00	\$75.00

¹ May increase the likelihood that your surrender value will be insufficient to cover the monthly mortality costs and expense charges unless additional premium is paid. If additional premium is not paid, your policy may terminate. Please consult your agent for details.

If you want to learn more about these riders and what is covered, check out our [Living Benefits Brochure](#).

About F&G

1959
established

800,000
people protected

F&G, headquartered in **Des Moines, Iowa**, offers unique life insurance and annuity solutions to meet individual financial security needs through a national network of financial professionals.

FORTUNE
500
2021

F&G is a division of Fidelity National Financial, Inc. (F&F), a Fortune 500 company.

**TOP
WORK
PLACES**
2022
Des Moines Register

We credit this award to our employees' shared cultural values: Collaborative, Authentic, Dynamic and Empowered.



Please reach out to Life.Sales@fglife.com to gain access to your exclusive agent resource site today!

"F&G" is the marketing name for Fidelity & Guaranty Life Insurance Company issuing insurance in the United States outside of New York. Life insurance and annuities issued by Fidelity & Guaranty Life Insurance Company, Des Moines, IA.

Surrenders, withdrawals and loans will reduce available death benefit and may be subject to surrender charges. Surrenders and withdrawals beyond basis may be taxable income and subject to penalties if taken prior to age 59 ½. Excessive and unpaid loans will reduce policy values and may cause the policy to lapse. In order to receive favorable tax treatments on distributions made during the lifetime of the insured (including loans), a life insurance policy must satisfy a 7-pay premium limitation during the first seven policy years. A new 7-year limitation will be imposed after certain policy changes. Failure to satisfy this limitation would cause your policy to be considered a Modified Endowment Contract (MEC).

Indexed interest rates are subject to a cap, spread and/or participation rate. Caps, spreads and participation rates are subject to change at the discretion of Fidelity & Guaranty Life Insurance Company.

Please review the policy for premium details. If premiums are not paid, as scheduled, your policy may terminate or may increase the likelihood that the surrender value will be insufficient to cover the monthly mortality costs and expense charges unless additional premium is paid.

It is important to note that when the declared participation rate is greater than 100% and the index change percentage at the end of the index term period is 0 or negative, no index interest credits will be applied to the account value.

The example is hypothetical, non-guaranteed and is not an indication of the policy's and/or interest crediting option's past or future performance.

Policy approval is determined by a review of medical and personal history on the application and may be subject to additional underwriting requirements at the discretion of F&G. Review Fidelity & Guaranty Life Insurance Company Underwriting Guidelines for additional details.

For applicants who are not U.S. citizens or not permanent resident cardholders, the maximum issue face amount for exam-free underwriting is \$300,000. In Puerto Rico, exam-free underwriting is available for applicants age 0-45 who are applying for less than \$150,000.

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