

# WHAT DRIVES POLICY PERFORMANCE?

**An index universal life policy can be a unique tool for consumers that offers death benefit protection, cash value growth potential linked to the performance of major market indexes, and downside protection in negative growth environments through a floor.**

Regulations around IUL illustrations limit the maximum rate of growth that may be applied to policy cash values and illustrations often show a fixed index growth rate. However, actual index growth is not uniform and will go up and down. This can lead to confusion around what factors affect the policy and whether the policy will perform as originally illustrated. Below are some of the key drivers of policy performance and how they impact an IUL policy's cash value growth over time.

## KEY DRIVERS OF IUL POLICY PERFORMANCE

INDEX PERFORMANCE	CAP RATES	POLICY CHARGES
<ul style="list-style-type: none"> <li>The growth of the underlying index determines whether the policy will receive the cap rate (non-guaranteed), the floor (guaranteed), or something in between.</li> <li>Positive index performance can allow for growth up to the cap rate to be credited.</li> <li>Negative index performance will cause the policy to receive the floor.</li> </ul>	<ul style="list-style-type: none"> <li>The higher the cap rate, the more opportunity to realize higher Excess Interest crediting when index performance is positive.</li> <li>An Index Account Monthly Charge (IAMC) may be used to buy up a higher cap rate, allowing for higher potential participation in index growth; the IAMC on Transamerica IUL06 policy is 0.06% per month (0.72% annually).</li> </ul>	<ul style="list-style-type: none"> <li>Policy charges are comprised of the premium expense charge, cost of insurance (COI) charges, the policy fee, the per unit charge (PUC) and Index Account Monthly Charge (IAMC).</li> <li>Policy charges are subject to guaranteed maximum rates.</li> <li>If policy charges exceed the originally illustrated non-guaranteed charge rates, this could negatively impact policy value.</li> </ul>

## IMPACT OF POLICY OWNER ACTIONS

- The policy owner chooses how to allocate policy values among the different fixed and index account options that affect the exposure to index performance and available cap rates.
- Policy owner actions such as the timing and level of premium payments can affect policy charges, including the premium expense charge, cost of insurance charges (COIs), per unit charges, and the Index Account Monthly Charge (IAMC).
- Other policy changes such as face amount increases or decreases, loans, or withdrawals, as well as changes to the death benefit option, will also affect the level of policy charges and change how the policy performs over time.

**Index universal life insurance is not a security** and index universal life insurance policies are not an investment in the stock market or in financial market indexes and do not participate in any stock or security. Index Account Interest is based, in part, on index performance. Past performance of an index is not an indication of future index performance.

There is no guarantee that any Excess Index Interest will be credited above the guaranteed minimum interest rate for the Index Account(s). Additionally, there is no guarantee that the Company will declare an interest rate greater than the guaranteed minimum interest rate for the Basic Interest Account.



## **HISTORICAL INDEX RETURNS VS. ACTUAL HISTORICAL EXCESS INDEX INTEREST**

Historical look-back periods are for illustrative purposes only. When reviewing as part of an IUL sales illustration, remember that the IUL policy was not available during all the time periods shown.

Current cap, floor, and participation rates are applied to those historical returns and held constant through the back-tested period to arrive at historical index account change. Monthly deductions and other policy fees and charges are not taken into consideration.

To better demonstrate actual historical policy performance, it is only appropriate to focus on time periods where the policy was available. We then apply actual cap, floor, and participation rates (not just current) while considering all policy charges to demonstrate more representative rates of return.

While the value of indexes, interest rates, and the cost of index options will rise and fall over time, Transamerica is committed to offering competitive cap rates in all market environments, allowing our policyholders to participate in the upside potential of an index while being protected from negative returns.

On the following pages are some examples of how one of our IUL policies (IUL06)<sup>1</sup> has performed since it was issued in late 2012.

## IN FORCE POLICY EXAMPLE 1: 100% Allocation to Global Index Account

<b>Policy:</b>	Transamerica Financial Foundation IUL® (IUL06)
<b>Issue Date:</b>	11/21/2012
<b>Insured:</b>	6-year-old female (Juvenile Class)
<b>Face Amount:</b>	\$250,000 with increasing death benefit option
<b>Planned Premium:</b>	1,800/year
<b>Initial Cap Rate:</b>	13.5%

### VALUES ACCOUNT FOR ACTUAL:

<b>INDEX PERFORMANCE</b>	✓
<b>CAP RATES</b>	✓
<b>POLICY CHARGES</b>	✓
<b>POLICY OWNER ACTIONS</b>	

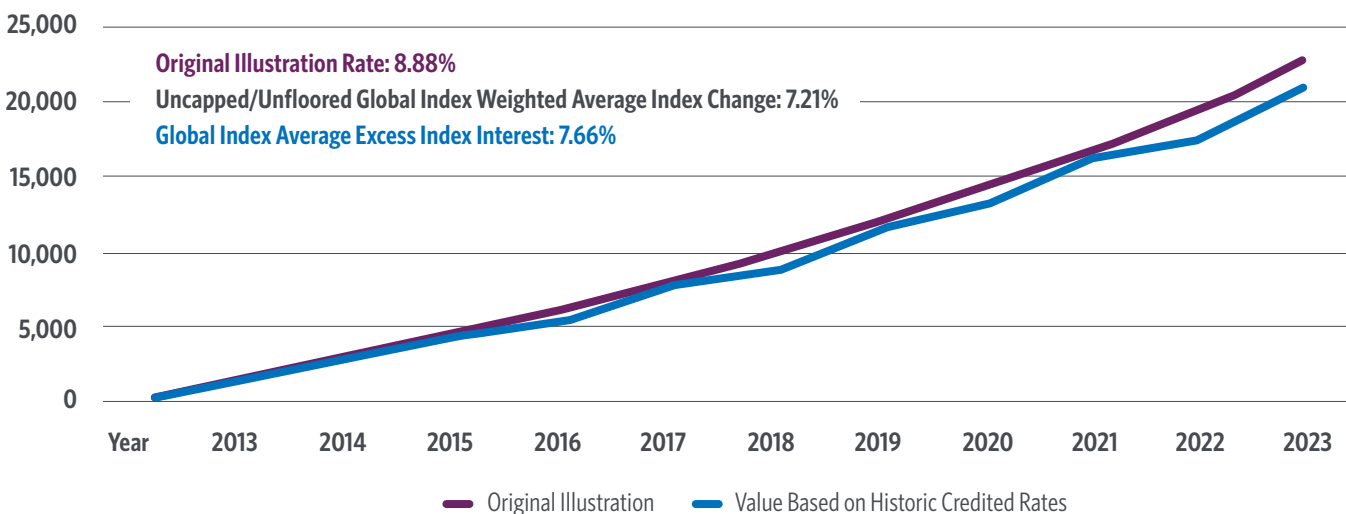
## EXCESS INDEX INTEREST CREDITS: Original Illustration vs. Historical Credited

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Original Illustrated Rate</b>	8.88%	8.88%	8.88%	8.88%	8.88%	8.88%	8.88%	8.88%	8.88%	8.88%	8.88%
<b>Actual Index Change</b>	22.03%	9.15%	2.94%	-0.81%	20.69%	-5.32%	14.42%	5.73%	21.87%	-15.44%	11.02%
<b>Historic Cap Rate</b>	13.50%	13.50%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	13.00%	13.00%	11.00%
<b>Excess Index Interest<sup>2</sup></b>	13.50%	9.15%	2.94%	0.75%	15.00%	0.75%	14.42%	5.73%	13.00%	0.75%	11.00%

■ Years where actual Excess Interest rate exceeded the original 8.88% illustrated growth rate

## POLICY VALUE: Original Illustration vs. Value Based on Historic Credited Rates

(assumes policy was funded as illustrated)



<sup>1</sup> Transamerica (formerly WRL) Financial Foundation IUL, policy form number IUL06 discontinued sales on November 16, 2018.

<sup>2</sup> Segment Anniversary date is November 21. Index interest, if any, will be only credited on the segment anniversary date.

## IN FORCE POLICY EXAMPLE 2: 100% Allocation to S&P 500® Index Account

<b>Policy:</b>	Transamerica Financial Foundation IUL® (IUL06)
<b>Issue Date:</b>	11/21/2012
<b>Insured:</b>	6-year-old female (Juvenile Class)
<b>Face Amount:</b>	\$250,000 with increasing death benefit option
<b>Planned Premium:</b>	\$1,800/year
<b>Initial Cap Rate:</b>	12.25%

### VALUES ACCOUNT FOR ACTUAL:

<b>INDEX PERFORMANCE</b>	✓
<b>CAP RATES</b>	✓
<b>POLICY CHARGES</b>	✓
<b>POLICY OWNER ACTIONS</b>	

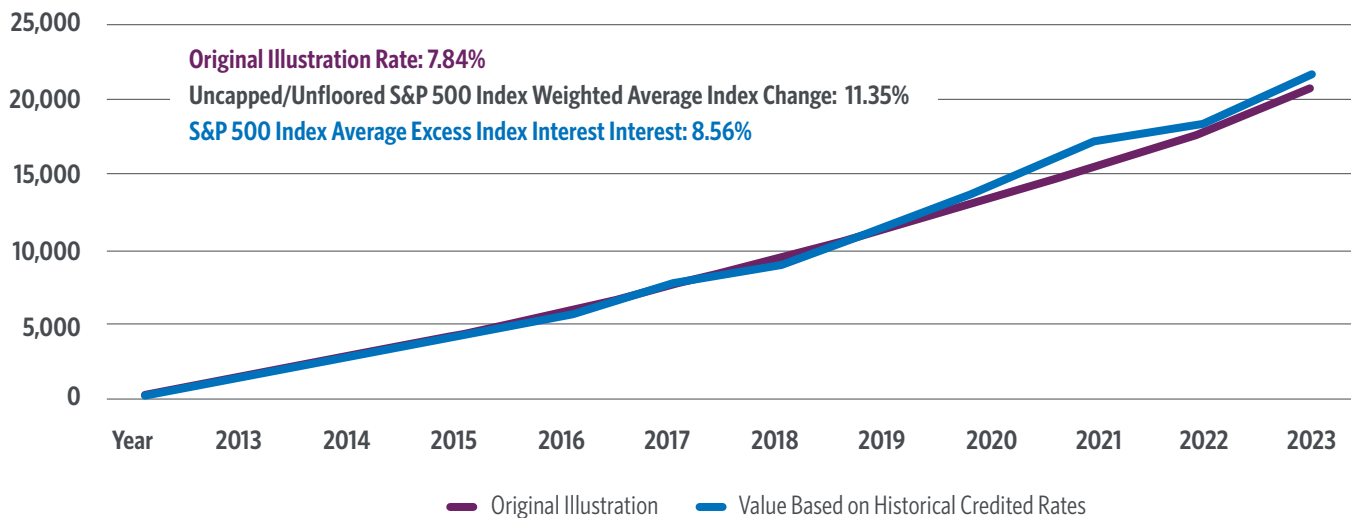
### EXCESS INDEX INTEREST CREDITS: Original Illustration vs. Historical Credited

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Original Illustrated Rate</b>	7.84%	7.84%	7.84%	7.84%	7.84%	7.84%	7.84%	7.84%	7.84%	7.84%	7.84%
<b>Actual Index Change</b>	29.10%	14.90%	1.12%	5.35%	18.24%	1.96%	17.12%	15.27%	30.90%	-15.65%	14.89%
<b>Historic Cap Rate</b>	12.25%	12.25%	13.75%	13.75%	13.75%	13.75%	13.75%	13.75%	11.75%	11.75%	10.00%
<b>Excess Index Interest<sup>1</sup></b>	12.25%	12.25%	1.12%	5.35%	13.75%	1.96%	13.75%	13.75%	11.75%	0.75%	10.00%

■ Years where actual Excess Interest rate exceeded the original 7.84% illustrated growth rate

### POLICY VALUE: Original Illustration vs. Value Based on Historical Credited Rates

(assumes policy was funded as illustrated)



<sup>1</sup> Transamerica (formerly WRL) Financial Foundation IUL, policy form number IUL06 discontinued sales on November 16, 2018.

<sup>2</sup> Segment Anniversary date is November 21. Index interest, if any, will be only credited on the segment anniversary date.



2023 — **Forbes** ranks Transamerica as the top insurer in reliable policy illustrations. **“This means you’re less likely to be taken by surprise by lower cash value gains than you expected,”** said Forbes.<sup>1</sup>

2023 — **USA Today** selects Transamerica as a top choice for life insurance policies, naming the company best for living benefits, awarding Transamerica four stars.<sup>2</sup>

**When you’re planning for the future,  
there’s no time like the present.**

 **Visit:** [transamerica.com](https://transamerica.com)

<sup>1</sup> “10 Best Life Insurance Companies Expert-Rated in 2023,” Forbes, 2023

<sup>2</sup> “USA Today Names Transamerica Best for Living Benefits in 2023 Review,” Transamerica News and Updates, 2023

Monthly deductions and index account monthly charges along with policy owner transactions such as loans or withdrawals will reduce the amount of excess index interest that is credited to a policy. If withdrawals or loans are taken during a segment period, no excess index interest is credited on that amount. Excess Index Interest is only credited at the end of a segment period. Any policy values determined during the segment period, including the death benefit or cash surrender value, will be based only on the guaranteed minimum interest credited through the date of the activity.

There is no guarantee that any Excess Index Interest will be credited above the guaranteed minimum interest rate for the Index Account(s). Additionally, there is no guarantee that the Company will declare an interest rate greater than the guaranteed minimum interest rate for the Basic Interest Account.

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