LISA Testing of a Life Insurance Policy Illustration

Tuesday, June 04, 2024 02:01 PM

Expectations Scenario Report for Owner / Client

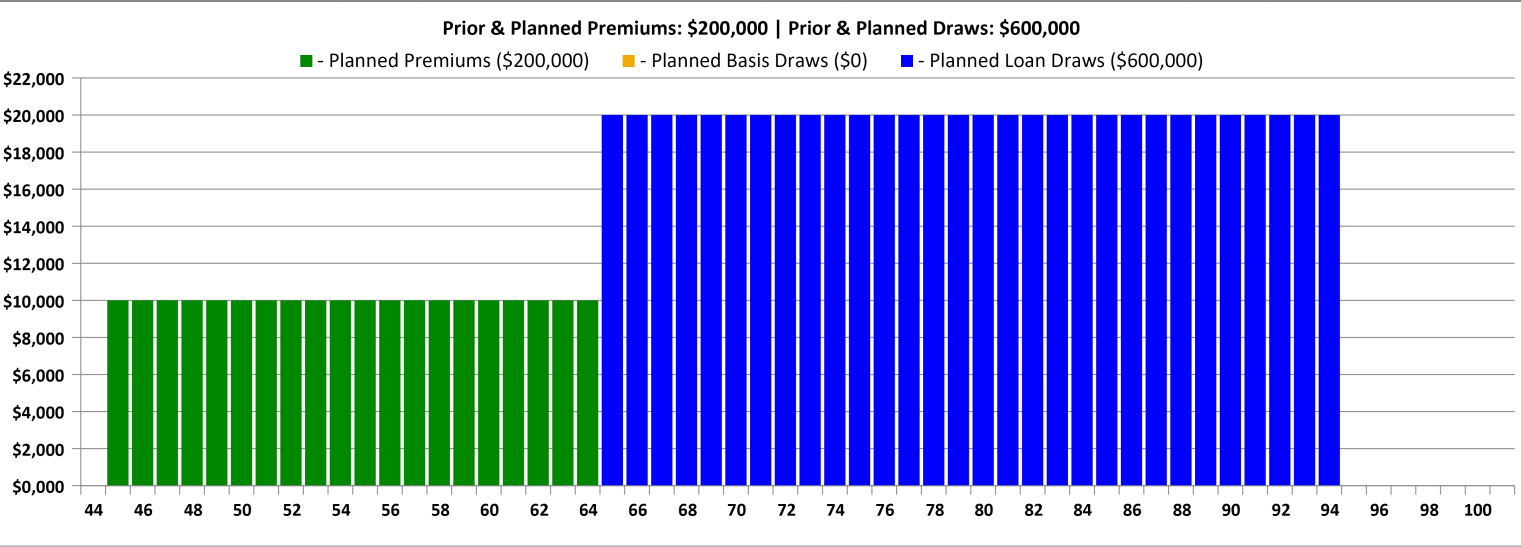Demo: IUL Accumulation ER 5

Testing: IUL Accumulation (Income) with crediting volatility of market based financial instruments

Policy Carrier	Policy Number	LISA Report Date	Illustrated Date	Current Policy Year
Symetra	Putnam Low Vol ER	Sample	5/11/2024	5/9/2024	1

Policy Type	DB Type	Crnt Yr Cash Value	Crnt Yr Death Benefit	Testing to Age
IUL Accumulation (Income)	Increasing	$8,079	$158,474	100

Primary Insured	Gender	Rating	Table Level	Lives	Current Age (EOY)
Primary	Male	Preferred Non-Smoker	None	1	45

Scenario Note:

> **Demo IUL w ER target 5% - Scenario extended income to age 94.**

Expected future annual premium(s) and income (loan / basis draws)

Prior & Planned Premiums: $200,000 | Prior & Planned Draws: $600,000
■ - Planned Premiums ($200,000) ■ - Planned Basis Draws ($0) ■ - Planned Loan Draws ($600,000)

Scenario: Volatile Rate | As Illustrated COIs | 1,000 Trial(s) | LISA Test Age 100 | Success Goal 100%

Excess Return | Cap: 100.00% | Floor: 0.00% | Participation: 189% | Spread: 0.00% | Fxd.Bonus: 0.00% | Fxd.Charge: -0.50%

Probability of Success
65%

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Average LE Age	1st Failure Age	1/2 of Failures Age	Probability of Success
88	77	89	**65%**

By Age 100: 35% Total Failure Rate. Half of the failures occur by age 89 with an Avg. Life Expectancy of age 88

Total Estimated Failures: 352 (35%) out of 1,000 Trials

■ - Estimated Failures (out of 1,000 Trials)

By age 100: 65% Probability of Success | Success Rate Goal: 100%

Probability of Success (Goal: 100%)

■ - Not Meeting Goal   ■ - Meeting Goal

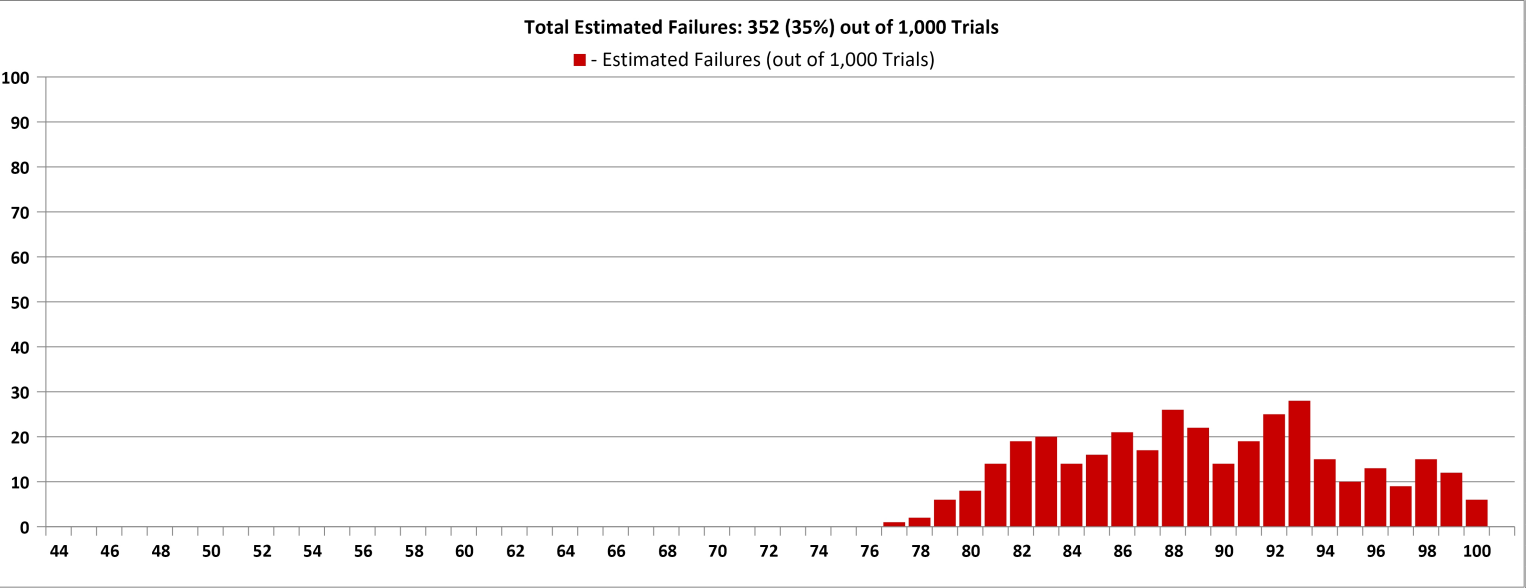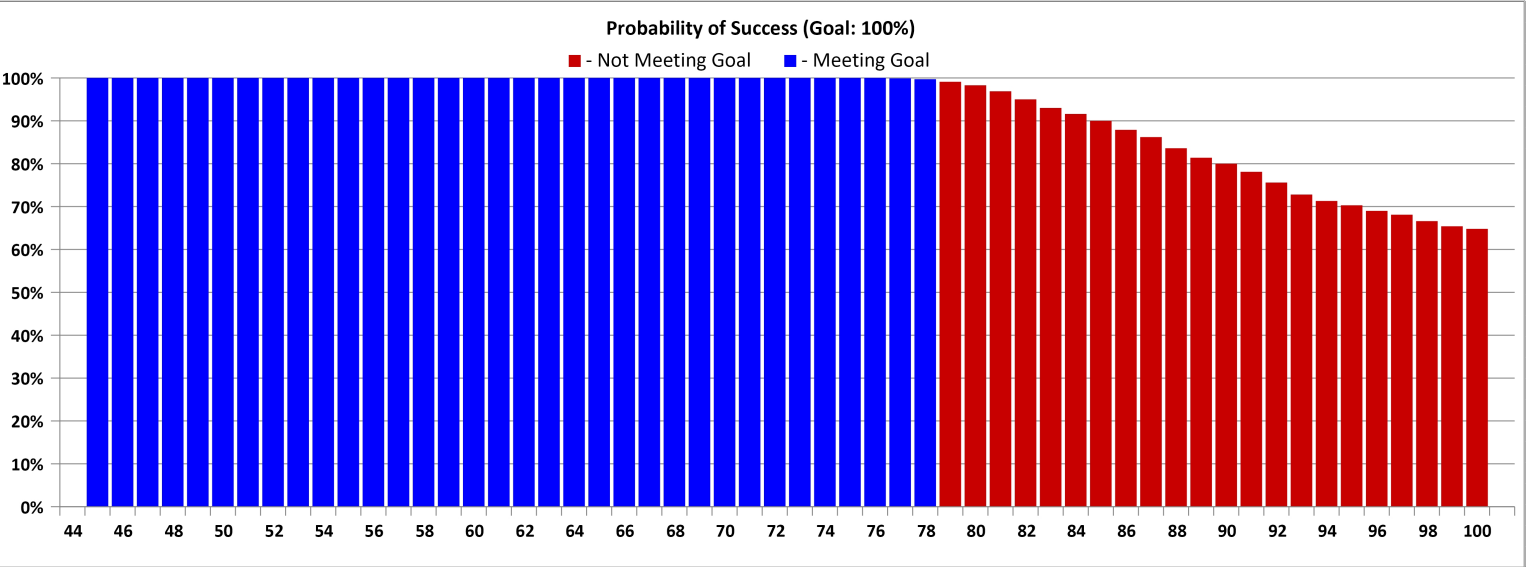# LISA - Estimated Values

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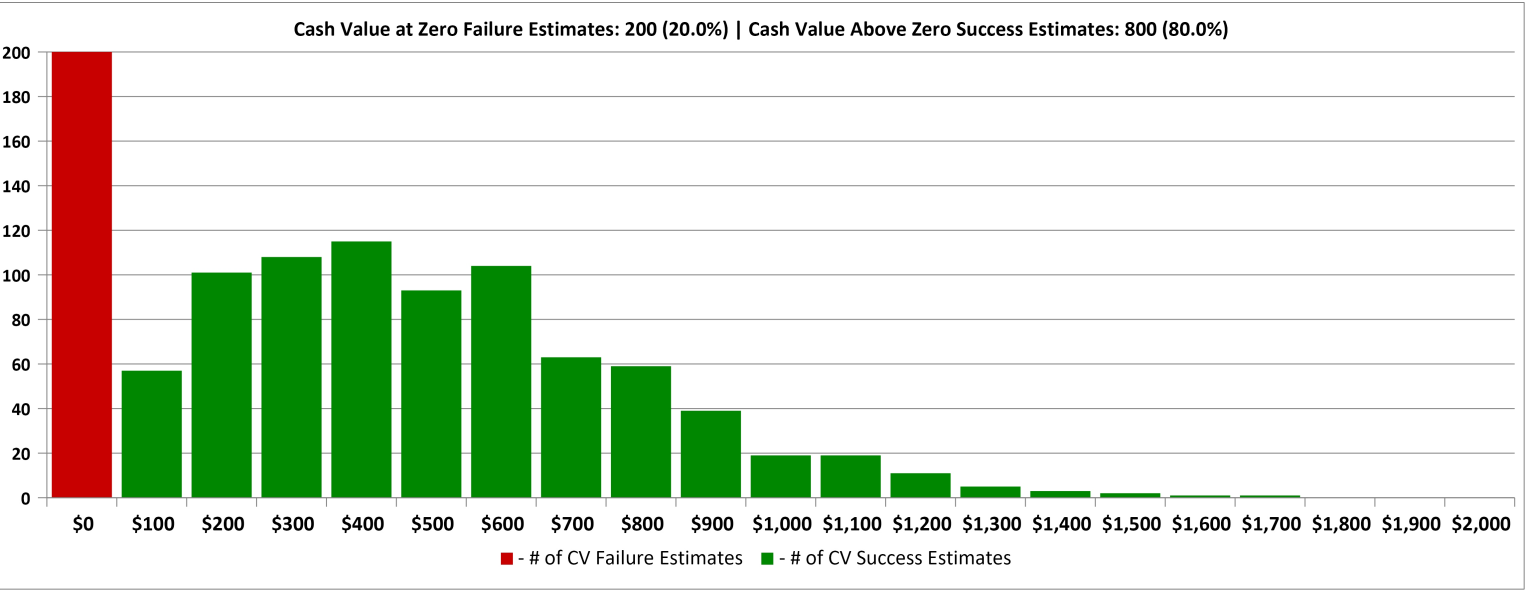
Cash Value POS				Target DB POS
80%	Target Test Age	DB Target		**48%**
	90	$500,000		

Cash Value Estimates at Test Age 90 (1,000 Trials) | Target: Above Zero | Average Estimate: $461,853 (Chart in $000s)

Cash Value at Zero Failure Estimates: 200 (20.0%) | Cash Value Above Zero Success Estimates: 800 (80.0%)

■ - # of CV Failure Estimates ■ - # of CV Success Estimates

Death Benefit Estimates at Age 90 (1,000 Trials) | Target: $500,000 | Average Estimate: $615,893 (Chart in $000s)

Db Estimates at Zero: 200 (20.0%) | Db Estimates Less Than Target: 319 (31.9%) | DB Estimates at or Above Target: 481 (48.1%)

■ - # of Zero DB Estimates ■ - # of DB Estimates Below Target ■ - # of DB Estimates Above Target
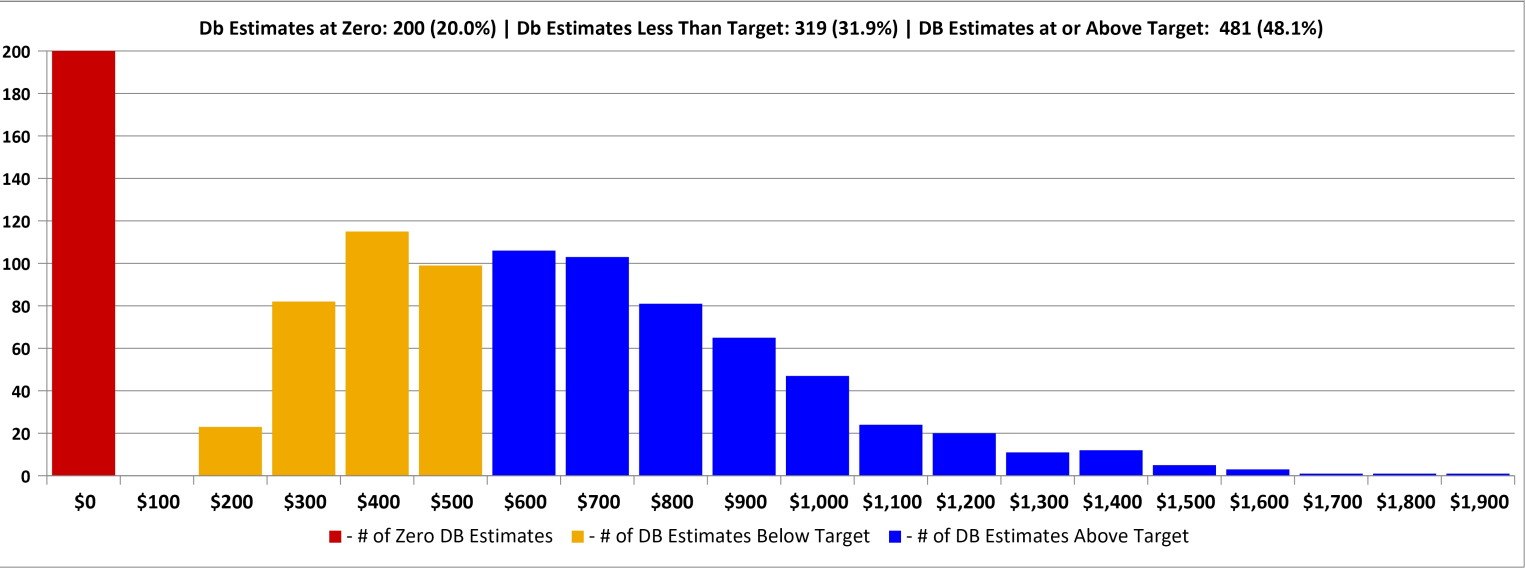
Planned Premium
Future premiums that are planned using the input scheduling options. Starting the year after the Policy Year including the amounts and number of years selected for that amount.

Planned Loans and/or Draws for Income
Policy loans and/or withdrawals reduce the cash surrender value and policy death benefit and may cause the policy to lapse. Taking a policy loan could have adverse tax consequences if the policy terminates before the insured's death. Policy withdrawals are not subject to taxation up to the cost basis in the policy. If the policy is a Modified Endowment Contract, loans and/or withdrawals will be taxable to the extent of gain and could be subject to a tax penalty.

Estimated Rates of Accumulation / Crediting
Accumulation Rates are based on the Distribution of returns for the last 20 years of rolling historical data of the selected underlying market based securities. Resulting rates are an average from a 1,000 runs of constrained randomized rates for any given year.

Indexed Universal Life (IUL) Accumulation / Crediting
LISA applies constraints to the randomized rates based on the Index option selected - refer to the 'Expected avg. Rates' heading on page 2. These constraints include at least these: a Cap - the maximum for the rate, a Floor - the minimum for the rate, and the Participation - the percentage of the rate which acts as the maximum below the Cap.

Variable Universal Life (VUL) Accumulation / Crediting
If the Sub-account choice is an Index, please refer to the IUL Accumulation comments. Otherwise, the Sub-account portfolio is a mix of broad indices (like Total US ETFs) for the bond and equity allocations. Refer to the 'Expected avg. Rates' heading on page 2 for the selection made. Annual rebalancing is assumed.

Estimated Net Cash Value
Estimates begin with current Policy Year input values and then the previous year's value plus premiums, less charges, less accumulated draws (basis or loans), plus the Accumulation value. Averaging results from 100s of runs resulting in varying values per any year.

Estimated Net Death Benefit
Estimates begin with the current Policy Year input value and then is subject to loan balances or increases due to Net Cash Value increases within a % scale of the Death Benefit. If a Scenario has runs that Fail, the Net Death Benefit result will be zero and over the 100s runs will show an average less than the initial Death Benefit.

Rating
LISA has only three rating classes: 'Preferred Non-Smoker', Standard Non-Smoker', and 'Standard Smoker'. It is incumbent on the user to select the Rating class that most closely matches the illustration being analyzed. Incorrectly selecting the rating class and/or table rating could significantly impact the LISA results.

Charges, Fees and Costs
Selected Policy Type, Gender, Rating Class, Table Rating and Current Age impacts Benchmark LISA costs and charges. LISA applies proprietary methods to determine applicable industry average costs and charges - these are updated every two years. Customized LISA uses the costs and charges from the illustration. To request more information go to www.LifeInsuranceAnalytics.com/ContactUs .

Distribution of Average Net Rates
The LISA rates distribution is derived from the last 20 years of rolling historical data and can be described by the Mean - the average of all the data points and the Standard Deviation - the dispersion or range of the data points away from the Mean (3 standard deviations includes over 99% of all the observed data points).

Probability of Success
The percentage of 1,000 runs of a LISA Scenario that results in the Net Cash Value being greater than zero. For example, if 900 out of 1,000 runs for a Scenario had an age 100 Net Cash Value greater than zero then the Probability of Success is 90%.

Target Failure Rate
An optional selection that goes up to 30% indicating the level of comfort with the policy failing when subject to volatile accumulation rates. Benchmark LisaReportCard is initially set with a 20% Max Failure Rate.

Failure Rate / Failures / Policy Lapses
A LISA Scenario runs 1,000 future estimates of the Net Cash Value. If a run results in the Net Cash Value going to zero then that run Failed (Policy Lapse) at the specific projected Age. We collect a histogram of Failures (Lapses) for all years to Age 100.

Average Life Expectancy
An estimated value based on the Society of Actuaries' Valuation Basic Table with Relative Risk Tables. These tables vary by age, gender, and health rating class. The estimate indicates that for a population of similar individuals, as used in the illustration, half, or 50%, are expected to die by the average age. They do not predict any specific individual's future life span.

Disclosure

LISA Assessments use the following types of data in order to perform the Service: (1) data provided by You either by your manual entry or your delivery to Company an illustration to create Benchmark and/or Customized Assessments; (2) collected data for industry average charges and fees typical for permanent life insurance policy types; (3) third party data for security historical returns data.

A Benchmark or Customized Assessment uses stochastic modeling techniques randomizing certain input variables. For example, crediting rates are randomized based on the statistical distribution of returns generated using an historical rolling 20 years of data. For Benchmark Assessments, policy costs and charges are based on industry averages for the particular policy type, for example, VUL for Protection is based on a basket of VUL products that are death benefit only focused. Cost of insurance charges are based on industry standard actuarial life expectancy tables - which incorporates age, gender, health rating and table rating specifics, as supplied by You. For Customized Assessments, policy costs, charges and cost of insurance charges are based on the actual policy illustration's values, as supplied by You.

Disclaimer

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