

Coming soon: New mortality table and reserving requirements for life insurance

Beginning Jan. 1, 2020, any new life insurance policy issued will need to use:

- The 2017 Commissioners Standard Ordinary (CSO) Table – a new mortality table used in product pricing
- Principle-Based Reserving (PBR) – a new way of calculating reserves to pay future claims

Policies that don't meet these requirements will **need to be issue-paid prior to Dec. 31, 2019**.

Why the change?

The CSO table is used for calculating a policy's minimum cash value, statutory reserves, and minimum death benefit to premium ratio for the policy to be considered life insurance. The previous CSO was from 2001. Much has changed since then, such as greater preferred risk mortality and older age experience, so an update was in order.

Likewise, the current method of calculating reserves has been in place for many years. PBR represents an improvement by making reserving specific to a carrier's own mortality, lapse, and investment experience, rather than the prior approach where all carriers used the same standard formula.

What does it mean for you and your clients?

- Mortality rates are generally improved in the 2017 table. But these rates are only one of several factors used in product pricing, so the overall impact on premium rates may be better or worse.
- Policies designed to maximize cash value growth are likely to be less efficient because the maximum premium that can be paid per dollar of death benefit is lower.
- When reviewing products for your clients, be sure to understand whether the products have been updated for the new requirements. Comparing illustrated values of compliant versus non-compliant products is an apples-to-oranges comparison. So, it's important to choose a product with the design, features, service, and support that align with your clients' needs rather than making a decision based strictly on illustrated values.

What's next?

Like all carriers, we'll be updating our portfolio over the course of 2019. We're providing information now to help you plan for a smooth transition for you and your clients.

Portfolio changes – Below is a summary of current products and the corresponding replacements. Those that are already compliant and available for sale are noted, as well as those that won't be replaced at this time.

Current product	Replacing product (2017 CSO/PBR-compliant)
Term	
2017 Principal Term (10-, 15-, 20- and 30-year)	2020 Principal Term (10-, 15-, 20- and 30-year)
Principal One-Year Term	Principal One-Year Term
Guaranteed Universal Life (UL)	
Principal Universal Life Protector IV SM	Principal Universal Life Protector V SM
Principal Survivorship Universal Life Protector II SM	Principal Survivorship Universal Life Protector III SM
Current Assumption UL	
Principal Universal Life Provider Edge SM	Product will be discontinued
Principal Universal Life Flex III SM	Product is updated and compliant
Principal Universal Life Accumulation II SM	Product will be discontinued
Indexed UL	
Principal Indexed Universal Life Flex II SM	Product is updated and compliant
Principal Indexed Universal Life Accumulation SM	Principal Indexed Universal Life Accumulation II SM
Variable UL	
Principal Variable Universal Life Income II SM	Principal Variable Universal Life Income IV SM
Principal Variable Universal Life Income III SM	Principal Variable Universal Life Income IV SM
Principal Variable Universal Life - Business SM	Principal Executive Variable Universal Life III SM
Principal Benefit Variable Universal Life II	Product will be discontinued

Key dates

- **Nov. 1, 2019**
 - Target date for all new, compliant products to be available for sale
 - Last day for an application to be received in home office for any product being discontinued
- **Dec. 2, 2019**
 - Last day for an application to be received in home office for a current product being replaced by a new, compliant product*
- **Dec. 31, 2019**
 - Any policy for a non-2017-compliant product must be issue-paid by this date

Stay tuned for future communications on new products as we approach individual launch dates. We'll also provide additional detail regarding requirements for getting policies issued by year-end.

Questions?

Contact your DMI National Sales Consultant at 800.322.6342

*State-specific variations may apply.

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BB12344 | 07/2019 | 881292-062019 | ©2019 Principal Financial Services, Inc.