

# May 2012 Interest Rate Announcement



The effective date for all products is May 1, 2012.													
Fixed Indexed Annuities													
	1-Year S&P® Monthly Pt-to-Pt	2-Year S&P® Monthly Pt-to-Pt	3-Year S&P® Monthly Pt-to-Pt	S&P® Monthly Average	S&P® 1-Year Annual Pt-to-Pt	S&P® 2-Year Pt-to-Pt	S&P® 3-Year Pt-to-Pt	2 Yr Monthly Avg Cap	Index Gain Option with Declared Rate	Fixed**	Surrender Charges	Commission	
												Up Front WA	Trail Options
<b>Prosperity Elite Series</b>													
Prosperity Elite 7 floating min.	1.90%	--	--	4.25%	3.50%	8.75%	14.50%	--	3.25%	1.75%	10, 9, 8, 7, 6, 5, 4, 0%	5.00%	--
Prosperity Elite 10 floating min.	2.00%	--	--	4.00%	3.75%	9.00%	14.00%	--	3.50%	1.80%	12, 11, 10, 9, 8, 7, 6, 5, 4, 3, 0%	7.00%	--
Prosperity Elite 14 floating min.	2.10%	--	--	5.00%	4.00%	10.25%	16.00%	--	3.50%	1.90%	14.75, 13.75, 12.75, 11.75, 10.75, 10, 9, 8, 7, 6, 5, 4, 3, 2, 0%	8.00%	--
<b>FG Index-Choice 9</b>													
FG Index-Choice 9 floating min.	1.75%	2.00%	2.75%	3.25%	3.00%	--	--	--	--	1.50%	15, 15, 15, 14.5, 13.5, 12.5, 10, 7, 4, 0%	9.00%	50 bps, 100 bps
<b>FG Accelerator Bonus Products</b>													
FG Index-Accelerator 7 floating min.	2.00%	--	--	3.75%	3.50%	--	--	8.00%	--	1.75%	10, 9, 8, 7, 6, 5, 4, 0%	5.00%	--
FG Index-Accelerator 10 floating min.	1.75%	--	--	3.25%	3.00%	--	--	6.75%	--	1.50%	10, 10, 10, 10, 9, 8, 7, 6, 4, 2, 0%	7.50%	--
<b>FG Accumulator Products</b>													
FG AccumulatorPlus 10 floating min.	2.50%	--	--	5.00%	4.75%	--	--	--	4.50%	2.50%	12, 11, 10, 9, 8, 7, 6, 5, 4, 3, 0%	6.50%	100 bps
FG AccumulatorPlus 14 floating min.	2.75%	--	--	6.25%	5.50%	--	--	--	5.00%	2.75%	14.75, 13.75, 12.75, 11.75, 10.75, 10, 9, 8, 7, 6, 5, 4, 3, 2, 0%	7.50%	--
<b>Fidelity &amp; Guaranty Life Insurance Company of New York</b>													
FGNY Index-Safety 7	1.00%	--	--	3.00%	3.00%	--	--	--	--	2.00%	10, 10, 10, 10, 8, 6, 3, 0%	4.50%	50 bps
FGNY Index-Choice 10	1.50%	--	--	3.25%	3.00%	--	--	--	--	2.00%	10, 10, 10, 10, 10, 8, 6, 4, 2, 0%	5.00%	50 bps

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The effective date for all products is May 1, 2012

## Multi-Year Guaranteed Annuity Portfolio

					Surrender Charges	Commission	
						Up Front WA	Trail Options
FG Guarantee-Plus* 1st year 1% bonus with MVA	5 Year		7 Year		5 yr.	5 yr.	
	<u>Yr 1</u>	<u>Yrs 2-5</u>	<u>Yr 1</u>	<u>Yrs 2-7</u>	9, 8, 7, 6, 5, 0%	2.50%	--
	2.90%	1.90%	3.30%	2.30%	7 yr.	7 yr.	
					9, 8, 7, 6, 5, 4, 3, 0	3.25%	--
FG Guarantee-Platinum*	<u>Yr 1-5</u>		<u>Yrs 1-7</u>		5 yr.	5 yr.	
	2.00%		2.40%		9, 8, 7, 6, 5, 0%	2.50%	--
					7 yr.	7 yr.	
					9, 8, 7, 6, 5, 4, 3, 0	3.25%	--
FG Guarantee-Plus 3*	<u>Yr 1</u>	<u>Yrs 2-3</u>			5 yr.	5 yr.	
1st year 1% bonus with MVA	2.00%	1.00%			9, 8, 7, 0%	1.50%	
FG Guarantee-Platinum 3*	<u>Yr 1</u>	<u>Yrs 2-3</u>					
*Repeating Surrender Charges do not apply to the asterisked products in CT/NC/OK.		1.20%			9, 8, 7, 0%	1.50%	
<b>State Variation Annuity Portfolio</b>							
CT/NC/OK Only	<u>Yr 1-5</u>						
FG Guarantee-Platinum 5**	1.85%				9, 8, 7, 6, 5, 0%	2.50%	

\*\*Repeating Surrender Charges do not apply.

Minimum Guarantee: Floating Rate 3.00% or 2% minimum. In select states, these products may employ the Minimum Guaranteed Enhancement Rider, which means the minimum guarantee can go up if market conditions warrant and is currently 2%. A floating rate state crediting a minimum guarantee of 1.9% will automatically go up to 2.00% on these products.

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All rates include first-year bonus, if applicable. Product availability and features may vary.

## Life Insurance May 2012 Interest Rate Announcement



The illustrated loan rate and variable loan rate changes to all products are effective May 1, 2012

The cap changes to all products are effective with the June 15, 2012 buy date (see transition rules below).

### Indexed Universal Life

	<u>Fixed Interest</u>	<u>Current Illustrated Variable Loan Rate</u>	<u>Guaranteed Variable Loan Rate</u>	<u>Cap</u>	<u>Short Term Interest Earning Account</u>
<b><u>New Business</u></b>					
FG Life-Choice, 100% Participation, 2001 CSO	4.50%	4.61%	6.50%	12.00%	4.50%
FG Life-Choice, 140% Participation, 2001 CSO	4.50%	4.61%	6.50%	10.00%	4.50%
FG Life-Elite, 100% Participation, 2001 CSO	4.50%	4.61%	5.00%	12.00%	4.50%
FG Life-Elite, 140% Participation, 2001 CSO	4.50%	4.61%	5.00%	10.00%	4.50%
<b><u>Renewal Rates</u></b>					
FG Life-Elite, 100% Participation, 2001 CSO	4.50%	4.61%	5.00%	12.00%	4.50%
FG Life-Elite, 140% Participation, 2001 CSO	4.50%	4.61%	5.00%	10.00%	4.50%
FG Life-Choice, 100% Participation, 2001 CSO	4.50%	4.61%	6.50%	12.00%	4.50%
FG Life-Choice, 140% Participation, 2001 CSO	4.50%	4.61%	6.50%	10.00%	4.50%

### Transition Rules

#### New Business

- Applications signed **on or after May 1, 2012** must be illustrated using a rate no higher than 7.40% for 100% participation and 6.85% for 140% participation.
- Policies with an effective date of **May 14, 2012 or after** will have their first buy date on **June 15, 2012** and will be issued with the new cap rate.
- Policies with an effective date on or **before May 13, 2012** will continue to reflect the current cap for all allocation dates/buckets falling within their first policy year.

#### In Force

- As of the **June 15, 2012** buy date, any in force policy will reflect the new cap.

## Determining Maximum Illustrated Rates for FG Life-Elite and FG Life-Choice

One of the most challenging issues an agent faces today when selling a fixed indexed universal life (FIUL) product is determining what illustrated rate should be used in the sale. This choice is critical because the illustrated rate influences the expectations of the purchaser regarding future results. The FIUL purchaser relies upon the agent to use an illustrative rate that is credible and the agent is relying upon the insurance company to do the same in establishing a maximum illustrated rate.

When evaluating the reasonableness of a maximum illustrated rate, it is important to understand how the insurance company determined that rate. Did the insurance company use a particular formula in determining the maximum illustrated rate? If so, does the particular formula match how the insurance company actually determines the index credits that translate into interest credited to the FIUL contract? If not, how did the insurance company determine the maximum illustrated rate and why doesn't it match the method used to determine actual index interest credits?

Below is an explanation as to how Fidelity & Guaranty Life determines the maximum illustrated rates for its FIUL products: FG Life-Elite and FG Life-Choice.

### What is the maximum illustrated rate for each participation rate strategy?

- **100% participation rate - 7.40%**
- **140% participation rate - 6.85%**

### What was the look-back period used in determining the maximum illustrated rates?

Fidelity & Guaranty Life used a 25 year look-back period ending with the December 15, 2011 account allocation anniversary.

### How were the maximum illustrated rates determined?

Here are the 4 steps involved in this process:

1. We determined the 25 annual S&P 500 index changes for each of the 12 account allocation buckets (Jan 15th, Feb 15th, etc.) over the look-back period.
2. Then we applied the strategy-specific participation rate and current cap to the annual index changes to determine the indexed interest credit that would have been applied to each strategy on each account allocation anniversary during the 25 year period.
3. Next, we calculated the cumulative growth that would have occurred, free of all costs, in each of the 12 account allocation buckets over the 25 year look-back period.
4. Finally we took the average of the 12 account allocation buckets to determine the maximum illustrated rate for each strategy.

Account Allocation Bucket	100% Participation Rate Strategy (12% cap)	140% Participation Rate Strategy (10% cap)
Jan 15 <sup>th</sup>	7.09%	6.43%
Feb 15 <sup>th</sup>	7.60%	7.00%
Mar 15 <sup>th</sup>	7.43%	7.15%
Apr 15 <sup>th</sup>	7.37%	6.70%
May 15 <sup>th</sup>	7.66%	6.99%
Jun 15 <sup>th</sup>	7.53%	6.96%
Jul 15 <sup>th</sup>	7.51%	7.01%
Aug 15 <sup>th</sup>	7.40%	7.02%
Sep 15 <sup>th</sup>	7.67%	7.26%
Oct 15 <sup>th</sup>	7.48%	7.03%
Nov 15 <sup>th</sup>	7.00%	6.43%
Dec 15 <sup>th</sup>	7.09%	6.25%
Maximum Illustrated Rate	7.40%	6.85%

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Indexed interest rates are subject to a cap/participation rate.

Above chart based on 2001 CSO tables for FG Life-Choice and FG Life-Elite.

Cap/Participation rates subject to change at discretion of Fidelity & Guaranty Life Insurance Company.