

Performance Analysis of Equity Index Universal Life Insurance  
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*Abstract*

Equity Index Universal Life (EIUL) is a variation of whole life insurance which carries a death benefit component and a cash value component. The popularity of EIUL has been growing quickly in recent years because of its promised downside protection and upside potential. However, its long-term viability can't be directly verified since no public data of EIUL is available to check its historical performance. This paper models the stock market return, interest rate and other market variables simultaneously to simulate the potential future returns of EIUL under different scenarios. Research in the literature often only models the stock market return and ignore the other market variables completely or fix their values in simulations. This research believes market variables such as the interest rate and credit spread will play an important part in analyzing the EIUL performance. The viability analysis is then applied to policy holders with different ages, tax brackets and financial goals. With the same initial capital, EIUL performance is compared with combination of stock index investment and a term-life policy.