AMERICAN ACADEMY of ACTUARIES

Additional Questions Relating to Compliance with the NAIC Life Illustrations Model Regulation and Actuarial Standard of Practice No. 24

Introduction

This practice note was prepared by a work group organized by the Life Insurance Practice Education Committee of the Society of Actuaries at the request of the Committee on Life Insurance of the American Academy of Actuaries. The work group was charged with developing a description of some of the current practices that could be used by illustration actuaries in the United States.

The practice notes represent a description of practices believed by the work group to be commonly employed by actuaries in the United States in 1996. The purpose of the practice notes is to assist actuaries who are faced with the requirement of certifying a disciplined current scale under ASOP 24. However, no representation of completeness is made; other approaches may also be in common use. It should be recognized that the information contained in the practice notes provides guidance, but is not a definitive statement as to what constitutes generally accepted practice in this area. This practice note has not been promulgated by the Actuarial Standards Board nor is it binding on any actuary.

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Comments are welcome as to the appropriateness of the practice notes, desirability of annual updating, validity of substantive disagreements, etc.

Q. How does the actuary usually validate or document assumptions that are developed without the benefit of any prior experience (company, industry, or other)?

Pertinent Sections of ASOP:

Section 5.3.3 "...*actual experience of an experience factor class* means experience and past trends in experience to the extent that such experience is current, determinable, and credible. When such suitable data are lacking, experience factors may be derived in a reasonable and appropriate manner from actual experience and past trends in experience of other similar classes of business either in the same company, of other companies, or from other sources, generally in that order of preference."

A. There will almost always be one or more available sources of information that has at least some relevance to the assumption in question. If the available experience relates to a situation that is distinctly different from the policy being tested, significant adjustments may be required, based on the actuary's judgement. As required by ASOP 24, Section 6.3, the source of the data and the rationale for the adjustments should be documented.

In the event that no source of data can be identified that provides pertinent experience for a particular assumption, the illustration actuary would typically make a reasonable estimate of anticipated experience for that element. The considerations that led to that assumption are generally also documented. For example, these considerations could include an analysis of the theoretical maximum and minimum values of the factor, and a rationale for the intermediate value that was chosen. It may also be appropriate in these situations to analyze the effect of using other values for the assumption in question and to document the results.

Q. Does the illustration actuary usually accord the assumptions specifically identified in the Regulation and Actuarial Standard of Practice (i.e., interest, mortality, taxes, direct sales costs, other expenses, and persistency) a higher level of credibility or validation than assumptions not identified (e.g., premium mode, withdrawal rates reinsurance, choice of dividend option, etc.)?

Pertinent Sections of ASOP:

Section 5.3.3 "...*actual experience of an experience factor class* means experience and past trends in experience to the extent that such experience is current, determinable, and credible. When such suitable data are lacking, experience factors may be derived in a reasonable and appropriate manner from actual experience and past trends in experience of other similar classes of business either in the same company, of other companies, or from other sources, generally in that order of preference. Following is a list of considerations for determining the major experience factors:"

A. The wording of the Standard indicates that the specifically identified assumptions constitute the "major experience factors." For most products, these assumptions probably constitute the factors most likely to have a significant effect on the self-support and lapse support tests. Most actuaries would usually focus more time and attention, and strive for greater credibility, for these factors. However, for other products, other experience factors may be of equal or greater importance. Many illustration actuaries find it prudent to give careful consideration to the effect of possible variations in other assumptions, and to pay greater attention to those that are most critical to the calculations.

Q. Suppose the company sells a participating product with a DCS dividend scale of $1.00 per $1,000 for all years. New illustrations show $1.00 per $1,000. For the first 5 years, the actual paid scale is $1.25. The additional $.25 is a distribution of accumulated surplus. The company represents that it has the intent and ability to continue to pay the $.25, so it is illustrating $1.25 in inforce illustrations. Now the company increases the paid scale to $1.50. The $.50 is also a distribution of accumulated surplus. During the entire period, there have been no changes in the experience underlying the DCS. Does the company now illustrate $1.50 on inforce illustrations? Since the currently paid scale is increased, how does the illustration actuary typically certify that this illustrated scale is in compliance? How do illustration actuaries usually determine "the intent and ability to continue to pay"?

Pertinent Sections of ASOP:

Section 5.3.6 "The illustration actuary may certify that a scale...is in compliance..if the following apply: the currently payable scale has not been changed...and...experience does not warrant changes less favorable to the policyowner...or the currently payable scale has been changed...only to the extent that changes are reasonably consistent with changes in experience assumptions underlying the disciplined current scale, or the currently payable scale has been made less favorable...and the change is more than current experience would necessitate.

If none of the conditions in a), b), and c) above is met, the illustration actuary should review and revise the experience factors...to a new disciplined current scale... The illustrated scale must meet the self-support and lapse-support tests...using actual experience and actual paid scales of nonguaranteed elements from the date of issue to the present and a scale not greater than the disciplined current scale from the present forward.

In the context of in-force illustrations, distributions of accumulated surplus or prior gains to an in-force policy block may be included in the disciplined current scale and in non-guaranteed elements to be illustrated to the extent that such distributions are (1) currently being paid to the policyowners by the insurer, and (2) there is the intent and ability to continue to do so. Such distributions may be used in conducting the tests for self-support and lapse-support."

A. Under the scenario described, some actuaries would conclude that an illustrated scale of $1.50 on inforce illustrations would be in compliance. For new sales, unless the actuary was able to certify a more favorable DCS, illustrations would generally be limited to the original DCS of $1.00.

However, in certifying compliance of the $1.50 scale for inforce illustrations, the actuary would generally *not* be able to rely on section 5.3.6, since the currently paid scale was increased without a commensurate increase in the assumptions underlying the DCS. So in this case, the actuary would generally want to determine that the scale satisfies the lapse-support and self-support tests. But section 5.3.6 of the ASOP does allow payments of accumulated surplus or prior gains to be included in an illustrated scale under the circumstances described (i.e., the distributions are actually being paid and the company has the intent and ability to continue to do so). It also allows for such distributions to be used in conducting self-support and lapse-support tests. So, for the purpose of testing the DCS for the inforce scale, this effectively allows the illustration actuary to offset the payments in excess of the original $1.00 DCS in determining the historical policy cash flows (since it can be assumed that there was a distribution of accumulated surplus exactly offsetting each excess payment). Since there were no changes in the experience underlying the original DCS, it can be concluded that the $1.00 scale is still a DCS. It then follows in this example that an inforce illustration of $1.50 would be in compliance.

Per the ASOP, the acceptability of using accumulated surplus or prior gains in inforce illustrations is dependent upon the company's "intent and ability" to continue to pay such amounts. However, the ASOP is silent with respect to how the illustration actuary determines a company's intent and ability. Without such guidance, the illustration actuary would generally use professional judgement to make such a determination. The illustration actuary would generally want to document how "intent and ability" was determined and to be prepared to support such findings.

Q. If a company buys a block of in force policies that have been declared to be illustrated and takes over administration of the policies, how does the illustration actuary select assumptions and set the disciplined current scale if the illustration actuary doesn't have access to the experience studies from the prior company?

Pertinent Sections of ASOP:

Section 5.3.3 "...*actual experience of an experience factor class* means experience and past trends in experience to the extent that such experience is current, determinable, and credible. When such suitable data are lacking, experience factors may be derived in a reasonable and appropriate manner from actual experience and past trends in experience of other similar classes of business either in the same company, of other companies, or from other sources, generally in that order of preference."

Section 5.3.6 "The illustration actuary may certify that a scale used to produce an illustration for a policy in force one year or more is in compliance with the Model and this standard if the following apply:

a. the currently payable scale has not been changed since the last certification and the illustration actuary determines that experience since the last certification does not warrant changes in the disciplined current scale that would make it significantly less favorable to the policy owner, or

b. The currently payable scale has been changed since issue only to the extent that *changes are reasonably consistent with the changes in experience assumptions* underlying the disciplined current scale....

If none of the conditions in (a) (b), or (c) above is met, the illustration actuary should review and revise as necessary the experience factors underlying the disciplined current scale to a new disciplined current scale for this policy form."

A. This situation brings up two issues for the acquired block of business: developing experience assumptions, and the status of the disciplined current scale. Many actuaries would first make an effort to collect credible recent historical experience from the prior company. However, if no such studies can be retrieved or developed, the actuary may choose to rely on the experience of other similar classes of business, of other companies, or from other sources. Many actuaries would collect industry experience if available from similar companies or companies operating in similar classes of business to develop a set of experience factors for the newly acquired policies. The experience assumptions documented in files of the previous illustration actuary may also be a useful reference.

The illustration actuary generally would then determine if the conditions in Section 5.3.6. a or b are met by determining if any changes in the currently payable scale are reasonably consistent with the changes in the experience assumptions. If the circumstances outlined in Section 5.3.6 are not met, the actuary usually would develop a new disciplined current scale.

Q. Your company offers a guaranteed cost term rider which may be issued with a traditional whole life policy. The riders and base policies passed the self-supporting and lapse support tests before they were illustrated and issued. Since then, experience has changed. Changes have been made to the currently payable scale for the base policy which are reasonably consistent with the changes in experience assumptions underlying the disciplined current scale. However, since the rider is fully guaranteed, no changes have been made to the rider premiums or benefits to reflect and changes in experience since issue. Would retesting be required or could the illustration actuary certify that the scale illustrated for these inforce policies with riders was in compliance based on ASOP 24 Section 5.3.6.b?

Pertinent Section of ASOP:

Section 5.3.6 "Annual Certification for Illustrations on Policies in Force One Year or More - The illustration actuary may certify that a scale used to produce an illustration for a policy in force one year or more is in compliance with the Model and this standard if the following apply:

a. the currently payable scale has not been changed since the last certification and the illustration actuary determines that experience since the last certification does not warrant changes in the disciplined current scale that would make it significantly less favorable to the policyowner, or

b. the currently payable scale has been changed since issue only to the extent that changes are reasonably consistent with changes in experience assumptions underlying the disciplined current scale, or

c. the currently payable scale has been made less favorable to the policyowner since the last certification and the change is more than current experience would necessitate.

If none of the conditions in (a), (b), or (c) above is met, the illustration actuary should review and revise as necessary the experience factors underlying the disciplined current sale to a new disciplined current scale for this policy form."

A. In this case, according to the ASOP, the base policy inforce illustrated scale would be considered by many actuaries to be in compliance because changes in the current payable scale were reasonably consistent with changes in experience assumptions underlying the disciplined current scale. Many actuaries would conclude that,for inforce illustrations, the rider which has no non-guaranteed elements would not need to be retested unless the base policy needed to be retested.

Note that, to satisfy the Model for sales illustration purposes, both rider and base policy would have to be tested.

Q. In the lapse-support test of a flexible premium universal life product, does the Model allow policies to terminate after the fifth policy year due to an insufficiency of premium payments?

Pertinent Sections of ASOP:

Section 5.3.3 identifies premium continuation and policy persistency as two distinct elements within the broader discussion of "persistency"

Section 5.3.5 states that the lapse-support test..."requires that the policy form in question be self-supporting under the same assumptions and with the same level of aggregation as described in

Section 5.3.2 (Requirement for Self-Support), changing only the persistency assumption. The

modified persistency rate assumption will use persistency rates underlying the disciplined current scale for the first 5 policy years and 100% policy persistency thereafter."

Section 5.3.5 further required that where "benefits are conditional upon policy continuation or certain premium payment patterns, the lapse-support test should be constructed under the assumption that all policies in force at the end of year five and surviving to the date of such benefits will qualify for these benefits."

A. ASOP Section 5.3.3 distinguishes two forms of persistency in flexible premium products: premium continuation and policy persistency.

With respect to conducting the lapse-support test on flexible premium policy forms, Section 5.3.5 of the ASOP provides that the policy persistency assumption is to be set to 100% in all policy years after the fifth. The ASOP does not appear to give direction to the actuary in choosing a premium continuation assumption after the fifth year. If the premium continuation assumption (premium pattern and amount) results in the policy terminating due to lack of funding, some actuaries may feel the ASOP requires an additional change in the lapse-support test since benefits (including death benefits) which are conditional upon policy continuation or certain premium payment patterns must be assumed to be provided to all policies in force at the end of year five and which survive to the date of such benefits.

Some actuaries may believe that the term "survive" in the preceding sentence refers to a policy block which is decremented not only by policies which terminate due to death, but also by those which terminate due to the exercise of policyowner choice factors. The ASOP does not appear to support this belief. The policy persistency assumption is a policyowner choice factor associated with lapsing or surrendering a policy. Some actuaries would find it illogical for the ASOP to prohibit policy termination from one policyowner choice factor but allow for policy termination as the result of the election of another policyowner choice factor. Therefore, some actuaries will interpret the term "survive" to mean all policies in the policy block at the end of the fifth year except those which terminate due to death subsequent to the fifth policy year.

Assuming the death benefit would be paid even if premium payment conditions are not met would be seen by many actuaries as inappropriate. There would seem to be several approaches which actuaries may choose to overcome this problem.

First, since the Model and the ASOP mandate a 100% policy persistency rate assumption following the fifth policy year, some actuaries may choose to use a 100% premium persistency assumption after the fifth policy year in the belief that they are being consistent with the intent of the Model and ASOP. This is also the implied assumption on traditional fixed premium life products.

Second, some actuaries may believe the premium persistency should be the same as that used in the self-support test for as long as fund mechanics keep the policy in force. If the policy funds become insufficient, there appear to be at least two choices to keep the policy from terminating:

1. Using the illustrated scale under consideration, solve for the level premium payable from the initially projected termination date to the end of the contract which will keep the policy from terminating, or,

2. Beginning on the date of the projected termination, assume just enough premium is paid to keep the policy from termination prior to the next premium due date. This will likely result in an increasing premium pattern.

Third, other actuaries may devise additional methodologies which they believe demonstrate the policy form is not lapse-supported as defined by the Model and the ASOP.

These three choices are believed by many actuaries to be applications of, rather than deviations from, the ASOP. However, many actuaries would consider it prudent to document and be prepared to defend any methodology chosen.

Q. If the actual distribution of business sold is different from the distribution among various underwriting classes and policyowner choices assumed at the time of the original certification, how might an actuary take this into account when certifying an in-force scale?

Pertinent Sections of ASOP:

Section 5.3.6 " The Illustration actuary may certify that a scale...is in compliance..if the following apply:

a. the currently payable scale has not been changed...and...experience does not warrant changes less favorable to the policyowner...or

b. the currently payable scale has been changed...only to the extent that changes are reasonably consistent with changes in experience assumptions underlying the disciplines current scale, or

c. the currently payable scale has been made less favorable...and the change is more than current experience would necessitate.

If none of the conditions in a, b, and c above is met, the illustration actuary should review and revise the experience factors...to a new disciplined current scale... The illustrated scale must meet the self-support and lapse-support tests...using actual experience and actual paid scales of nonguaranteed elements from the date of issue to the present and a scale not greater than the disciplined current scale from the present forward.

In the context of in-force illustrations, distributions of accumulated surplus or prior gains to an in-force policy block may be included in the disciplined current scale and in non-guaranteed elements to be illustrated to the extent that such distributions are (1) currently being paid to policyowners by the insurer, and (2) there is the intent and ability to continue to do so. Such distributions may be used in conducting tests for self-support and lapse-support."

A. In certifying illustrated scales of non-guaranteed elements for in-force policies, the actuary usually considers whether changes in experience would warrant changes to the disciplined current scale. Many actuaries would consider the effects of the various different experience factors together rather than consider the effects of a particular experience factor in isolation. If changes in distribution among various underwriting classes and policyowner choices together with other experience changes would make the disciplined current scale significantly less favorable to the policyowner, then the actuary may need to calculate a new disciplined current scale reflecting the update experience in order to certify that the illustrated scale continues to meet the requirements of the Model and the ASOP.

The actuary also generally takes into account whether the currently payable scale has changed since issue. If changes in the currently payable scale are reasonably consistent with changes in the experience underlying the disciplined current scale or of changes in the currently payable scale are less favorable to the policyholder than the changes in experience would necessitate, then the actuary usually will certify the illustrated scale without recalculating the disciplined current scale to reflect updated experience.

Q. Suppose the new Generally Recognized Expense Table (GRET) with higher expense factors has been approved with an effective date in the future. Does this affect the GRET factors to be used by the illustration actuary for certifications made prior to this date? What if the new GRET is lower than the current GRET?

Pertinent Sections of ASOP:

Section 5.3.3 e "All Other Expenses - As described in the *Model*, the minimum expenses to be used...may be (1), (2), or (3) below, subject to the criteria that follow:

Fully Allocated...

Marginally Allocated...

Generally Recognized Study - Unit expenses obtained from an intercompany expense study based on fully allocated expenses representing a significant portion of insurance companies and approved for use by the NAIC or by the commissioner.

Marginal expenses are to be used as the minimum only if they are greater in the aggregate than the generally recognized expense table. Generally recognized expense table expenses may be used as the minimum only if they are not less in the aggregate than marginal expenses. Fully allocated expenses may always be used as the minimum. If no generally recognized expense table is approved by the NAIC or by the commissioner, fully allocated expenses must be used.

The comparison and choice of expense assumptions are to be made in aggregate for all policy forms. Once the unit expense category is selected, that choice should be used for the entire certification year."

A. The actuary typically will first determine whether a GRET can be used by comparing, in the aggregate, the company's marginally allocated expenses to the corresponding GRET expenses. Under the Model, GRET expenses can be used only if they are not less in the aggregate than marginal expenses. Once it is determined that the GRET basis is applicable, different actuaries may make different interpretations as to how and when a new GRET with a future effective date is to be used on certifications prior to this effective date.

One possible interpretation is that the GRET to be used would be the table in effect at the time of the certification and that this GRET is applicable for the entire certification year, without regard to future GRETs. Note that section 5.3.3.e of ASOP #24 indicates that "Once the unit expense category is selected, that choice should be used for the entire certification year." Many actuaries making this interpretation read this sentence to mean that once a GRET is used in a certification, for a particular certification year, illustrations during that certification year cannot be based on marginal or fully allocated expenses. New policy forms being introduced on or after the effective date of the new GRET would use the new GRET. This interpretation treats the current GRET as an arbitrary alternative table that is allowed to be used, subject to restrictions, whenever certifications are performed.

A second possible interpretation treats the GRET as if the GRET were an experience factor. Per ASOP #24, when *experience factors* underlying the Disciplined Current Scale (DCS) have changed (and where such changes have been determined to be current, determinable and credible), the illustration actuary *may* need to take steps to ensure that the currently illustrated scales are still in compliance with the Model, either through application of the safe harbor described in section 5.3.6 or by developing a new DCS for inforce policy forms. So treating the GRET as an experience factor may cause a change in the illustrated scale for inforce policy forms as of the effective date of the new GRET. Illustrations for new sales on or after the effective date usually are also based on the new GRET table under this approach.

Some actuaries may have problems with this latter interpretation because of inconsistencies with other parts of the Model and the ASOP. In particular, reflecting the changed GRET during the period between annual certifications may be inconsistent with the explicit requirement in the Model that, once chosen, the use of the GRET cannot change for the entire certification year. A changed GRET could cause a change to full or

marginal expenses to be required or allowed. Also, some state insurance departments have indicated expectations that they would receive only annual certifications on inforce policies whereas reflecting a changed GRET during the year could be interpreted to require interim certifications. It should be noted though, that at least one state regulator interprets the regulation to require the reflection of new GRETs on inforce policy forms as of the new GRET's effective date. Many illustration actuaries would review the exact wording of the illustration requirements in their State of Domicile before determining what interpretation to apply.

Many actuaries agree that future changes in the GRET that would result in a lower illustrated scale could be used in advance of the effective date because the new illustrated scale would comply with the model under either interpretation.

Q. It is corporate practice at some companies to allocate investment earnings on surplus and overhead expenses to the lines of business. How do actuaries usually allocate these investment earnings from surplus and overhead expenses ?

Pertinent Sections of the ASOP:

Section 5.3.3.a "The earned interest rate factor should be developed using the same method that is used to actually allocate investment income to policies."

Section 5.3.3.e "Indirect costs should be fully allocated using a sound basis of expense allocation."

A. The question implies that the illustration actuary will use fully allocated expenses to develop unit expense rates for use in the self support and lapse support tests. If the company had a corporate line of business and allocated certain overhead expenses and investment earnings from surplus to the corporate line, there are at least two practices that an illustration actuary typically might follow. The actuary may choose to exclude the expenses from the unit expense rates and exclude the earnings from the earned interest rate factor. Alternatively, the actuary may include both the overhead expenses and earnings allocated from the corporate segment. Under the ASOP, the methods of allocating both the earnings and the overhead expense should be reasonable.

With no corporate line of business, the question becomes more complicated and the documentation typically becomes more important. If the company allocated the investment earnings in question to the individual line of business, then the ASOP suggests that this investment income and the associated assets will be included in determining the earned interest rate factor. It would then usually be appropriate to also include a reasonable proportion in the line's overhead expense to this segment of the line, and thus exclude it from the unit expense rates used in the self support and lapse support tests.

Q. Suppose a policy form passed the lapse-support and self-support tests at issue and was sold with a compliant illustration. But suppose now that the customer wants an in

force illustration and the original scale no longer passes the lapse-support and self-support tests. What scale would the illustration actuary generally use for this in force illustration?

Pertinent Sections of the ASOP:

Section 5.3.6 "The Illustration actuary may certify that a scale used to produce an illustration for a policy in force one year or more is in compliance...if the following apply:

a. the currently payable scale has not been changed...and...experience does not warrant changes less favorable to the policyowner...or

b. the currently payable scale has been changed...only to the extent that changes are reasonably consistent with changes in experience assumptions underlying the disciplined current scale, or

c. the currently payable scale has been made less favorable...and the change is more than current experience would necessitate.

If none of the conditions in a, b and c above is met, the illustration actuary should review and revise the experience factors...to a new disciplined current scale.... The illustrated scale must meet the self-support and lapse-support tests...."

A. Section 10C of the *Model regulation* says that in force illustrations requested by the policyholder shall comply with the requirements of Section 6B. Section 6B requires that illustrations satisfy the lapse-support and self-support tests. Also, Section 5.3.1 of ASOP #24 says that the illustrated scale cannot be more favorable than the currently payable scale and must meet the self-support and lapse-support requirements of a disciplined current scale. However, section 5.3.6 of ASOP #24 allows the actuary to certify that the form is in compliance with the *Model* without having to re-perform the tests on an in force policy form.

If it is determined that the original disciplined current scale (DCS) would no longer satisfy the lapse support and self-support tests, many actuaries would first attempt to apply Section 5.3.6 of ASOP #24 and adjust the illustrated scale in a manner consistent with the changes in the currently payable scale. See page 57 of Life Insurance Practice Note 1996-15 for notes on how actuaries might do so.

If the currently payable scale does not satisfy section 5.3.6 of ASOP #24, then the ASOP indicates that the illustrated scale must meet the self-support and lapse-support tests. See page 59 of Life Insurance Practice Note 1996-15 for notes on how actuaries might re-perform the lapse-support and self-support tests on in force policy forms. In this situation, a revised DCS usually would be determined to satisfy the self-support and lapse-support tests for the in force form. This revised DCS may result in an illustrated scale lower than

both the original illustrated scale and the currently payable scale. Note that this result may cause inconsistencies between the illustrated non-guaranteed elements on in force policies when compared to the illustrated scale for new policies or when compared to the currently payable scale. Sections 6.1.B and 6.1.C of ASOP #24 require that such inconsistencies be reported in the illustration actuary's annual certification.

Q. Which GRET typically applies to inforce illustrations?

Pertinent Sections of ASOP:

Section 5.3.6 "If none of the conditions in (a), (b), or (c) above is met, the illustration actuary should review and revise as necessary the experience factors underlying the disciplined current scale to a new disciplined current scale for this policy form. The illustrated scale must meet the self-support and lapse-support tests (as described in sections 5.3.2 and 5.3.5), using actual experience and actual paid scale on non-guaranteed elements from the date of issue to the present and a scale not greater than the disciplined current scale from the present forward."

A. ASOP 24 provides for certain "safe harbor" tests that, if passed, do not require the illustration actuary to retest in-force policy forms that are being illustrated. If, however, the "safe harbor" tests are not passed, the ASOP calls for the affected policy forms to be retested before the illustration actuary can certify the disciplined current scale. For such purposes, the GRET in effect at the time of certification usually applies for the projection of future expenses used in inforce illustrations. How historical expenses should be determined is subject to actuarial judgement.

One approach would be for historical expenses to be based on actual expense assumptions used in prior certifications. So, for example, if a company had used GRET, marginal, and fully allocated expenses in each of the last three years, and is using GRET expenses in the current certification, the actuary generally would use the same expense assumptions used in each of the prior certifications, updated for actual experience in those years if materially different from what was assumed. In the year GRET was assumed, the GRET factors applicable in that year would be used under this approach.

Alternatively, actual fully allocated assumptions could be used for historical expenses, regardless of the actual expense assumptions used in those years. If a policy form is unable to pass the self-support and/or lapse-support tests because of the policy form's past (or current) certifications used expenses other than fully allocated, it does not necessarily mean that the policy form cannot be illustrated. Rather, many illustration actuaries would apply ASOP 24, Section 5.3.6 which says that, subject to certain conditions, distributions of accumulated surplus or prior gains from an in-force policy block are available and can be used to help the policy from pass the economic viability tests.