



AMERICAN ACADEMY of ACTUARIES

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June 15, 2020

Mr. Mike Boerner
Chair, Life Actuarial Task Force (LATF)
National Association of Insurance Commissioners (NAIC)

Dear Mr. Boerner,

On behalf of the American Academy of Actuaries¹ Life Illustrations Work Group (the “Work Group”), I appreciate the opportunity to provide comments to LATF regarding the illustrations of Indexed Universal Life (IUL) insurance policies under Actuarial Guideline 49 (AG 49), and the ACLI Redline of AG 49A.

We offer the following comments as they pertain to AG 49-A as proposed by the ACLI.

General

1. Something may need to be added to AG 49 to clarify that it is not applicable to policies that are issued after AG 49A goes into effect.

Section 3

1. 3.K.i. – We note that the definition of *Policy Loan Interest Credited Rate* does not include bonuses or other enhancements for the portion of the account value in the Fixed Account that is backing the Loan Balance. If Option 2 is chosen, would that create disparate treatment between indexed loans and non-indexed loans with respect to non-indexed bonuses or other enhancements?

Section 4

1. 4.C.ii. – We recommend the following grammatical edit: “The Annual Rate of Indexed Credits, which should reflect...”

Section 5

1. 5.A. – We recommend this section be clarified to indicate that all accounts, fixed and indexed, within a policy can be tested in aggregate.
2. 5.A. – The Work Group is unclear on the meaning of “These amounts should be adjusted for timing differences to ensure that fixed interest is not earned on the hedge cost.” Please clarify what amounts are being referenced, what timing difference is being considered,

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the nature of the adjustment, what fixed interest rate is being referenced, and what hedge cost is being referenced. We note that “hedge cost” is not used elsewhere in AG 49A.

3. We note that insurers may have different hedging practices for different accounts within a policy. Therefore, we suggest the following modifications:
 - a. 5.A. – “If an insurer engages in a hedging program for Indexed Credits in an account, the assumed earned interest rate underlying the disciplined current scale for that account...”
 - b. 5.B. – “If an insurer does not engage in a hedging program for Indexed Credits in an account, the assumed earned interest rate underlying the disciplined current scale for that account shall not exceed the Annual Net Investment Earnings Rate.”

The Work Group appreciates the efforts of LATF and the IUL Illustration Subgroup to review AG 49. If you have any questions or would like further dialogue on the above topics, please contact Ian Trepanier, life policy analyst, at trepanier@actuary.org.

Sincerely,

Donna Megregian, MAAA, FSA
Chairperson, Life Illustrations Work Group
American Academy of Actuaries