



AMERICAN ACADEMY of ACTUARIES

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July 26, 2022

Mr. Fred Andersen
Chair, IUL Illustration (A) Subgroup
National Association of Insurance Commissioners (NAIC)

Re: The Indexed Universal Life (IUL) Illustration (A) Subgroup Exposure (July 18, 2022)

Dear Mr. Andersen,

The American Academy of Actuaries¹ Life Illustrations Work Group (the “Work Group”) is pleased to provide comments to the IUL Illustration (A) Subgroup on the IUL Exposure from the July 18, 2022, meeting of the Subgroup.

As our Work Group discussed the options in the exposure, we realized we don’t have a clear understanding of the regulators’ views on certain matters. We have identified some questions that we encourage the regulators to answer early in the process to help frame the discussion:

1. What, if anything, is the problem that the IUL Subgroup is seeking to resolve? Articulating the problem will help regulators and interested parties identify the appropriate option.
 - a. If the regulators are comfortable with current IUL illustration practices, then the option to do nothing may be appropriate.
 - b. If the problem is limited to volatility-controlled indices, then a “quick fix” may be appropriate.
 - c. If the problem is that Actuarial Guideline (AG) 49-A does not readily accommodate evolving product design, then a more principle-based approach to AG 49-A may be appropriate.
 - d. If the problem cannot be addressed within AG 49-A, then a broader effort may be appropriate.

2. Does the “quick fix” option necessitate discussion with the Life Insurance and Annuities (A) Committee as to whether there are plans to address any broader issues with life illustrations, or are there really two options embedded within option (a)?

¹ The American Academy of Actuaries is a 19,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

3. What is meant by a “hard cap”? How would it be determined? How would it apply to the product features? Why would a hard cap be appropriate?
4. Which options support consumer understanding of the product features?
5. What information is needed to help the IUL Subgroup develop and evaluate any of the options?

Should the IUL Subgroup decide to apply a “quick fix” to AG 49-A, we suggest referring to the Work Group’s [letter dated February 3, 2022](#), for potential approaches.

The Work Group appreciates the efforts of the Life Actuarial (A) Task Force LATF and IUL Illustration Subgroup to review AG 49-A. If you have any questions or would like to dialogue on the above topics, please contact Amanda Barry-Moilanen, life policy analyst, at barrymoilanen@actuary.org.

Sincerely,

Alicia Carter, MAAA, FSA
Chairperson, Life Illustrations Work Group
American Academy of Actuaries