AMERICAN ACADEMY of ACTUARIES

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November 30, 2015

Fred Anderson, Chair
LATF IUL Illustration (A) Subgroup
National Association of Insurance Commissioners

Dear Fred,

The American Academy of Actuaries[1] Life Illustrations Work Group appreciates the opportunity to provide comments to the National Association of Insurance Commissioners (NAIC) IUL Illustration (A) Subgroup of the Life Actuarial Task Force (LATF) regarding the "Exposure of Proposed Revision to Actuarial Guideline 49."

We ask the Subgroup to consider the following:

1. The draft AG 49 revision requires each set of Index Accounts corresponding to each Benchmark Index Account (BIA) to independently pass self and lapse support testing. This is inconsistent with ASOP No. 24, which allows the policy form to pass in aggregate, while recognizing the distribution of business.[2] The guidance in ASOP 24 has existed for current illustrations for 20 years, and we believe that the guidance is appropriate in cases where there is more than one BIA for the illustrated policy, since the additional BIA is simply another dimension of the distribution of business.

2. The guideline should explicitly define account charges, which could include but are not limited to, cost of insurance, percentage of premium, per unit and asset based charges.

1The American Academy of Actuaries is an 18,500+ member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists 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.

2 ASOP No. 24 Section 3.5 states that "In performing the self-support test for a policy form, the actuary may test underwriting and policyholder choice factors in aggregate if, in the actuary's professional judgment, such combinations would be appropriate. If testing is done in the aggregate, the actuary should select assumptions for the distribution between underwriting classes and policyholder choices that are based on actual experience, if available, recognizing possible shifts in distribution toward any portion of the business that do not meet the self-support test in their own right."

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We appreciate the efforts of the Subgroup to address the issues related to indexed life insurance policy illustrations and product designs. If you have any questions or would like to discuss further, please contact Bill Rapp, assistant director of public policy (rapp@actuary.org).

Sincerely,

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