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AMERICAN ACADEMY *of* ACTUARIES

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*Objective. Independent. Effective.™*

January 8, 2015

Mike Boerner  
Chair, Life Actuarial (A) Task Force  
National Association of Insurance Commissioners

Dear Mr. Boerner:

The American Academy of Actuaries<sup>1</sup> Life Illustrations Work Group is pleased to provide our principles for a sound Actuarial Guideline for Life Insurance illustrations. We are providing these principles in response to a request by LATF during the NAIC Fall 2014 National Meeting.

### **Principles for a Sound Actuarial Guideline for Life Insurance Illustrations**

1. *Aligns with the Life Insurance Illustrations Model Regulation (Model 582) and ASOP No. 24 (Compliance with the NAIC's Life Insurance Illustrations Model Regulation).*
  - Provides consumer with key information as to how the product functions.
  - Highlights and distinguishes between the guaranteed and nonguaranteed components of the illustrated values.
  - Provides sufficient clarity on how to develop the disciplined current scale.
2. *Based on sound actuarial practice*
  - Clear and appropriate to the circumstances and intended audience.
  - Free of any arbitrary limits or arbitrary components.
  - All components are consistent and supportable.
3. *Applies uniformly to all illustrated index-linked features regardless of product type (e.g., UL, IUL, Whole Life).*
  - For example, index-linked dividend formulas, death benefits, loans, performance bonuses.
4. *Addresses all types of indexes.*
  - For example, equity indexes, bond indexes, inflation indexes.

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<sup>1</sup> The American Academy of Actuaries is an 18,000+ 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.

5. *Valid in all economic environments.*

We thank the Life Actuarial Task Force for considering our principles. If you have any questions, please contact Brian Widuch, life policy analyst at the American Academy of Actuaries ([widuch@actuary.org](mailto:widuch@actuary.org); 202-223-8196).

Sincerely,

Linda Rodway, MAAA, FSA  
Chairperson  
Life Illustrations Work Group  
American Academy of Actuaries