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AMERICAN ACADEMY *of* ACTUARIES

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September 4, 2019

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

Dear Mr. Andersen,

The Life Illustrations Work Group (“the Work Group”) of the American Academy of Actuaries<sup>1</sup> appreciates the opportunity to provide comments on the questions exposed August 2, 2019, by the IUL Illustration (A) Subgroup regarding the illustrations of Indexed Universal Life (IUL) products under Actuarial Guideline XLIX (AG 49). These comments pertain to those questions.

**1. Should a product with a multiplier feature illustrate a higher scale than a product without multiplier features?**

The Work Group believes that products with multiplier features could reasonably illustrate differently than products without multiplier features, assuming the products with multipliers have a different risk/return profile than products without a multiplier. The different risk return profiles could cause products with multipliers to illustrate higher or lower than products without multiplier due to factors such as option costs, different market exposure, and other product features. We are also supportive of making illustrations clearer with regard to the potential higher costs associated with the multiplier features.

**2. To what extent should the 145% disciplined current scale factor apply to charges supporting bonuses and multipliers?**

The Work Group’s response to this question is dependent on the intent of the 145% factor and what it applies to. As stated in our June 27, 2019, letter, some actuaries could interpret the 145% factor as imposing a limit on the return of the general account assets when hedging is used, while other actuaries may interpret the 145% factor as imposing a limit on the return on the assets supporting the hedge. Other interpretations may apply. Given the variety of possible interpretations, the Work Group thinks clarification is needed on the intent of the 145% factor, and what it applies to when charges are used to purchase additional assets that may enhance returns on IUL products.

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<sup>1</sup> 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.

The Work Group appreciates the efforts of 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](mailto:trepanier@actuary.org).

Sincerely,

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