October 15, 2025

Rachel Hemphill, Chair,
NAIC Life Actuarial (A) Task Force

Ben Slutsker Chair,
NAIC Life and Annuity Illustration (A) Subgroup

Fred Andersen, Chair,
NAIC Life and Annuity Illustration (A) Subgroup

Re: APF 2025-XX Illustrations v6.2

Dear Chairs Hemphill, Slutsker, and Andersen:

On behalf of the Life Illustrations Subcommittee (Subcommittee) of the American Academy of Actuaries,[1] I appreciate the opportunity to provide comments to the Life Actuarial Task Force (LATF) regarding APF 2025-XX Illustrations exposed for comment until Oct. 15, 2025. The Subcommittee has reviewed the proposed amendment and provides the following comments:

1. **Minimum number of years of historical Index changes and corresponding hypothetical annualized rates of Indexed Credits that can be shown:** With respect to the issue of whether there should be a five- or ten-year minimum number of years requirement, the Subcommittee continues to believe that:
    - Fundamentally, this is a decision that can only be made by the regulators.
    - There is some rationale for at least a five-year minimum based on the length of an average business cycle, which could help avoid possible consumer confusion.
    - There is real value for consumers to be able to see actual Index performance and year by year volatility, and how Index Account mechanics and volatility would have affected Index Credits, even if it is only for a limited number of years.
    - If such information is able to be included by the insurer in the company's official illustration rather than being obtained by the consumer from some other source,
        - It will be on a more uniform, standardized basis;
        - Such information won't include any data prior to the Index Inception Date; and
        - Illustrated policy values will be limited by the Benchmark Index Account.
    - Regardless of which of the minimum number of years requirements under consideration is ultimately decided upon, to be helpful to consumers, the Subcommittee suggests additional disclosure language explaining:

[1] The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 60 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.

(1) That any historical Index changes and corresponding hypothetical annualized rates of Indexed Credits shown are not representations or estimates of future performance, and
(2) That if a table is not shown for any illustrated Index Account, it is because the Historical Period is less than the required minimum number of years.

For example, the Subcommittee suggests adding guidance similar to the following to Section 7 of proposed amended AG 49-A:

D. For policies sold on or after April 1, 2026, the basic illustration shall include statements which are substantially similar to the following, as applicable:

(1) "Please note that historical Index changes and corresponding hypothetical annualized rates of Indexed Credits using current Index Account parameters shown above are not representations or estimates of future Index changes or rates of Indexed Credits."

(2) "If historical Index changes and corresponding hypothetical annualized rates of Indexed Credits using current Index Account parameters are not shown for any Index Account that is illustrated, it is because there are less than [5 or 10] years between the most recent Inception Date of any Index whose published values are utilized directly in the calculation of Indexed Credits and the date of this illustration."

During the Sept. 25, 2025, LATF meeting, it was suggested that limitation of the illustration of indices to a Historical Period of no less than ten years might avoid a potential conflict with NAIC Model 245, the Annuity Disclosure Model.

The Subcommittee agrees that it is appropriate to consider whether and to what extent illustration guidance for indexed life insurance is or should be aligned with analogous illustration guidance for indexed annuities. However, the Subcommittee notes that, unlike Model 245 for annuities, Section 7.B.iii of proposed amended AG 49-A does **not** provide for illustrations of life insurance policy values based on historical Index changes and corresponding hypothetical rates of Indexed Credits using current Index Account parameters. If it did, it might make sense to limit such policy value illustrations to continuous periods of index performance of at least ten years for consistency with Model 245. Since this is not the case, the Subcommittee is unsure of the need for consistency with the ten-year minimum requirement in Model 245.

2. **Annual vs. Annualized:** The Subcommittee had recommended that the reference in Section 7.B.iii to "hypothetical **annual** rates of Indexed Credits" be changed to "hypothetical **annualized** rates of Indexed Credits" for greater clarity in the context of multi-

year Index Accounts. The Subcommittee notes that this change is reflected within the currently exposed document, and that a similar change has been made with respect to the geometric average return described in the closing paragraph of Section 7.B.iii. The Subcommittee supports both of these changes.

However, the Subcommittee notes that the current exposure draft does not specify whether historical Index changes for multi-year Index Accounts should be shown on an annualized or a non-annualized basis. Without additional clarification, it seems possible that insurers may adopt varying practices. We have provided a hypothetical numerical example in the Appendix to illustrate how annualization versus non-annualization would affect the rates shown for multi-year Index Accounts in the Section 7.B.iii. table, in case it might be helpful to regulators in their consideration of this issue. (Please note that the example covers the most recent 20-year period.)

We hope that the Subcommittee's above comments and the hypothetical numerical example in the Appendix below will prove helpful to LATF. If there are any questions or if LATF would like to discuss these comments or the example further, please contact Amanda Barry-Moilanen, the Academy's life policy project manager (barrymoilanen@actuary.org).

Sincerely,

Brian R. Lessing, MAAA, FSA
Chairperson, Life Illustrations Subcommittee
American Academy of Actuaries

AMERICAN ACADEMY of ACTUARIES

Appendix

Segment Term Ending	1-Yr Annual S&P 500		1-Yr Annual EAFE		1-Yr Annual Russell 2000		3-Yr S&P 500* Non-annualized		3-Yr S&P 500* Non-annualized
	Actual Index Performance Rate	Hypothetical Rate of Indexed Credits	Actual Index Performance Rate	Hypothetical Rate of Indexed Credits	Actual Index Performance Rate	Hypothetical Rate of Indexed Credits	Actual Index Performance Rate	Hypothetical Rate of Indexed Credits	
12/15/2005	5.41%	5.41%	12.98%	5.75%	5.57%	5.57%	N/A	N/A	
12/15/2006	12.29%	6.25%	23.65%	5.75%	15.77%	5.75%	N/A	N/A	
12/15/2007	1.32%	1.32%	6.41%	5.75%	-6.76%	0.00%	19.92%	19.92%	
12/15/2008	-39.93%	0.00%	-44.69%	0.00%	-38.77%	0.00%	-31.66%	0.00%	
12/15/2009	27.56%	6.25%	29.13%	5.75%	33.97%	5.75%	-22.36%	0.00%	
12/15/2010	11.49%	6.25%	4.63%	4.63%	26.73%	5.75%	-14.57%	0.00%	
12/15/2011	-1.58%	0.00%	-16.48%	0.00%	-6.81%	0.00%	39.97%	27.50%	
12/15/2012	17.65%	6.25%	16.23%	5.75%	16.62%	5.75%	29.10%	27.50%	
12/15/2013	24.90%	6.25%	15.11%	5.75%	34.11%	5.75%	44.63%	27.50%	
12/15/2014	11.37%	6.25%	-5.54%	0.00%	1.83%	1.83%	63.65%	27.50%	
12/15/2015	2.70%	2.70%	-3.19%	0.00%	-0.77%	0.00%	42.86%	27.50%	
12/15/2016	10.70%	6.25%	-0.60%	0.00%	20.76%	5.75%	26.62%	26.62%	
12/15/2017	18.29%	6.25%	20.64%	5.75%	12.00%	5.75%	34.49%	27.50%	
12/15/2018	-4.85%	0.00%	-12.94%	0.00%	-9.95%	0.00%	24.59%	24.59%	
12/15/2019	25.35%	6.25%	16.26%	5.75%	19.72%	5.75%	41.09%	27.50%	
12/15/2020	15.77%	6.25%	3.50%	3.50%	18.78%	5.75%	38.07%	27.50%	
12/15/2021	27.48%	6.25%	7.68%	5.75%	12.01%	5.75%	84.99%	27.50%	
12/15/2022	-17.29%	0.00%	-13.41%	0.00%	-19.16%	0.00%	22.07%	22.07%	
12/15/2023	21.14%	6.25%	11.80%	5.75%	11.86%	5.75%	27.73%	27.50%	
12/15/2024	28.71%	6.25%	5.61%	5.61%	18.98%	5.75%	28.97%	27.50%	
Geometric Average Returns:	8.42%	4.50%	2.28%	3.53%	6.68%	3.79%	24.42%	21.53%	

* Earned over the 3-year segment terms

Segment Term Ending	3-Yr S&P 500* Non-annualized: Actual index Performance Rate	3-Yr S&P 500* Annualized: Hypothetical Annualized Rate of Indexed Credits
12/15/2005	N/A	N/A
12/15/2006	N/A	N/A
12/15/2007	19.92%	6.24%
12/15/2008	-31.66%	0.00%
12/15/2009	-22.36%	0.00%
12/15/2010	-14.57%	0.00%
12/15/2011	39.97%	8.44%
12/15/2012	29.10%	8.44%
12/15/2013	44.63%	8.44%
12/15/2014	63.65%	8.44%
12/15/2015	42.86%	8.44%
12/15/2016	26.62%	8.19%
12/15/2017	34.49%	8.44%
12/15/2018	24.59%	7.60%
12/15/2019	41.09%	8.44%
12/15/2020	38.07%	8.44%
12/15/2021	84.99%	8.44%
12/15/2022	22.07%	6.87%
12/15/2023	27.73%	8.44%
12/15/2024	28.97%	8.44%
Geometric Average Returns:	24.42%	6.71%

* Earned over the 3-year segment terms

Segment Term Ending	3-Yr S&P 500* Annualized: Actual Annualizd index Performance Rate	3-Yr S&P 500* Annualized: Hypothetical Annualized Rate of Indexed Credits
12/15/2005	N/A	N/A
12/15/2006	N/A	N/A
12/15/2007	6.24%	6.24%
12/15/2008	-11.92%	0.00%
12/15/2009	-8.09%	0.00%
12/15/2010	-5.11%	0.00%
12/15/2011	11.86%	8.44%
12/15/2012	8.89%	8.44%
12/15/2013	13.09%	8.44%
12/15/2014	17.84%	8.44%
12/15/2015	12.63%	8.44%
12/15/2016	8.19%	8.19%
12/15/2017	10.38%	8.44%
12/15/2018	7.60%	7.60%
12/15/2019	12.16%	8.44%
12/15/2020	11.35%	8.44%
12/15/2021	22.76%	8.44%
12/15/2022	6.87%	6.87%
12/15/2023	8.50%	8.44%
12/15/2024	8.85%	8.44%
Geometric Average Returns:	7.56%	6.71%

* Earned over the 3-year segment terms