AMERICAN ACADEMY of ACTUARIES

August 6, 2026

Commissioner Doug Ommen
Chair, Life Insurance and Annuities (A) Committee
National Association of Insurance Commissioners

Re: June 15 Indexed Universal Life (IUL) and Premium Financing Presentation

Dear Commissioner Ommen:

On behalf of the Life Insurance Illustration Subcommittee (Subcommittee) of the American Academy of Actuaries[1], we appreciate the opportunity to offer the following comments in response to the June 15, 2026, presentation made by NAIC Consumer Representative Dick Weber regarding IUL and premium financing. Due to time constraints of the meeting and the length of the presentation, there was no opportunity to provide comments or ask questions during the call.

We believe there were several items that warrant clarification, specifically:

1. Both Model 582 for Life Insurance Illustrations and Model 245 for Annuity Illustrations state that the purpose of an illustration is to show how a product works. Neither allows use of the words "projection" or "prediction" to be associated with an illustration. The presentation appeared to incorrectly portray illustrations as projections. It is our very strong opinion that using an illustration as a projection of expected outcomes should be avoided in any form and that this clarification should be made clear to all.

2. Slide 3 stated that there is no Disciplined Current Scale (DCS) in IUL, which is not accurate. IUL is a fixed product and must adhere to Model 582, which requires a DCS as well as testing. AG 49 and AG 49-A enhance Model 582's requirements for testing of the DCS by the illustration actuary. It is accurate to state that variable universal life insurance (VUL) does not require a DCS due to the fact it is a variable product, and variable life illustrations are not governed by Model 582.

3. Related to slide 7, there is an implication that once a policy is no longer considered "new," there is a tendency to decrease cap rates. The Subcommittee believes that is not entirely accurate, as there are aspects of illustration testing meant to protect the consumer both at the time of the initial sale and while the product is in force.

4. Slide 8 could be read to imply that nonguaranteed element changes are unrestricted. Companies have nonguaranteed element frameworks with accompanying actuarial standards of practice (ASOPs) and they must disclose if nonguaranteed elements have changed for reasons other than experience factor changes.

[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 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.

5. We would remind the Commissioners that misusing illustrations and incorrectly applying them as a method of assigning probabilities and likelihoods to outcomes is inappropriate. There are too many variables to account for when calculating a projection, and the current methodology and accepted practice does not support the use of an illustration to develop such a demonstration. We would also be concerned if there is a generally accepted assumption that the average consumer will understand stochastic variables and output. We also are concerned about the professional implications for illustration actuaries, should illustrations be incorrectly used in the manner described.

6. It is important to point out that premium financing is primarily a sales process issue or a best interest issue; it is not an illustration issue. If the consumer does not understand the difference between those issues, or understand how changes in market rates, loan rates, credited rates, or the many other factors could impact the policy, the issue to address is additional education at the time of sale. If there is a desire to use illustrations to support the education of consumers, we would recommend the use of in-force illustrations, which are a valuable tool and are often underutilized.

7. The Subcommittee disagrees with the premise that illustrations should have different requirements based on the existence of a fiduciary responsibility.

While this is not an exhaustive list, we wanted to provide feedback on the presentation and encourage further discussion on this topic. Discussion about the need for appropriate financial literacy and ongoing educational support for consumers purchasing a variety of insurance products is a priority for the regulatory community, consumer advocates, and actuaries. However, the underlying premise and misinterpretation of how illustrations should and can be used need to be addressed.

We are happy to provide an actuarial perspective in this arena. As you continue to move forward with these discussions, we would be happy to present and answer any questions attendees may have. The Subcommittee appreciates the interest in the illustrations and is prepared to assist with education efforts from the actuarial perspective to help stakeholders understand why the illustration is structured the way it is and why we believe that treating illustrations as projections or trying to them better projections (whether of expected outcomes or probabilities of outcomes) will continue to frustrate consumers.

If you have any questions or would like to discuss these comments further, please contact Marie Fabienne Amisial (Amisial@actuary.org), the Academy's policy project manager, life.

Sincerely,

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