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Rachel Hemphill

Chair, NAIC Life Actuarial (A) Task Force (LATF)

Fred Andersen

Chair, NAIC Life and Annuity Illustration (A) Subgroup

Ben Slutsker

Chair, NAIC Life and Annuity Illustration (A) Subgroup

Re: August Exposure of Revisions to Actuarial Guideline (AG) 49-A

Dear Chairs Hemphill, Andersen, and Slutsker:

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide feedback on the August re-exposure of revisions to AG 49-A. Our comments are as follows, with our proposed revisions shown in Appendix A.

- Section 3.G (Definition of Historical Period): This definition is confusing because (1) it states that the historical period is number of years from most recent date of any index utilized in calculation, and (2) it then states that if index account includes credits based on blended index, then the historical period is determined based on inception of the blended/composite index rather than individual components. We recommend deleting the term “Historical Period” and using the term “Inception Date” in Section 7.B.iii as shown in the text in Appendix A. The remaining definitions would then need to be renumbered. If the definition of “Historical Period” is retained, we would request clarification of the definition of a “blended” index. For example, would the definition include indices with fixed or guaranteed weightings of various components of the index.
- Section 7.B.iii: This should be clarified as the following: “hypothetical **annualized** rates of Indexed Credits.” Not all strategies have annual credits with some being partial year or multi-year in frequency.
- Section 7.3.B.iii.1 and Section 7.3.B.iii.2: It is important to include all illustrated index accounts in the historical table because doing so provides important consumer education. This information is useful even for indices with shorter history because it helps highlight the differences between the indices. In addition, if this historical information is not disclosed in the illustration for certain indices, many consumers will look for that information from third-

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The American Council of Life Insurers is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 275 member companies represent 93 percent of industry assets in the United States.

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party sources, which may present the information in a different format and/or include information that is not included in the illustration. Therefore, we recommend striking these sections and adding a separate sentence at the end of 7.B.iii as shown in Appendix A.

We appreciate the consideration of our recommendations, and we look forward to further discussion of the Guideline.

Sincerely,

A handwritten signature in cursive script, appearing to read "B. Banerjee". The signature is written in a dark ink and is positioned below the word "Sincerely,".

CC: Jennifer Frasier, NAIC; Scott O'Neal, NAIC

3. Definitions

~~G. Historical Period: The Historical Period for an Index Account is the number of whole years between the most recent Inception Date of any Index utilized in the calculation of Indexed Credits and the date of the illustration. If the Index Account includes credits based on a blended Index or published composite Index that relies on reference to other Indices, then the Historical Period is determined based on the Inception Date of the blended or composite Index rather than the component Indices.~~

[Renumber remaining definitions]

7. Additional Standards

A. For policies sold prior to April 1, 2026, the basic illustration shall also include the following:

- i. A ledger using the Alternate Scale shall be shown alongside the ledger using the illustrated scale with equal prominence.
- ii. A table showing the minimum and maximum of the geometric average annual credited rates calculated in 4 (A).
- iii. For each Index Account illustrated, a table showing actual historical Index changes and corresponding hypothetical Indexed Credits using current Index parameters for the most recent 20-year period.

Drafting Note: The above language is the same as the current Section 7 wording in AG9 49-A, with the intention that illustrations for policies issued prior to April 1, 2026 will not need to comply with the 2025 requirements.

B. For policies sold on or after April 1, 2026, the basic illustration shall also include the following:

- i. A ledger using the Alternate Scale shall be shown alongside the ledger using the illustrated scale with equal prominence.
- ii. A table, for the Benchmark Index Account only, showing the minimum and maximum of the geometric average annual credited rates calculated in 4 (A).
- iii. For each Index Account illustrated, a table showing actual historical Index changes and corresponding hypothetical ~~annual rates of~~ Indexed Credits using current Index Account parameters for only the most recent 25-year period.

~~a. For each Index Account illustrated, if the Historical Period is less than [5 or 10] years, then no table for that Index or Index Account shall be shown.~~

~~b. For each Index Account illustrated, if the Historical Period is at least [5 or 10] years but less than 25 years, then the table shall be limited to the Historical Period.~~

The table should include the historical geometric average return for the period shown, both for the actual historical Index changes and the corresponding hypothetical annual rate of Indexed Credits using the current Index Account parameters.

The table shall not reflect any Index data that predates the most recent Inception Date of any Index used in the calculation of Index Credits for the Index Account.

- C. For policies sold on or after April 1, 2026, neither the basic illustration nor the supplemental illustration may include the following:
 - i. Historical returns, including historical geometric average returns, other than the historical returns required by Section 7.B.ii and Section 7.B.iii in this guideline.
 - ii. Neither tables nor disclosures that either explicitly or implicitly compare historical returns and maximum illustrated rates, such as a side-by-side presentation.