June 9, 2020

Mr. Mazyck:

Thank you for the opportunity to comment on the proposed Actuarial Guideline 49A.

In the event an Insurance Department were to undertake an audit, with or without the assistance of an outside expert, it would be beneficial if all references to hedges, hedge cost, and hedge assets are as clear and consistent as possible.  Based on the context, it appears that changing "**hedges**" and "**hedge cos**t" to "hedge assets" would be an improvement, but further clarity may be useful.

There appears to be an intended distinction between "**hedges for Indexed Credits**" and simply "**hedges**", so using either "hedge assets supporting Indexed Credits" or "hedge assets supporting the policy" could be considered as a means to clarify the distinction.  It may be that "hedges" or "hedge assets" is better understood by context, such that the above suggestion does not enhance clarity, but confirmation by an expert would be appreciated.

I defer to experts on the best way to clarify any intended distinction, especially since the resulting language immediately following 5.A.(ii)(2) would seem counterintuitive with the tentative clarification of "hedge cost" and "hedges" proposed above.  The existing language from a draft redline document immediately following 5.A.(ii)(2) is shown below for convenience to enable consideration of alternatives.  Perhaps I have read too much into the striking of "for index-based credits" such that an alternative refinement would be better.

These amounts should be adjusted for timing differences to ensure that fixed interest is not earned on the hedge cost. The assumed return on hedges ~~for index-based credits) allocated to support~~ shall only be used in the disciplined current scale testing to support the illustrated Index Credits in the policy.

Thank you for considering the above comments.

Tom

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