



September 9, 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 AG 49-A Section 7 exposed 08.12.25

Dear Chairs Hemphill, Slutsker and Andersen:

On behalf of the Life Illustration 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 AG 49-A Section 7 exposed for comment until Sept. 9, 2025.² The Subcommittee has reviewed the proposed amendment and provides the following comments:

1. **Definitions of “Historical Period,” “Inception Date,” and “Index”:** With respect to the previously exposed version, the Subcommittee had recommended adding formal definitions of these three terms to Section 3 of AG 49-A, which have been included in the currently exposed version. However, in the current exposure the following sentence has been added to the definition of Historical Period: “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.”

The addition of this sentence was discussed during the Aug. 9 LATF meeting, and as a result, the Subcommittee believes the additional sentence is intended more as a clarification rather than as a substantive change to what the Subcommittee had recommended. The Subcommittee notes that the additional sentence references new terms such as “blended Index” and “published composite Index” which are undefined and might be subject to varying interpretations.

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.

²[Life Actuarial \(A\) Task Force/ Health Actuarial \(B\) Task Force Amendment Proposal Form*](#); NAIC.

The Subcommittee believes that a common understanding of “Historical Period,” “Inception Date,” and “Index” is central to the guidance in Section 7.B.iii. We have therefore reviewed these definitions anew and made the following recommendations for revised wording which we believe is clearer and is more consistent with our understanding of the regulatory intent:

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 whose published values are utilized directly in the calculation of Indexed Credits for the Index Account and the date of the illustration.

H. Inception Date: The Inception Date of an Index is the date on which the Index was launched and began tracking and reflecting market performance, and Index values were made publicly available. If the Index is comprised of multiple component indices, then the Inception Date is based on the Index itself rather than the component indices.

I. Index: An Index is a financial benchmark that tracks the performance of market instruments or investment strategies whose published values are used directly in the calculation of Indexed Credits for an Index Account.

The Subcommittee has also included several hypothetical examples within the Appendix of how it believes the guidance in Section 7.B.iii would work based on the above definitions, which we hope will be helpful to LATF in evaluating whether the Subcommittee’s understanding of its intent is correct.

2. **Minimum number of years that can be shown:** With respect to the previously exposed version, the Subcommittee wondered whether showing historical Index changes and corresponding hypothetical annual rates of Indexed Credits for a very few years (e.g., less than the length of an average business cycle) might increase the possibility of confusion for consumers in cases where Index performance may have been either unusually favorable or unfavorable. We therefore included language that would establish a minimum number of five years. We also included alternative language that would eliminate the minimum number of years requirement.

The currently exposed version suggests an alternative ten-year period for consideration. The Subcommittee discussed this issue and believes that it is fundamentally a decision that can only be made by the regulators. However, the Subcommittee continues to believe that there is rationale for at least a five-year minimum based on the length of an average business cycle and to avoid possible confusion of consumers. The Subcommittee also believes there is real value to consumers of being 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. Two other considerations are that if such Index-specific information is able to be included by the insurer in the company’s official illustration

as opposed to being obtained by the consumer from some other source, (1) it will be on a more uniform standardized basis, and (2) based on the definitions in Section 3 such information won't include any data prior to the Index Inception Date. Regardless of the minimum period decided upon by regulators, the illustration ledger values will continue to be limited by the Benchmark Index Account.

3. **Hypothetical versus Actual Benchmark Index Account:** The Subcommittee supports a comment that had been made by the ACLI in its June 20 letter with respect to the previously exposed version suggesting clarification that a hypothetical Benchmark Index Account may be used in the Section 7.A.ii (now Section 7.B.ii) table. Specifically, the Subcommittee recommends that the reference in Section 7.B.ii to "A table, for the Benchmark Index Account only," be changed to "A table for the Benchmark Index Account—which may be a hypothetical Benchmark Index Account as described in Section 4.A.ii—only."
4. **Annual vs. Annualized:** The Subcommittee recommends 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.

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

Sincerely,

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

Appendix

Hypothetical Examples:

- Index Account 1
 - Indexed Credits: Based on the change in the S&P 500 Index with a floor of 0%, a participation rate of 100%, and a cap that varies over time.
 - Inception Date:
 - S&P 500 Index: 03/04/1957
 - Historical Period:
 - As there is only one Index utilized in the calculation of Indexed Credits the Historical Period is based on the number of whole years between 3/04/1957 and today.
- Index Account 2
 - Indexed Credits: Based on the change in the BB VCI ER Index with a floor of 0%, a participation rate of 100%, and a cap that varies over time.
 - Inception Date:
 - BB VCI ER Index: 01/01/2023—while the BB VCI is based on dynamic allocations to long-standing indices, since its values are used directly in the calculation of Indexed Credits (and not the values of those other component indices), the Inception Date of the BB VCI ER Index is used instead of any component parts.
 - Historical Period:
 - As there is only one Index utilized in the calculation of Indexed Credits the Historical Period is based on the number of whole years between 01/01/2023 and today.
- Blended Index Account 1
 - Indexed Credits: Based on 50% of the change in S&P 500 Index plus 50% of the change in the Nasdaq 100 Index, a floor of 0%, a participation rate of 100%, and a cap that varies over time.
 - Inception Date:
 - S&P 500 Index: 03/04/1957
 - Nasdaq 100 Index: 01/31/1985
 - Historical Period:
 - As there is more than one Index utilized in the calculation of Indexed Credits, the Historical Period is based on the number of whole years between the most recent Inception Date and today. Thus, the Inception Date of 01/31/1985 should be used in the calculation of the Historical Period for the Index Account.
- Blended Index Account 2

- Indexed Credits: Based on 50% of the change in S&P 500 Index plus 50% of the change in the BB VCI ER Index, a floor of 0%, a participation rate of 100%, and a cap that varies over time.
- Inception Date:
 - S&P 500 Index: 03/04/1957
 - BB VCI ER Index: 01/01/2023
- Historical Period:
 - As there is more than one Index utilized in the calculation of Indexed Credits the Historical Period is based on the number of whole years between the most recent Inception Date and today. Thus, the Inception Date of 01/01/2023 should be used in the calculation of the Historical Period for the Index Account