Date: June 22, 2020

Please allow me to submit the following comments on behalf of Virginia regarding the following exposure:

**ACLI Exposure of AG 49A v2 dated 6-18-20**

1. AG 49. As one of the commenters noted, if AG 49A is adopted, then AG 49A will replace AG 49 and AG 49 may need to be revised to state that it is no longer applicable to policies that are issued after the effective date of AG 49A.
2. Section 3(C). “Annual Rate of Indexed Credits” should be underlined.
3. Indexed Credits. Section 3(H). There is a circular reference in the second sentence of Section 3(H). The definition of Indexed Credits references an Index Account with a floor, and the definition of Index Account refers to Indexed Credits, creating a circular reference. The second sentence of Section 3(H) may inadvertently include any guaranteed interest credits, which would potentially bring non-indexed UL policies into the scope of AG 49. To avoid a circular reference, I would propose the following alternate wording for Section 3(H):

H. Indexed Credits: Any interest credit, multiplier, factor, bonus, charge reduction, or other enhancement to policy values that is linked to an index or indices. Amounts credited to the policy resulting from a floor greater than zero on an account with any interest credit, multiplier, factor, bonus, charge reduction, or other enhancement to policy values that is linked to an index or indices are included.

1. Section 3(L). There appears to be a space between the last word of the first sentence of this section and the ending period.
2. Section 4(C). The reference to 3(C) needs to be changed to 3(D).
3. Section 4(D). “Purposes” should not be capitalized. Also, “Disciplined Current Scale” should not be capitalized.
4. Section 5(A). Regarding the paragraph that begins with “The assumed earned rate used in testing”, the word “interest” should be added between “earned” and “rate” to be consistent with the rest of Section 5(A). Also, “Disciplined Current Scale” should not be capitalized. Also, what if the Hedge Budget exceeds the Annual Net Investment Earnings Rate? Since the assumed earned rate used in DCS testing is already constrained by the minimum of the NIER and Hedge Budget in Section 5(A)(ii), it should not be further reduced when the Hedge Budget is greater than the NIER. To be more clear and avoid confusion, I would suggest the following alternative wording for Section 5(A):
5. If an insurer engages in a hedging program for Indexed Credits in an account, the assumed earned interest rate underlying the disciplined current scale for that account, inclusive of all general account assets, both hedge and non-hedge assets, that support the policy, net of default costs and investment expenses (including the amount spent to generate the Indexed Credits of the policy) shall not exceed the lesser of i) and ii):
6. The Annual Net Investment Earnings Rate, plus 45% of the lesser of (1) and (2):
7. Hedge Budget minus any annual floor, to the extent that the floor is supported by the Hedge Budget,
8. The minimum of the Annual Net Investment Earnings Rate and the Hedge Budget that is used in the determination of the Benchmark Index Account,
9. The Annual Rate of Indexed Credits plus the excess, if any, of the Annual Net Investment Earnings Rate over the Hedge Budget.

Guidance Note: The above approach does not stipulate any required methodology as long as it produces a consistent limit on the assumed earned interest rate underlying the disciplined current scale.

For a policy with multiple Index Accounts, a maximum rate in 5(A) should be calculated for each account. All accounts, fixed and indexed, within a policy can be tested in aggregate.

1. Section 5(A). In the last paragraph, to be consistent with the rest of the guideline, the reference to “5.A” should be changed to “5(A)”.
2. Section 6. The 5% at the end of the Section should be 4.5%.

Thank you for providing me the opportunity to submit these comments.

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