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Ms. Rachel Hemphill
Acting Chair, NAIC Life Actuarial Task Force (LATF)

Mr. Fred Andersen
Chair, Index Universal Life (IUL) Illustration (A) Subgroup (Subgroup)

Re: AG49-A Quick Fix Proposals

Dear Ms. Hemphill and Mr. Andersen:

The American Council of Life Insurers (ACLI) appreciates the opportunity to submit the following comments on the exposed AG49-A Quick Fix Proposals. Specifically, we wish to address the pros and cons of the three outlined proposals and the exposure discussion topic to address the regulatory concern around products with uncapped volatility-control funds with fixed bonuses illustrating better than products with capped S&P funds.

ACLI could support either the Securian Financial Proposal (Securian) or Group of 6 Companies (Group) proposal as a “quick fix”. We believe both proposals are targeted in nature and would effectively address the identified regulatory concern. In addition, we believe these proposals are consistent with the concept of products and strategies associated with the same hedge budget illustrating the same by setting a limit at the hedge budget; furthermore, the Securian and Group proposals would be combined with the other existing guardrails in AG49-A to keep illustrated values in check.

ACLI does not support the Coalition of Concerned Insurance Professionals (Coalition) proposal. While it may address regulatory concerns, it is overly broad and goes beyond the regulator desire for a “quick fix.”

We have the following considerations for LATF as they contemplate the pros and cons of each of the proposals:

Securian

- Pros: Proposal limits the amount of non-Benchmark Index Accounts (BIAs) indexed leverage to that of the BIA. The proposal specifically avoids non-BIAs from illustrating better than the BIA by limiting the indexed leverage illustrated to all accounts to that of the BIA.

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The American Council of Life Insurers (ACLI) 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 280 member companies represent 94 percent of industry assets in the United States.

- Cons: May introduce differences in illustrations values over a short period due to current market volatility.

Group

- Pros: Straightforward approach that may allow for more flexibility in product designs. Clearly sets 145% limit for BIA and non-BIAs.
- Cons: May lead to non-BIA accounts illustrating better than BIA accounts in certain market environments

Coalition

- Pros: Would address issue of regulator concern by limiting illustrations to hedge budget.
- Cons: The proposal is not a “quick fix” limited to the concerns regulators are trying to address. Relative to the current requirements and the other proposals, it does not allow the reflection of any equity risk-premium in the illustration which would fundamentally change how IUL products are illustrated and would likely involve a significant effort to implement.

ACLI is appreciative of your consideration of our comments and looks forward to a future discussion.

A handwritten signature in cursive script, appearing to read "B. Banerjee".

cc: Scott O'Neal, NAIC