November 3, 2022

Mr. Fred Andersen

Chair, Index Universal Life (IUL) Illustration (A) Subgroup (Subgroup)

 Via Email: jfrasier@naic.org

Re: October 13 IUL Subgroup Exposure for AG 49-A Quick Fix Proposals

Dear Mr. Andersen:

Upon request at the last IUL Illustration Subgroup call, please find the below description and examples of our proposed “quick fix” to AG 49-A.

Description:

Add an additional limit on indexed illustrated rates of all index accounts of 145% of each index account’s hedge budget. This is similar to the 145% of net investment earned rate limitation on the Benchmark Index Account, except expanded to include all index accounts.

Proposed language for this change is found in Appendix I. All that would be required to accomplish this proposal would be a one sentence addition to section 4.C.

Examples of the impact of this change can be found in Appendix II.

Thank you for the consideration of these comments. We would be glad to respond to any questions you may have regarding this description or examples.

Allianz Life

John Hancock

Lincoln National

National Life Group

Nationwide

Pacific Life

Sammons Financial Companies

**Appendix I – Revised AG 49-A Language**

4. C. For any other Index Account that is not the Benchmark Index Account in 3 (D), the Annual Rate of Indexed Credits illustrated as a percentage of the account value in the Index Account prior to the deduction of any charges used to fund a Supplemental Hedge Budget shall not exceed the minimum of (i), (ii) and (iii):

i. The Annual Rate of Indexed Credits for the Benchmark Index Account calculated in 4 (B) plus the Supplemental Hedge Budget for the Index Account.

ii. The Annual Rate of Indexed Credits reflecting the fundamental characteristics of the Index Account and the appropriate relationship to the expected risk and return of the Benchmark Index Account. The illustration actuary shall use actuarial judgment to determine this value using lookback methodology consistent with 4 (A) and 4 (B) (i) where appropriate.

iii. 145% of the Hedge Budget for the Index Account.