

Fred,

Thank you for the opportunity to submit a proposal to the IUL Illustration Subgroup to address the issue of certain non-BIA account options, typically using volatility-controlled indices, that illustrate total credits greater than the Benchmark Index Account. That result is inconsistent with the intent of AG 49-A.

We understand that the charge from LATF to the Subgroup is to suggest simple and straightforward modifications to AG 49-A that would equalize the maximum illustrated performance of BIA and non-BIA accounts. This proposal meets the criteria of the charge.

Our proposal is to:

1. Remove the lookback methodology described in Section 4(A) of AG 49-A that uses historical index return data combined with declared elements to produce a maximum illustrated rate
2. Install the Hedge Budget in Section 4(C) as the maximum illustrated rate for any indexed account. The Hedge Budget is already a defined term in AG 49-A.
3. Reduce the 45% factor in Section 5(A)(i) to 0%

This proposal will not only bring non-BIA accounts into alignment with the BIA account, but it also creates consistency in illustrations between Indexed UL and other fixed life insurance products while modifications to #582 are explored to holistically incorporate indexed crediting.

The ability to demonstrate the variability and hypothetical historical returns of indexed crediting is still available in the illustration courtesy of the tables described in AG 49-A Section 7(C). We firmly believe these tables should remain. In no way does the elimination of the lookback from Section 4(A) reduce the ability for the consumer to understand the mechanics of indexed crediting or the product.

Signed,

The Coalition of Concerned Insurance Professionals