February 21, 2020

Fred Andersen
Deputy Commissioner of Insurance
Minnesota Department of Commerce
Chair, NAIC IUL Illustration (A) Subgroup

Re: Proposed Changes to Actuarial Guideline 49

Fred:

On behalf of the companies listed below (the "IUL Coalition"), we appreciate the opportunity to submit the attached proposed changes to Actuarial Guideline 49 ("AG 49") to the Indexed Universal Life Illustration (IUL) Subgroup ("IUL Subgroup"). These proposed changes are intended to implement regulators' stated intent per the Life Actuarial (A) Task Force ("LATF") straw poll on October 17, 2019, the December 6, 2019, LATF meeting and vote, and the most recent IUL Subgroup call on January 28, 2020. We look forward to the opportunity to discuss our proposed changes with the IUL Subgroup.

Lincoln Financial Group
Pacific Life Insurance Company
National Life Group
John Hancock
Sammons Financial Group

The changes proposed in the attached are substantially similar in approach to the changes that have been proposed by the American Council of Life Insurers ("ACLI"). There are areas, however, where our proposal differs from the ACLI's version. As such, we are submitting the attached proposal to complement the ACLI's work and provide options for how the final guideline could be structured. In their comment letter, the ACLI points out that additional work is needed to complete a final version. We agree with that statement and ask that regulators please consider the attached as a draft that needs additional work and discussion. Regarding a timeframe for completion, we are optimistic that a final, or near final, version can be ready for exposure by LATF —along with any other proposed changes to the guideline—at next month's NAIC Annual Spring Meeting.

Like the ACLI, we propose creating a new "Actuarial Guideline 49-A" that would apply to new business issued on and after the guideline's effective date. Business issued prior to the effective date would remain subject to the original AG 49. This accomplishes two important objectives:

- Avoids the confusion and disruption that would be experienced by existing policyholders were changes to the guideline applied retroactively. Policyholders rely upon the in-force illustration to make critical decisions about future premiums and benefits. Requiring companies to generate in-force illustrations that cannot be compared to the illustration provided at time of issue (as well as any other in-force illustrations) would deny policyholders the ability to make informed decisions about these matters.
- Streamlines the timeline and process for final adoption of the regulators' desired changes to the guideline. Attempting to work these changes into the existing guideline would involve additional time and effort.

Examples of where our approach differs from the ACLI proposal include:

- Section 3.C.vi: Language added to compare additional amounts credited between accounts with the same charges. The purpose is to avoid a situation where the determination of a Benchmark Index Account is not possible because 3.C.vi and 3.C.vii would identify different accounts as the Benchmark.
- Section 4(b)(1): In the ACLI version, section (3)(C)(vi) allows for a charge (as long as it's no higher than any other Index Account) to be included, that can increase the Hedge Budget above the Annual Net Investment Earnings Rate, thus making the Supplemental Hedge Budget greater than zero. The impact of this Supplemental Hedge Budget is being reflected in 2 places: (1) a higher lookback rate per section (4)(A) and (2) then counted again under section (4)(B)(iii). Our proposal avoids this double counting.
- Section 5: We prefer our treatment of the Disciplined Current Scale.

We appreciate the opportunity to provide input to the Subgroup and look forward to further discussions.

Respectfully Submitted,

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cc: Reggie Mazyck, NAIC