Dear Mr. Andersen,

Securian Financial and Penn Mutual respectfully submit these comments in response to the Indexed Universal Life (IUL) Illustration (A) Subgroup Exposure for AG49-A Quick Fix Proposals.

We believe that the three proposals being considered will all limit the leverage (option profit) that may be considered in the calculation of the maximum illustrated rate. The difference between the proposals is the extent of the limitation. There is not an explicit limit to this leverage currently in AG49-A.

1. The Securian proposal limits the leverage that may be illustrated on options on all indexed accounts to the leverage on the S&P500 Benchmark Index Account (BIA). This proposal could easily be added to AG49-A by adding provision 4(C)(iii) as outlined in the Securian letter dated September 6. This provision would calculate the leverage on the BIA and multiply that by the minimum of the hedge budgets of the BIA and the indexed account. This then becomes an additional limitation for the Annual Rate of Indexed Credits (or the maximum illustrated rate) for all other indexed accounts.

   This proposal would achieve the stated objective of the subgroup of having non-S&P500 accounts illustrate no better than the S&P500 accounts. In fact, all indexed accounts with the same hedge budget would permit the same leverage at all times.

   Also, the current market conditions would be reflected in all of the indexed accounts under this approach. During times of higher volatility, and therefore higher option costs, the leverage permitted would be smaller than during times of lower volatility. This already occurs with the BIA as caps are reduced as hedge costs increase. However, this does not happen under the current guideline with managed volatility accounts since the hedge cost does not change. Rather, the percentage of the allocation to the equity portion of the index is reduced. One might conclude that this inherently reduces the expected return of the indexed account, but this lower expectation is not reflected in the current guideline. The Securian proposal puts other indexed accounts, including managed volatility accounts, on a more equal level with S&P 500 accounts through this limitation on the option profits that may be reflected in the maximum illustrated rate.

2. The Group of 6 proposes that the leverage is limited to a flat 45%, consistent with the limit on the Benchmark Indexed Account and the limit embedded in Section 5 for DCS testing. This proposal would also be easily added to AG49 by the addition of a provision 4(C)(iii).

   This proposal would reduce the rates at which many managed volatility accounts are currently being illustrated. However, it would not meet the stated objective of the subgroup since it would permit some indexed accounts to illustrate more favorably than S&P500 accounts. During times of low volatility, these differences would likely be small. In 2019 for example, S&P500 accounts resulted in leverage in the 35-40% range. However, in today's environment, the permitted leverage is closer to 15-20%. This Group of 6 proposal of a flat 45% would not account for the higher volatility environment for managed volatility accounts and the difference between these accounts and the BIA would be much greater.

3. The Samuelson-Moore letter recommends removing the lookback methodology entirely from AG49A. We are not aware of any proposed language for this approach, but it would ultimately result in illustrations of all indexed accounts using a rate substantially similar to the hedge budget, removing all leverage from the permissible maximum illustrated rate.

   This proposal would be a major deviation from the way IUL products have always been illustrated. The value proposition in IUL is to exchange a fixed rate of return with variable one with limits on both the downside (the floor) and upside (cap, par rate, allocations to the equity component). This approach would eliminate the ability to illustrate this risk-reward tradeoff for this product. By limiting illustrated rates to the hedge budget, the illustrations will only show the risk without potential for a reasonable reward in exchange for the risk.

We have included high level examples of the 3 proposals in the file "*Securian Penn Examples for AG49A Proposals.xlsx*". As shown, the Securian proposal would limit the option profit able to be illustrated so that it is in line with that of an S&P500 account in line with the subgroup's stated intent.

Respectfully,

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