

Dear Fred;

Thank you for the opportunity to comment on the proposed Actuarial Guideline 49 (AG 49) “The Application of The Life Illustrations Model Regulation to Policies with Indexed-Based Interest.”

Members of the Life Actuarial Task Force (LATF) Indexed Universal Life (A) Subgroup had previously voted to promote the general principle of “not allowing multiplier products illustrate better than products without multipliers.” The objective of revising the AG 49 is to clarify the guidance and applicability for this general principle. Examples noted in the current version of the proposed AG 49 also demonstrate the essence of this general principle. During the 2019 NAIC Winter Meeting, members of the subgroup voted to further expand this general principle to cover the “cap buy-up” feature of Indexed Universal Life (IUL) products.

As indicated in the provided document for the Jan 28, 2020 conference call, both Option A and Option B for Sections 3.G and 4.E of the proposed AG 49 leave rooms for companies to illustrate higher net credited rates for multiplier products than non-multiplier products. As both options violate the general principle of “not allowing multiplier products illustrate better than products without multiplier,” we prefer neither Option A nor Option B.

Regardless of the final option (A, B or others) being adopted, no regulations or actuarial guidelines may cover all future product innovations and terms used in insurance contractual provisions. Innovative IUL products or contractual provisions may gradually limit the effectiveness of the final AG 49 on IUL illustration. It is also not practical for regulators to continually revise the definitions of the AG 49.

While we should continue to revise the language of AG 49 to achieve the general principle, we may also consider implementing a supplementary approach of defining the net credited rates and the projected account values of the base IUL product (without multipliers, cap buy-up or other credit enhancing features) as the upper bounds for the net credited rates and the projected account values of IUL products with multipliers, cap buy-up or other credit enhancing features. The combination of the two approaches may minimize the loopholes of AG 49 and reduce the frequency for updating AG 49.

In conclusion, we do not prefer either Option A or Option B on a stand-alone basis. Besides revising the languages for Section 3.G and 4.E, we encourage the subgroup to consider amending the AG 49 by defining the net credited rates and the projected account values of a base IUL product as the upper bounds for the IUL product with multipliers, cap buy-up or other enhancing product features.

Thank you.

Very truly yours,

Vincent Tsang, FSA, MAAA

Illinois Department of Insurance