



AMERICAN ACADEMY of ACTUARIES

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August 1, 2016

Mr. Fred Andersen
Chair, IUL Illustrations (A) Subgroup
National Association of Insurance Commissioners

Dear Mr. Andersen,

The Life Illustrations Work Group of the American Academy of Actuaries¹ appreciates the opportunity to provide comments to the NAIC's IUL Illustrations (A) Subgroup regarding the extension of Actuarial Guideline 49 (AG 49) to all inforce life insurance illustrations.

We request the Subgroup consider the following:

- Changing the format, content, and disciplined current scale from previous illustrations may cause confusion for consumers, since the perception could be that the policy's nonguaranteed elements have changed when, in fact, they have not. As a result, customers could react in ways that may not be in their best interest. This consideration should be weighed against having inconsistencies between new policy illustrations and inforce policy illustrations.
- Applying AG 49 to all policies in force would be inconsistent with the history of the applicability of Model #582 and the original drafting vision of AG 49, neither of which contemplated applicability to illustrations of policies already in force as of the effective date. However, applying AG 49 to all policies in force would make illustration testing uniform, and eliminate the possibility of the illustration actuary having to disclose any inconsistencies between the illustrated nonguaranteed elements of new and similar inforce policies based solely on AG 49's original effective date.
- If any or all of AG 49 becomes retroactive, a reasonable timeframe to allow companies to make new and legacy systems adjustments should be provided. Without such lead time, companies could be faced with immediate noncompliance issues due to the inability to provide an illustration that complies with AG 49 requirements.

¹ The American Academy of Actuaries is an 18,500+ member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

We appreciate the efforts of the Subgroup to address the issues related to AG 49. If you have any questions or would like to further discuss this issue, please contact Amanda Darlington, life policy analyst, at darlington@actuary.org.

Sincerely,

Donna Megregian, MAAA, FSA
Chairperson, Life Illustrations Work Group
American Academy of Actuaries