



Financial Security...for Life.

**Brian Bayerle**  
Senior Actuary

June 28, 2019

Mr. Fred Andersen  
Chair, NAIC IUL Illustration (A) Subgroup

Re: Indexed Universal Life (IUL) Exposed Items from Menu of Options

Dear Mr. Andersen:

The American Council of Life Insurers (ACLI)<sup>1</sup> appreciates the opportunity to submit the following responses to the exposed items from the “Menu of Options” for potential changes to IUL Illustrations.

**Item 13.** Clarify whether charges can impact assumed earned interest underlying the DCS

**Response:** ACLI supports clarification around the 145% of the annual net investment earnings rate limitation to the earned interest rate under the disciplined current scale and how to incorporate asset charges for multipliers or bonuses in Section 5A. We support consistency in DCS testing, including methods for incorporating options returns in Self Support and Lapse Support testing. Any changes should ensure the product design and features are appropriately reflected in the illustration.

**Item 14.** Limit the use of variable / index loans

**Response:** ACLI believes that illustrations should convey to customers the risk/reward profile of all product features, including policy loans. We would support clarity around the illustrated interest rate credited and the rate charged and if they should be inclusive of any bonus or multipliers.

**Item 15.** Have consistent treatment of various IUL product types

**Response:** ACLI is supportive of consistent treatment of different IUL product designs while appropriately conveying a product’s risk/reward profile. A high participation rate design might result in the exact same credited rates, and so the same risk/reward profile, as a multiplier product design but have different DCS outcomes. Consistent with our comments for items 13 and 14, we believe clarification around those items would be a step towards greater consistency of treatment of various product designs.

**Item 16.** Application of AG 49 constraints to cash value internal rate of return

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<sup>1</sup> The American Council of Life Insurers (ACLI) advocates on behalf of 280 member companies dedicated to providing products and services that promote consumers' financial and retirement security. 90 million American families depend on our members for life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, dental and vision and other supplemental benefits. ACLI represents member companies in state, federal and international forums for public policy that supports the industry marketplace and the families that rely on life insurers' products for peace of mind. ACLI members represent 95 percent of industry assets in the United States. Learn more at [www.acli.com](http://www.acli.com).

Response: ACLI is concerned that application of AG49 constraints to cash value IRR would cause artificially lower credited amounts to comply with the IRR limit. This limit may make it confusing for consumers to understand what they were buying and how the policy should function, rather than providing clarification of the product's risk/reward profile.

We look forward to a discussion of these questions on a future Subgroup call. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Banerji".

cc      Reggie Mazyck, NAIC