ACLI
Financial Security for Life

August 17, 2026

Interstate Insurance Product Regulation Commission
1101 K Street, NW
Suite 650
Washington, DC 20001

RE: Draft *Additional Standards for Bonus Benefits (for Individual Adjustable Life Insurance Policies)*

Members of the Product Standards Committee:

The American Council of Life Insurers (ACLI) appreciates this opportunity to comment on the Product Standards Committee's draft *Additional Standards for Bonus Benefits (for Individual Adjustable Life Insurance Policies)*.

We are writing to express our concerns regarding the proposed standards. It has been our understanding that the Compact's rulemaking framework generally seeks to develop Uniform Standards that are informed by, and aligned with, existing state regulatory and statutory frameworks. In that regard, we are concerned that the proposed requirements for non-guaranteed bonus benefits may move beyond the scope of a Compact uniform product standard for life insurance contracts and related actuarial materials.

The discussion reflected in the Product Standards Committee's June 30th regulator-only call minutes appears to recognize that three NAIC Models define non-guaranteed elements. However, those Models were developed primarily to regulate advertising, sales materials, and illustrations - not to impose substantive contract provision requirements for life insurance policies. That distinction is important. The existing regulatory framework appropriately addresses non-guaranteed elements through disclosure and sales-practice regulation because such elements, by their nature, are not guaranteed policy promises. A life insurance contract should memorialize the insurer's contractual obligations; it should not be required to codify detailed methodologies or disclosures for benefits that are expressly non-guaranteed and subject to change.

In light of that framework, we believe additional consideration may be warranted as to whether the proposed requirements are best addressed through Compact standards applicable to life insurance contracts and actuarial materials. The Compact and the

Product Standards Committee have acknowledged that existing regulation already addresses non-guaranteed elements. That existing regulation places compliance obligations in the context of advertising, sales materials, and illustrations, where consumer-facing representations about non-guaranteed values are made. Extending those concepts into contract filings risks blurring the distinction between guaranteed contractual benefits and non-guaranteed elements that are administered outside the policy's guaranteed terms.

If the focus of the proposed standard is non-guaranteed bonus benefits, the following issues merit particular consideration:

1. Disclosure of bonus calculations may require disclosure of proprietary information. Requiring an insurer to provide the calculation methodology for a non-guaranteed bonus could require disclosure of proprietary pricing, crediting, or product administration information. This is especially concerning where the benefit is not guaranteed and may be subject to company discretion, experience, or future adjustment consistent with applicable law and filed policy terms.

2. The proposed approach would represent a significant departure from established regulatory practice. Requiring disclosure of non-guaranteed rates or calculation methodologies in policy or actuarial filings would be a material departure from established industry and regulatory practice. To our knowledge, Compact filings have historically been focused on guaranteed policy provisions, guaranteed rates, and permissible ranges. Extending disclosure requirements to non-guaranteed elements would move into largely uncharted territory and could establish a precedent with far-reaching implications beyond the specific bonus benefit at issue.

3. The proposed standard fails to accommodate judgment-based non-guaranteed bonus benefits that are otherwise permissible under existing state law and established industry practice. Reading Section 3.A. and 3.B.(1) together, these provisions appear to require not only a disclosed formula or methodology, but also that the parameters within that formula carry guaranteed values. This effectively mandates a formulaic approach with guaranteed inputs, which is fundamentally inconsistent with a judgment-based bonus benefit where the amount is set periodically based on actuarial discretion, future anticipated experience, and other factors that do not reduce to a fixed formula with guaranteed parameters. While Section 3.B.(2) acknowledges that bonus elements "may be changed at the discretion of the company," that acknowledgment is difficult to reconcile with the combined effect of Sections 3.A. and 3.B.(1).

For these reasons, we respectfully seek further discussion regarding whether the proposed requirements are appropriately aligned with the intended scope of Compact product standards. At a minimum, we believe it is important to maintain a clear distinction between guaranteed contractual provisions and non-guaranteed elements that are already addressed through existing advertising, sales, and illustration frameworks. Any new requirements relating to non-guaranteed bonus benefits would benefit from careful consideration of the broader regulatory framework, the protection of proprietary information, and the potential implications of expanding Compact filing requirements beyond traditional contractual obligations.

Thanks again for this opportunity to comment, and we look forward to working with you on this issue going forward. If you have any questions, please feel free to contact me.

Respectfully submitted,

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