

I. Scope limitation

We propose the following language:

*The Phase III methodology shall apply to fixed **interest**¹ universal life² insurance policies that contain secondary guarantees³ that extend beyond the **fifth** policy anniversary, as defined by the following:*

III. Limited optionality

Our discussions of the product scope limitation and materiality test brought to the surface some practical issues that we believe would be best addressed by language that would allow companies to have the ability to apply the Phase III methodology on an optional basis under specific, limited circumstances.

We propose the following language:

The company shall have the option to apply the Phase III methodology to:

- a. Other policies or funds in the same Business Segment as the policies to which the Phase III methodology applies.*

Optional application for policies within the same Business Segment as ULSG

As we discussed the scope limitation, our member companies expressed concerns about the potential need to identify specific contracts that either satisfy or fail to satisfy the defined product scope—and then artificially dividing supporting asset portfolios for purposes of performing the modeling exercise. A variety of