



DATE: April 25, 2024

TO: Insurance Compact Management Committee

FROM: Product Standards Committee

RE: Index Linked Variable Annuity Contract (ILVA) Uniform Standards

The Product Standards Committee (“PSC”) of the Interstate Insurance Product Regulation Commission (“Commission”) was asked to review a February 29, 2024, request from the ACLI and the CAI and to report to the Management Committee. The ACLI -CAI submitted a request to add a drafting note to ensure clarity that the intent of Section 3.K. pertains only to the substitution of an index during an index strategy term. The proposed drafting note provides:

Drafting Note: With respect to discontinuation of an index, Section 3K allows the company to substitute another index for in force contracts to address discontinuation or substantial changes to an index during an index strategy term. This does not prohibit discontinuing the availability of an index or index strategy at the end of Index Strategy terms or from no longer making an index strategy or index available for new issues.

The drafting note would not change how the substantive provision of the standard is already applied in the comparable annuity and life insurance standards for index-linked features. The Compact does not apply the restrictions on discontinuation or substitution of an index at the end of an index term, because discontinuation or substitution of an index would have no effect on credited values outside of the index term. It is common practice for companies to specifically state in the contract that indices and index strategies may no longer be available at the end of an index term, and this type of provision would still be allowed under the drafting note. The PSC believes this drafting note to be consistent with the application of the comparable section in the current Compact index standard and, otherwise, has no concerns with adding the drafting note.

The PSC is available to respond to any questions or requests for information to assist the Management Committee.