



July 12, 2023

ILVA Subgroup of the Product Standard Committee (PSC)
Interstate Insurance Product Regulation Commission (IIPRC)

Re: Draft Core ILVA Standard after 4-10-23 call—Discussion Draft—2023
Compact Requirements for Index-Linked Variable Annuity Products

Dear Chair Conway,

On behalf of the American Academy of Actuaries¹ Index-Linked Variable Annuity Work Group (the “work group”), I appreciate the opportunity to provide comments on the proposed IIPRC ILVA product standards.

The work group appreciates the efforts of the PSC ILVA subgroup in creating a discussion draft that reflects *Actuarial Guideline LIV* (AG 54). We have the following comments on the Draft - Core Standards for Individual Deferred Index Linked Variable Annuity after the May 8, 2023, call and request for additional comments:

The Compact discussion draft appears to limit the ILVA product designs to those that comply with the Hypothetical Portfolio and require an MVA. AG 54 is more inclusive of actuarially sound designs that comply with the certification process outlined in AG 54. There is the opportunity for the Compact to rely on the actuarial certification in acceptance of such designs.

We recommend the following redline version of “Section AA. Separate Accounts” to be more inclusive of the structure of ILVAs.

AA. SEPARATE ACCOUNTS

- (1) If the contract includes a variable **or ILVA** subaccount the contract
- (a) Shall explain the allocation to separate account funds and any restrictions (e.g. limitations on transfers between/among separate account funds and between the separate account and the general account).
 - (b) May contain a provision stating that the portion of assets of a separate account equal to the reserves and other contract liabilities with respect to the account shall not be charged with

¹ The American Academy of Actuaries is a 19,500-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.

liabilities arising out of any other business the company may conduct. If the company's domiciliary state requires separate accounts to be insulated, the contract shall include this provision.

~~(e) Shall provide that income, gains, and losses, whether or not realized, from assets allocated to a separate account shall be credited to or charged against such account without regard to other income, gains or losses of the company.~~

~~(d)~~ (c) Shall identify or describe the separate accounts and funds available under the contract, either within the contract itself or on the specifications page.

~~(e) Shall specify the dates on which the assets of a separate account will be valued and provide that assets allocated to a separate account shall be valued at their market value on those dates.~~

(d) If there is no readily available market for assets in the separate account, then the contract shall specify how the assets would be valued.

(2) For variable subaccount within the contract

~~(a) Shall provide that income, gains, and losses, whether or not realized, from assets allocated to a separate account shall be credited to or charged against such account without regard to other income, gains or losses of the company.~~

~~(b) Shall specify the dates on which the assets of a separate account will be valued and provide that assets allocated to a separate account shall be valued at their market value on those dates.~~

Our work group appreciates the efforts of the Product Standard Committee ILVA subgroup on this draft Core Standards for Individual Deferred Index-Linked Variable Annuity Contracts. If you have any questions or would like further dialogue on the above topics, please contact Amanda Barry-Moilanen, life policy analyst, at barrymoilanen@actuary.org

Sincerely,

Beth Keith, MAAA, FSA
Chairperson, Index-Linked Variable Annuity Work Group
American Academy of Actuaries