



DATE: April 25, 2024

TO: Insurance Compact Management Committee

FROM: Product Standards Committee

RE: Draft Amendments to the *Additional Standard for Guaranteed Living Benefits for Individual Deferred Variable Annuities* to allow for use with Index-linked variable annuity products and amendments to address the calculation of the initial benefit base for Guaranteed Minimum Accumulation Benefit (GMAB) features

The Product Standards Committee (“PSC”) of the Interstate Insurance Product Regulation Commission (“Commission”) is charged with developing proposed drafts of Uniform Standards. In carrying out its charge, the PSC has finalized the following draft amendment to the *Additional Standard for Guaranteed Living Benefits for Individual Deferred Variable Annuities*. The PSC is recommending that the Management Committee initiate the rulemaking procedure¹ with respect to this amendment to the proposed uniform standard.

In January, the PSC recommended a new *Standard for Individual Deferred Index Linked Variable Annuity (ILVA) Contracts (commonly referred to as Registered Index Linked Annuities)*. The PSC and its ILVA Subgroup developed and recommended to the Management Committee amendments to the above-referenced *Additional Standard* to accommodate use with ILVA products.

The PSC also addressed an item on the 2024 Uniform Standards Development Priority List to address the benefit base of the above-referenced *Additional Standard*, specifically Section 3(C) of *Additional Standard for Guaranteed Living Benefits for Individual Deferred Variable Annuities*.

The amendment to the *Additional Standards for Guaranteed Living Benefits for Individual Deferred Variable Annuities* not only expanded the scope to include Index Linked Variable Annuities but also proposed revisions to the benefit base which is used to determine guaranteed living benefits (GLB).

The current GLB standard requires that the initial benefit base be at least 100% of initial premiums or account value and that reductions in the benefit base for resets triggered by index or account value

¹ The rulemaking procedure is set forth in the *Rule for Adoption, Amendment and Repeal of Rules for the Interstate Insurance Product Regulation Commission*.

changes not cause the benefit base to fall below the sum of all premiums paid. Companies had requested a lower benefit base be allowed for variable Guaranteed Minimum Accumulation Benefits (GMABs). The exposed version of the GLB standard modified the benefit base provision to allow for the initial benefit base to be any portion of the initial premium and removed the sum of premium floor on the benefit base. This was intended to not only address the request from the companies to allow a lower benefit base for GMABs, but to address the comments received on the ILVA draft standards in the ACLI-CAI's September 3, 2023, comment letter.

The PSC held two public calls on February 13, 2024, and April 9, 2024, to receive comments. During the public call on February 13, 2024, the ACLI-CAI asked for additional amendments. After the February 13 public call, the PSC discussed whether a minimum percentage should be specified such as 50%, so that there is a "reasonable" GLB benefit that is guaranteed.

After discussion, the PSC accepted revisions to the GLB standard to require a minimum initial benefit base of 50% of premium (or account value) and to require that resets triggered by index or account value changes not cause the benefit base to fall below the initial benefit base plus any additional premium added to the benefit base. The PSC did not accept the proposed ACLI-CAI revisions, which would allow for unlimited decreases in withdrawal amounts triggered by index changes (i.e., no minimum guaranteed benefit).

During the April 9 public call, two insurers requested an exception to the guaranteed benefit base calculation to allow an income benefit that uses the account value at the time income payment withdrawals are elected to be used to determine the amount available for periodic income withdrawals; and require an index strategy be offered that provides full downside protection (100% buffer/0% floor), but no restriction would apply on changes in periodic income withdrawal amounts due changes in the account value or an index. The companies submitted proposed language. The PSC considered the proposal and determined that income benefit described in the comment letter does not provide a guaranteed benefit and does not fit within the GLB and therefore, did not accept the proposed revisions to the *Additional Standard for Guaranteed Living Benefits for Individual Deferred Variable Annuities*.

Given the extensive, transparent, and documented drafting process preceding these recommendations, the PSC suggests that any additional comments or concerns about these recommended Uniform Standards be raised, considered, and discussed by all members and interested parties during the Management Committee's formal rulemaking process.

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