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Interstate Insurance Product Regulation Commission (IIPRC)  
Actuarial Working Group  
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Hall of the States, Suite 700  
Washington, DC 20001-1509  
comments@insurancecompact.org

RE: Draft Framework for Interim Values for Registered Non-Unitized Index-Linked Separate Account Annuities

To the Actuarial Working Group:

The American Council of Life Insurers ("ACLI") appreciates this opportunity to provide initial comments on the Working Group's Draft Framework for Interim Values for Registered Non-Unitized Index-Linked Separate Account Annuities. We will provide additional, more detailed comments in the next few weeks before the end of the exposure period.

We appreciate the Interstate Compact's interest in advancing standards that would allow Registered Index-Linked Annuities (RILAs) to be filed using uniform standards. While we understand the desire to establish a Framework for Interim Value calculations that facilitates the recognition of these products as variable annuities, significant challenges exist in codifying a Framework with the level of precision reflected in the current draft. These challenges arise both from the complexity of the underlying concepts and the variability in Interim Value mechanics across RILA products that are currently available for sale. With more choice available in methodologies, companies can focus on maximizing value to the consumer.

While there were key characteristics covered in this Framework, the member companies expressed three major areas of concern, in no particular order:

- The Framework does not address the Interim Value calculations of the majority of the index-linked separate account annuities currently sold in the marketplace. Different formulas have been developed based on the risk management policies set by companies and the proposed Framework structure could be overly restrictive relative to the range of approaches in use. Currently, companies utilize one of three methods to determine Interim Values: a) fair market value approach; b) pro-rata approach; and c) a combination of these two approaches. The proposed Framework is based upon a variation of one of these approaches (fair market value approach). Expanding the...
allowable Interim Value methodologies also increases opportunity for companies to balance benefits with consumer preferences relating to the level of transparency in designing their products.

• The states that have approved these products do not go into the specificity for Interim Values as prescribed in the Framework.

• The Framework should include additional flexibility. In addition to not meeting the current product offerings, this Framework could restrict innovation of index strategies and index crediting methods now and in the future. The proposed approach may limit some existing variations enjoyed by consumers and innovations in the future based upon the level of complexity of the options. Some companies that utilize different methodologies may be prohibited from using the standard for their filings. A restrictive Framework could also have adverse implications to consumers.

Thanks again for this opportunity to provide initial comments. If you have any questions, feel free to contact me at waynemehlman@acli.com or 202-624-2135.

Sincerely,

Wayne A. Mehlman
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