

From: Wayne Mehlman <WayneMehlman@acli.com>
Sent: Monday, August 28, 2023 8:52 AM
To: Ezalarab, Susan <sezalarab@insurancecompact.org>
Cc: Schutter, Karen <KSchutter@insurancecompact.org>

Subject: RE: Items on the 2023 Uniform Standard Prioritization List

Susan –

ACLI would like to include the 2023 request for standards for (registered) index-linked variable life insurance products in the 2024 request list. Can I assume that this is separate and distinct from the 2024 request for standards for index-linked individual adjustable life or index-linked crediting benefit features for individual adjustable life policies?

Wayne

To: Ezalarab, Susan <sezalarab@insurancecompact.org>
Cc: Schutter, Karen <KSchutter@insurancecompact.org>
Subject: RE: Items on the 2023 Uniform Standard Prioritization List

Susan – In addition, below is additional information relating to our requests for the below two standards.
Wayne

Additional Standards for Guaranteed Living Benefits for Individual Deferred Variable Annuities (IIPRC-A-031- GLB)

Currently, under the Additional Standards for Guaranteed Living Benefits for Individual Deferred Variable Annuities, the value of the guaranteed benefit base for a GLB benefit included at contract issue must be equal to the initial premium payment. This amount may be subsequently increased or decreased based on specified criteria. With respect to Guaranteed Minimum Accumulation Benefit (“GMAB”) Riders, this language is outdated. Companies across the industry are offering GMAB benefit bases both below and in excess of the initial premium payment to meet consumer needs. For longer holding periods, a benefit base greater than the initial premium payment is often appropriate. Conversely, for shorter holding periods, a benefit base below the initial premium payment is sometimes warranted as the company is at higher risk of paying claims due to the shorter fund accumulation period. To offset that risk, a benefit base below the initial premium payment is needed to keep the GMAB rider charge reasonable for the consumer. Accordingly, for GMAB Riders, we respectfully request that, at time of policy issue, the standard is updated to reflect that the benefit base is required to equal a specified percentage of the initial premium payment.

We aren’t trying to make substantive amendments across the board for all Guaranteed Living Benefits (e.g., withdrawal benefits/income benefits). We are simply requesting that a different rule for determining the benefit base should be established for GMABs.

Individual Deferred Paid-Up Non-Variable Annuity Contract Standards (Commonly Marketed as Deferred Income Annuities or Longevity Annuities) (IIPRC-A02-I-LONG)

There is one aspect of the Longevity Annuity Standards relating to participating DIAs that needs to be changed. It involves an inconsistency between the actuarial certification required in Section 1.B.1.(g), and the statement in Section 3.B.(1)(c)(i) that *“annuitants of annuity contracts that are not expected to pay dividends shall be considered a separate class from annuitants of annuity contracts that are expected to pay dividends”*.

The actuarial certification applies to the initial premium, and requires that, in lieu of a nonforfeiture demonstration, the issuer certify that the income benefit purchased by a DIA contract be greater than the income benefit available through any fixed deferred annuity that the insurer offers that has a cash surrender value during deferral.

Section 3.B. (1)(c)(i) requires a similar comparison for additional premiums, but says that the comparison should only be made between annuities of the same class – par or non- par. It says that the income purchased with an additional premium must be at least as much as the income purchased with the initial premium for a new DIA contract offered by the insurer on the same day. This comparison acknowledges that is acceptable to offer a participating income annuity with lower guaranteed income than a non-participating income annuity.

We ask that the par/non-par distinction be added to the actuarial certification. To be meaningful, the division of annuitants into par and non-par classes should apply to both the initial premium requirements (Section 1.B.(1)(g)) and the additional premium requirements (Section 3.B.(1)).