



December 8, 2023

Katie Campbell, Actuary
ILVA Subgroup of the Product Standard Committee (PSC)
Interstate Insurance Product Regulation Commission (IIPRC)

Re: Comments in response to the [proposed ILVA Product Standards](#) and the [draft amendments to the Additional Standards to Market Value Adjustment](#)

Dear Ms. Campbell,

The American Academy of Actuaries¹ Index-Linked Variable Annuity Work Group (work group) appreciates the opportunity to provide the following comments on the proposed IIPRC index-linked variable annuity (ILVA) product standards, which were referred to the ILVA Subgroup of the IIPRC's Product Standard Committee on November 14, 2023, as well as the draft amendments to the Additional Standards to Market Value Adjustment (MVA).

Proposed ILVA Product Standards

§ 1. Additional Submission Requirements.

§ 1. B. (g) (ii). The same MVA formula or methodology is applied during a period when its application would result in an increase in the Fixed Income Asset Proxy as is applied during a period when its application would result in a decrease in the Fixed Income Asset Proxy;

Is the intent of section B (g)(ii) to offer a symmetrical MVA for all applications of Interim Value? If so, we would request additional clarification of that intent.

§ 1. B. (g) (iv). Interim Values provide equity between the contract holder and the company as of the calculation date for all Index Strategies and Index Strategy Terms. The certification shall be accompanied by illustrative examples that calculate Interim Values under realistic economic scenarios presented in the format prescribed in Appendix C of these standards;

Drafting Note: The illustrative examples do not need to span 1000s of economic scenarios, but rather demonstrate the impact on Interim Values for specific realistic index changes over the

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.

Index Strategy Term. For example, for a buffer and cap strategy, the scenarios should include at least the range of index changes from level of the buffer to the level of the cap.

Additional clarification as to the purpose of Appendix C, as referenced in section B (g) (iv), would be helpful. Using the Hypothetical Portfolio methodology, the Interim Value would be equal to or substantially similar to the market value of the Hypothetical Portfolio. As a result, we believe Appendix C would default to zero, or near zero, for all scenarios. Given this, would the actuary's certification be sufficient instead of providing Appendix C?

Draft Amendments to the Additional Standards for Market Value Adjustment

These MVA standards should apply solely to Modified Guaranteed Annuities and Index-Linked Variable Annuities, as annuities with MVA's through the general account are subject to IIPRC-A-07-I-2. Therefore, the heading should include "Modified" and "Variable."

The work group appreciates the efforts of the subgroup on the draft Core Standards, as well as the opportunity to share recommendations on the proposed product standards and the draft amendments. We look forward to our continued engagement in this process and would welcome any questions you may have on these comments. Please reach out to the Academy's life policy analyst, Amanda Barry-Moilanen (barrymoilanen@actuary.org), if we can offer further clarification or insight.

Sincerely,

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