

Agenda Item 2. Review and discuss Industry responses to questions regarding index-linked variable annuity products

Insurance Compact staff provided the Actuarial Working Group (AWG) with an overview of the responses received from industry representatives related to questions the group posed about product registration, nonforfeiture requirements, asset value and reserve/RBC requirements, and distinctions between an index-linked variable annuity with a stated floor of 0% and a non-variable index-linked annuity with a market value adjustment. It was noted that the responses confirmed the AWG's initial decision to limit the standards to registered, variable annuities with separate accounts. It was also noted that the responses assumed that the products would be subject to variable annuity standards and did not provide helpful analysis of what threshold of loss (i.e. level of policyholder risk) would be needed for a Compact variable annuity standard to be applicable. The AWG discussed the possibility of identifying a threshold for the Compact uniform standards so that there is a defined distinction between fixed and variable indexed annuity products.

Members discussed the interim value calculation summary prepared by Compact staff based on prospectus information for various index-linked variable annuity products currently offered in the marketplace. The AWG briefly discussed each of the interim value calculation methodologies. Some members expressed concerns that some companies' interim value calculations may be unreasonable or inequitable, while others appeared reasonable, and some appeared reasonable but only for shorter index terms.

The group ran out of time for discussion of the remaining agenda items including review of revisions to the draft *Additional Standards for Index-Linked Crediting Feature for Deferred Variable Annuities* to include interim value requirements and review of suggested amendments to the *Core Standards for Individual Deferred Variable Annuity Contracts*. The Chair suggested meeting again within the next two weeks. Insurance Compact staff will coordinate a time and send out notice.