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Via Electronic Delivery to rmazyck@naic.org

Mr. Peter Weber, Chair

Mr. Tomasz Serbinowski, Vice Chair

Index-Linked Variable Annuity (A) Subgroup

National Association of Insurance Commissioners

1100 Walnut Street Ste 1500

Kansas City, MO 64106

Dear: Messrs. Weber and Serbinowski

On behalf of the companies of CUNA Mutual Group (CUNA Mutual), we are pleased to provide comments to the National Association of Insurance Commissioner’s (NAIC) Index-Linked Variable Annuity (A) Subgroup (Subgroup) on the draft *Actuarial Guideline ILVA: Nonforfeiture Requirements for Index Linked Variable Annuity Products Supported by Non-Unitized Accounts* (Actuarial Guideline). CUNA Mutual is the nation’s leading provider of financial products and services to credit unions and credit union members. Through our companies, we serve as an insurer, a retirement plan services provider, a broker dealer, and a registered investment advisor. We make available various insurance and investment products to credit unions, millions of credit union members, and middle-income consumers across the United States. As part of the cooperative movement, we embrace the credit union philosophy of “people helping people” and believe a brighter financial future should be accessible to everyone.

As outlined in our comment letter dated January 27, 2022, CUNA Mutual supports the Subgroup’s efforts to develop a uniform standard for Index-Linked Variable Annuity (ILVA) interim values which we hope will result in increased consumer access to ILVA products and protections. CUNA Mutual has been serving consumers in the ILVA space for over eight years and our experience shows ILVAs are an incredibly impactful tool in helping middle market customers create guaranteed retirement income. We take pride in helping those who make a modest income. It is in the spirit of supporting our customers that we offer these comments.

We appreciate the Subgroup’s shift to a more principles-based document as well as efforts to incorporate comments from CUNA Mutual and others into the currently exposed draft Actuarial Guideline. The changes bring the Actuarial Guideline closer to a final product that accomplishes regulators’ stated goals while ensuring workability for ILVA products. Despite good progress, CUNA Mutual suggests changes are still needed before the draft Actuarial Guideline is made final and voted on by Subgroup members.

**Clarity Needed for Market Value Adjustments**

The current draft Actuarial Guideline could be interpreted to require that interest rate market value adjustments (MVAs) are *only* allowed as part of the Fixed Income Asset Proxy. The Fixed Income Asset Proxy, as described in part (b) on page three, requires the Fixed Income Asset Proxy to equal the Index Strategy Base at the end of the Index Strategy Term. CUNA Mutual believes this can be read to restrict contract-level MVA application because such an MVA would make satisfying part (b) impossible.

To provide an example of our concern: a contract may have one-year Index Strategy Terms, but a six-year MVA term. We do not believe the Subgroup intends to prevent designs such as the one described here, but the current draft Actuarial Guideline language casts doubt. If limiting MVA terms *is* part of the Subgroup’s intent, requiring the MVA term to be one year (as in our example) may cause an insurer to shorten its investment strategy to match the MVA term. Shorter assets generally generate lower yields, so such a limitation will ultimately reduce policyholder benefits and limit product innovation.

As currently written, the Actuarial Guideline only mentions MVAs as part of the Fixed Income Asset Proxy value, which could lead a reader to interpret the guideline to disallow contract-level MVAs. We recommend the Subgroup modify the Actuarial Guideline language to clearly permit more general applications of MVA.

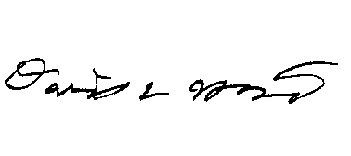
**CUNA Mutual Supports Industry Comments**

In addition to this concern, CUNA Mutual endorses comments submitted by the American Council of Life Insurers and Committee of Annuity Insurers (Industry) related to the Subgroup’s third exposure. Specifically, CUNA Mutual agrees with Industry’s suggested clarifications to the language regarding Section 7. CUNA Mutual agrees that MVAs should be considered part of ILVA interim values to determine non-forfeiture benefits or included within the net investment return referenced in that section.

In closing, CUNA Mutual appreciates the Subgroup’s consideration of these comments and engagement with interested stakeholders as regulators make progress toward a final Actuarial Guideline. Like others in the industry, we work hard each day to bring financial products and services to the people who need them most. ILVAs are fundamentally spread based products and insurer practices regarding how underlying assets are held vary. We believe any Actuarial Guideline promulgated by the Subgroup should enable these critical aspects of the product to ensure their viability for middle market consumers who are increasingly choosing ILVAs as a source of guaranteed retirement income.

Please reach out with any questions or if we can offer additional information to support these comments.

Sincerely,



David L. Hanzlik

VP, Annuity & Retirement Solutions