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| Approach | Pros | Cons |
| Do nothing | * No impact to currently marketed products | * Not uniform and increased non-uniformity if states tighten standards on their own to address evolving designs * No minimum value provided * Evolving designs are less equitable to contract holder |
| Base guidance on a current states’ approach where such exists\*. Or a blending of approaches | * Uniformity * Likely minimal effort to implement * Likely minimal impact on current marketed products | * Not well defined * Depends on the approach |
| Guidance for how these products can be considered variable (Compact approach) | * Uniformity * Potentially minimal impact on currently marketed products | * May be difficult to define |
| Modify model 805 and/or develop separate requirements for hybrid separate account products | * Uniformity | * Considerable effort * Such approach should be part of a more in-depth review and modification of the model beyond just ILVAs * Requires individual state adoption |
| Reject products as variable | * Regulatory framework exists but it must be strictly enforced | * Non-compliant products currently exist in market * Disrupts an important segment of the market between VAs and FIAs * Since many states will allow these products anyway, creates increased non-uniformity (this may be worse than “do nothing”) |

\* Approaches shared through an informal state survey were aligned with but generally, less formal than the Illinois regulation’s expanded definition of “variable”. The states’ guidance included standard questions in review and disclosure requirements. Elements that could be incorporated into a recommended approach.

IL – Regulation 1551

Variable Contract means any policy or contract that provides for life insurance or annuity benefits that vary according to the investment experience of any separate account or accounts maintained by the insurer as to that policy or contract, as provided for in Section 245.21 of the Code; or any policy or contract that is registered under the Securities Act of 1933, as amended (15 USC 77a et seq.), and that provides for benefits that vary according to the performance of an index, when the funds are not guaranteed as to principal or a stated rate of interest and in which the supporting assets are held and reported in a noninsulated separate account in which changes in asset values substantially match changes in contractual benefits from inception of the contract.

What is a metric for “substantially match”?

Could states accept actuary’s certification that they substantially match?

Would a demonstration be required? What would a demonstration of that look like?