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August 23, 2022

Mr. Peter Weber
Chair, Index-Linked Variable Annuity (A) Subgroup
National Association of Insurance Commissioners (NAIC)

Re: Exposure 4 of the Proposed Actuarial Guideline ILVA, Nonforfeiture Requirements for Index Linked Variable Annuity Products

Dear Mr. Weber,

On behalf of the American Academy of Actuaries¹ Index-Linked Variable Annuity Work Group (the “work group”), I appreciate the opportunity to provide comments on the proposed actuarial guideline.

Attached is a redline version, from the clean version (all NAIC changes accepted) of the *Exposure 4* draft. Our comments on the redline version address the following concerns:

1. Because a market value adjustment (MVA) is optional, having the MVA as an optional adjustment to the Fixed Income Asset Proxy will allow different approaches for the duration of the fixed income investable assets.
2. The Fixed Income Asset Proxy is defined based on the strategy term, whereas the market value concept applies to values based on the maturity of the fixed income invested assets.
3. If applicable, positive MVAs would apply to withdrawals, surrenders, and death benefits. Negative MVAs should only apply to withdrawals and surrenders, which are subject to policyholder choice.
4. Improved clarity.

Sincerely,

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

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.