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AMERICAN ACADEMY *of* ACTUARIES

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September 30, 2010

Jim Mumford  
Chair  
Annuity Disclosure (A) Work Group  
National Association of Insurance Commissioners

Re: Suggested changes to Annuity Disclosure Model Regulation

Dear Mr. Mumford:

Attached are suggested changes from the American Academy of Actuaries<sup>1</sup> (AAA) Annuity Illustration Work Group to the 9/19/10 draft of the Annuity Disclosure Model Regulation. We accepted all the changes from your 9/19/10 draft and included our suggested changes in track changes format.

We have indicated certain changes in the draft, but we feel that additional thought must be given to the manner in which illustrated values for fixed indexed annuities should be calculated and shown in a numeric summary. We included additional basic requirements in the narrative section, but we are still concerned that there are types of fixed indexed annuities that may not be adequately addressed by the draft model, especially in the numeric summary. Similar to the requirement to include in the numeric summary information about the effect of an MVA, there are many types of fixed indexed annuity product provisions for which you might want similar requirements. We suggest that more thought needs to be given to these different types of products and how they are currently illustrated before finalizing this model.

We have attached a revised annuity illustration example based on discussions with Brenda Cude. Brenda has agreed that this is going in the right direction, but that additional work is required to make it simpler and more understandable. We will continue to work with her on this.

Sincerely,

Linda Rodway, Chair  
American Academy of Actuaries  
Annuity Illustration Work Group

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<sup>1</sup> The American Academy of Actuaries is a professional association with over 17,000 members, whose mission is to assist public policymakers by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualifications, practice, and professionalism standards for actuaries in the United States.