



AMERICAN ACADEMY *of* ACTUARIES

November 11, 2010

Commissioner Adam Hamm
Vice-Chair, Life Insurance and Annuities (A) Committee
National Association of Insurance Commissioners

Re: Comments on Annuity Disclosure Model Regulation

Dear Commissioner Hamm:

On behalf of the American Academy of Actuaries¹ Annuity Illustration Work Group (AIWG) I appreciate the opportunity to provide the following general comments and suggested changes to the 10/18/10 draft of the Annuity Disclosure Model Regulation.

General Comments

The AIWG is concerned that the current draft model presents organizational issues, making it hard to follow and therefore could be hard for a company to ensure they are complying with the requirements. For example, it is partly organized by product (e.g., separate subsections for fixed indexed annuities and for annuities with market value adjustments), and partly organized by type of requirement (e.g., narrative summary vs. numeric summary), but in neither case is there any consistency in the use of the organizational approach. In addition, while most requirements for the numeric summary are listed in the numeric summary section of the model, some are not.

We also believe that further study is needed on the following:

- Fixed Indexed Annuity illustration guidelines
- Illustration guidelines for additional benefits, whether such benefits are provided by rider or included as a part of the annuity contract.

The purpose of the additional study on these items is to ensure that the requirements in the model will truly meet the needs of consumers. We believe that examples of illustrations for both a fixed indexed annuity and an annuity contract with a guaranteed living benefit would be helpful to that end. These examples would not have to be part of the Annuity Disclosure Model, but should be prepared for discussion purposes.

We do not believe that what is intended in sections 6.F.(9), 6.G.(1), 6.G.(2), 6.G.(4), and 6.J.(5) are clear enough, and that the development of an illustration example would provide the needed clarifications in these subsections.

The Academy would be pleased to assist in that effort if desired.

¹ 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.

Suggested Changes

In the meantime, the AIWG recommends the following specific changes.

1. We recommend that 6.F.(8) and 6.F.(16) be combined to read as follows:

“The non-guaranteed illustrated values, except for fixed indexed annuities, shall be reflective of current non-guaranteed elements and shall not include any assumed improvement in such elements. Additionally, the credited interest illustrated at any future duration shall reflect any reductions that are expected to occur after expiration of an initial guarantee or bonus period;”

Without making such a change, it might appear that 6.F.(8) and 6.F.(16) conflict.

2. We recommend that 6.F.(9)(a) be changed to be the introduction to 6.F.(9), and that 6.F.(9)(b) through (e) be changed to (a) through (d). This change makes 6.F.(9) more consistent with 6.F.(8).

Sincerely,

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