AMERICAN ACADEMY *of* ACTUARIES

May 20, 2011

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

Dear Mr. Mumford:

The Annuity Illustration Work Group of the American Academy of Actuaries[1] would like to make one more comment as a follow up to our April 26, 2011 letter to you.

In the process of reviewing the Annuity Disclosure Model Regulation, it came to our attention that the fixed maturity date for some products may be beyond the later of age 70 or 10 years after issue, making it impossible to comply with the requirements of Section 6.G.(5)(f). We are therefore recommending the attached changes to specific paragraphs of the "Annuity Disclosure11 Drafting Subgroup revisions" in track changes format.

We have met with NAFA to discuss this recommendation and believe that NAFA agrees with our recommended changes.

In addition, NAFA and the Academy have suggested different approaches to determining high and low indexed annuity scenarios. There are reasonable arguments to be made for both approaches, but we want to highlight the principal differences between the approaches as an aid to your decision.

Account Value Growth (NAFA recommendation):

- Answers the question: What would have been the highest (lowest) 10-year indexed-interest crediting in the last 20 years if the current indexed-interest crediting formula applied?
- The illustration period for the highest (lowest) scenario can be different for each crediting formula, even if the same index is used.

Index Value Growth (Academy recommendation):

- Answers the question: What would have been the indexed-interest crediting during the period of the highest (lowest) 10-year index change in the last 20 years if the current indexed-interest crediting formula applied?

[1] The American Academy of Actuaries is a 17,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists 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.

- The illustration period for the highest (lowest) scenario is identical for each crediting formula for all products using a specific index.

Please let us know if you have any questions or would like to discuss further.

Sincerely,

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

Cc: Kim O'Brien, Executive Director, NAFA

**Recommended Changes to Section 6.G.(5)(f)**

A brief description of the types of annuity income options available shall be explained, including:

(i) The earliest or only maturity date for annuitization (as the term is defined in the contract).

(ii) For contracts with an optional maturity date, t~~T~~he periodic income ~~payment~~ amount ~~of~~for at least one of the annuity income options available based on the guaranteed rates in the contract, at the later of age seventy (70) or ten (10) years after issue, but in no case later than the maximum annuitization age or date in the contract.

(iii) For contracts with a fixed maturity date, the periodic income amount ~~of~~for at least one of the annuity income options available, based on the guaranteed rates in the contract~~,~~ at the fixed maturity date; and

(iv) The periodic income ~~payable~~amount based on the currently available ~~annuity~~periodic income rates for the annuity income option in (ii) or (iii), if desired.