AMERICAN ACADEMY of ACTUARIES

February 9, 2012

Felix Schirripa
Chair, Contingent Deferred Annuity (A) Subgroup
National Association of Insurance Commissioners

Dear Mr. Schirripa:

The NAIC call summary of the January 19, 2012 NAIC Contingent Annuity Subgroup conference call indicated, "the returns assumed in the Academy's scenarios will affect the results of the analysis and may not correlate with current returns." And, as indicated, I agreed to provide the return information on behalf of the Academy work group.

The market returns were created to meet the calibration criteria adopted by the NAIC for C-3 Phase II risk-based capital calculations. This "scenario generator" was approved by the NAIC for use in regulatory reserve and capital calculations. The average market returns and volatility rates that resulted follow:

	Average Annual Return	Volatility (Standard Deviation)
Equity	9.69%	19.94%
Bond	6.01%	4.24%
Portfolio (60% Equity, 40% Bond)*	8.22%	12.11%

* 60/40 is shown because it is the asset allocation assumption used in the Contingent Annuity Work Group analysis

The market returns for the contingent annuity and self-insurance scenarios used in our comparison were identical.

We are in the process of reviewing your contingent deferred annuity historical analysis and for that reason, and in light of this question, it might be helpful to know the average equity and bond returns and related standard deviation reflected in your analysis. Please let us know if this is something you could provide.

Sincerely,

Cande Olsen, Chair
Contingent Annuity Risk Analysis Subgroup
American Academy of Actuaries