ACLI
Financial Security...for Life.

Roberta B. Meyer
V.P. and Senior Associate General Counsel

Brian Bayerle
Senior Actuary

March 12, 2020

Mr. Mike Yanacheak
Chair, Annuity Disclosure (A) Working Group
National Association of Insurance Commissioners

Re: 1-24-20 Draft of Proposed Revisions to the NAIC Annuity Disclosure Model Regulation (#245)

Dear Mr. Yanacheak:

These comments are submitted on behalf of the American Council of Life Insurers (ACLI)[1] in response to the 1-24-20 draft of proposed revisions to the NAIC Annuity Disclosure Model Regulation (Model Regulation), relating to illustrations for fixed indexed annuities, under consideration by the NAIC Annuity Disclosure Working Group (Working Group).

ACLI appreciates the Working Group's efforts, reflected in the 1-24-20 draft, to modify the Model Regulation to allow illustrations for fixed indexed annuities that will reflect innovations in the marketplace and enhance consumers' understanding of annuities they are contemplating purchasing. ACLI again thanks the Working Group for its consideration of our views throughout this process.

Though ACLI supports the Working Group's efforts and believes the 1-24-20 draft reflects significant progress toward fulfillment of the Working Group's charge, ACLI remains concerned with the language of Section 6.F.(9)(b)(i) in the draft.

Section 6.F.(9)(b)(i)

ACLI shares regulators' goals of robust and understandable disclosures for consumers relating to fixed indexed annuities. ACLI is concerned the current language of Section 6.F.(9)(b)(i) in the 1-24-20 draft would inadvertently undercut achievement of these goals.   As currently written, Section 6.F.(9)(b)(i) is

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[1]The American Council of Life Insurers (ACLI) advocates on behalf of 280 member companies dedicated to providing products and services that promote consumers' financial and retirement security. 90 million American families depend on our members for life insurance, annuities, retirement plans, long-term care insurance, disability income insurance reinsurance, dental and vision and other supplemental benefits. ACLI represents member companies in state, federal and international forums for public policy that supports the industry marketplace and the families that rely on life insurers' products for peace of mind. ACLI members represent 95 percent of industry assets in the United States. Learn more at www.acli.com.

likely to jeopardize illustration of indices of many fixed indexed annuities currently approved for sale and in the marketplace and education of consumers about these products.

In the 1-24-20 draft, Section 6.F.(9)(b)(i) reads as follows:

> (i) The index is a combination of indices, made up of stocks, bonds, futures, commodities, interest rates, or exchange traded funds, each of which has been in existence for at least fifteen (15) years;

The word/sentence construction of the above is ambiguous. It is not clear whether the clause "each of which has been in existence for 15 years" is intended to modify "indices" or the listed financial components.

Of significant concern, under either interpretation, the currently proposed language of Section 6.F.(9)(b)(i) would require all the listed underlying financial components to be indices. This requirement would jeopardize illustration of many non-traditional indices of fixed indexed annuities, that are currently approved for sale and in the market, that are constructed from financial components, such as ETF's, that are not indices.

To address these concerns, ACLI urges clarification to the language of Section 6.F.(9)(b)(i) in the 1-24-20 draft to read as follows:

> (ii) The index is a comprised of indices, stocks, bonds, futures, commodities, interest rates, or exchange traded funds, each of which has been in existence for at least fifteen (15) years;

ACLI thanks the Working Group for its continued consideration of our views. We would be glad to answer questions relating to any of the above.

Sincerely,

Roberta B. Meyer
V.P and Senior Associate General Counsel

Brian Bayerle
Senior Actuary

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