AMERICAN ACADEMY of ACTUARIES
Objective. Independent. Effective.™

July 2, 2018

Mr. Mike Yanacheak
Chair, Annuity Disclosure (A) Working Group
National Association of Insurance Commissioners
via Email: Jennifer Cook (JCook@naic.org)

Re: Proposed changes to the Annuity Disclosure Model Regulation (#245)

Dear Mr. Yanacheak,

On behalf of the Annuity Illustration Work Group of the American Academy of Actuaries,[1] thank you for the opportunity to comment on the proposed changes to the Annuity Disclosure Model Regulation.

In our work group's discussions of the index proposal, we reviewed the existing model requirements for illustrated indexes. In general, we believe the index proposal aligns with the spirit of the existing model requirements.

The following refinements can help improve clarity and consumer disclosure.

**Section 6.F.(9)(c)**
Although the direction of the proposed language in Section 6.F.(9)(c) is appropriate, the language is difficult to understand. Instead of adding the redline language in the proposal, the following changes to the existing model language could be made:

"(c) If any index utilized in determination of an account value has been in existence for ~~at least ten (10) calendar years but~~ less than twenty (20) calendar years, the ten (10) calendar year periods that define the low and high scenarios shall be chosen from the exact number of years the index (<u>or all of its components</u>) has been in existence."

By striking the phrase "at least ten (10) calendar years but" the wording works for all indexes that meet the requirements in Section 6.F.(9)(b), which states that indexes must be in existence for at least 10 years or meet the new criteria in (i) through (iii) (otherwise they cannot be illustrated).

[1] The American Academy of Actuaries is a 19,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted 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.

**Section 6.F.(9)(j)**
The disclosures in (i) and (v) will help consumers understand the illustration, but the disclosures in (ii), (iii), and (iv) seem to demonstrate compliance with the regulation more than they facilitate consumer understanding. We also note that the disclosure in (ii) is already covered in (i) and (v), and the disclosure in (vi) is already required in Section 6.G.(4)(b). By removing (ii), (iii), (iv), and (vi), the information in (i) and (v) can be communicated in a clear and concise manner.

*****

We hope these comments are helpful. Please contact Ian Trepanier, the Academy's life policy analyst (trepanier@actuary.org; 202-785-7880), if you have any questions.

Sincerely,

Beth Keith, MAAA, FSA
Chairperson, Annuity Illustration Work Group
American Academy of Actuaries