The Contingent Deferred Annuity (A) Subgroup met via conference call Dec. 22, 2011, to discuss contingent deferred annuities and how they should be treated.

1. **Opening Comments**

Felix Schirripa (NJ) said the Life Insurance and Annuities (A) Committee charged the Subgroup with reviewing the issues identified in the Life Actuarial (A) Task Force referral concerning contingent annuities and report the results of its review to the Committee. He said the goal of the conference call was to hear in more detail the conclusions of the report from the American Academy of Actuaries (AAA) Contingent Annuity Work Group and analysis used to reach those conclusions.

Mr. Schirripa added that, in reviewing the report, a number of issues came to mind that he anticipated the Subgroup exploring in more detail prior to submitting its report to the Committee. Those issues included: 1) the definition of financial guaranty insurance; 2) the definition of longevity risk; 3) the impact of withdrawals; and 4) the impact of fees incurred on the payouts.

2. **Discussion of Academy Report**

Cande Olsen (Actuarial Resources, Inc.) presented on behalf of the AAA Contingent Annuity Work Group and explained that, during her presentation, she would discuss the report submitted to the Committee in more detail. She would not specifically discuss new issues that have arisen as result of the report. Ms. Olsen noted, however, that based on questions she has received about the report, she realized that the report could have explained some of the Work Group’s analysis more clearly.

Ms. Olsen highlighted slides in the presentation concerning the Work Group’s analysis of whether this product is an annuity or a financial guaranty product. The Subgroup discussed the Work Group’s definition of longevity risk as used to conduct its analysis of the risk of this product. The Subgroup questioned whether this product provided longevity protection, as the Work Group’s analysis appears to support. David Hippen (MO) said the Work Group’s definition of longevity risk used to develop the risk analysis was useful in trying to determine whether the product is an annuity. He noted that Missouri did not have a definition of longevity risk. As such, Missouri asks the company to demonstrate the product when filed for approval. Mr. Schirripa said that if this product provides longevity protection, he would like to see that demonstrated. He said the Work Group’s analysis is missing such a demonstration, which he would like to see before the Subgroup makes any determination on whether the product is annuity or some other product.

Mr. Schirripa said that, for the Subgroup’s next conference call, he would like to hear from NAIC Legal Division staff on whether a contingent deferred annuity would be considered financial guaranty insurance under the NAIC Life and Health Insurance Guaranty Association Model Act (#520) or under state law. Also, for discussion during the next conference call, Mr. Schirripa asked the AAA to conduct additional analysis to respond to the questions he and other Subgroup members raised during this call.