

February 15, 2019

The Honorable Doug Ommen
Commissioner
Iowa Insurance Division
Chair, NAIC Life Insurance and Annuities (A) Committee
Via e-mail to Ms. Jolie H. Matthews (jmatthews@naic.org)

Re: Proposed Amendment to Section 5.D. (11) of the November 19, 2018, Suitability in Annuity Transactions Model Regulation Exposure Draft (the "Model Regulation")

Dear Commissioner Ommen,

The undersigned insurance carriers appreciate the opportunity to comment on the Model Regulation. We have joined to submit this letter to request an amendment of the "Consumer Profile Information" to include consideration, when relevant, of a consumer's exposure to, and willingness to accept, market and longevity risk.

Mitigating Market and Longevity Risk is Consumers' Biggest Concern.

Today, more Americans are reaching retirement age than at any point in history. Each day since the beginning of 2011, roughly 10,000 Americans have reached age sixty-five ... and as many or more will continue to do so each day until the end of 2029.¹ Their biggest concern and challenge is running out of money in retirement.²

¹ Pew Research Center, Baby Boomers Retire, (Dec. 29, 2010), <http://www.pewresearch.org/fact-tank/2010/12/29/baby-boomers-retire/>.

² Nearly two-thirds of Americans between the ages of 20 and 70 fear running out of money in retirement more than they fear death. Allianz, Finally Feeling Better About Retirement, Optimistic Baby Boomers Offer Lessons for Younger Generations, (Sept. 25, 2017), <https://www.allianzlife.com/about/news-and-events/news-releases/Generations-Ahead-Study->

Workers' most frequently cited retirement fear is "outliving my savings/investments" (52%). Transamerica Center for Retirement Studies® (TCRS) A Compendium of Findings About American Workers (June 27, 2018). TCRS is a division of Transamerica Institute® (The Institute), a nonprofit, private foundation. https://www.transamericacenter.org/docs/default-source/retirement-survey-of-workers/tcrs2018_sr_18th_annual_worker_compendium.pdf

Fear of running out of money in retirement is a global phenomenon. More than one-half of Australians spend less than the Age Pension each year. Jeff Gebler, Surprising new research reveals the majority of Australian retirees spend less than the Government Age Pension, Milliman (Feb. 14, 2018), <http://www.milliman.com/insight/2018/Surprising-new-research-reveals-the-majority-of-Australian-retirees-spendless-than-the-Government-Age-Pension/>. Milliman believes that fear of running out of money in retirement is a key driver of this "unexpected" finding. Id.

These Americans have good reason for concern about living in retirement. With the decline of employer-provided pensions and the guaranteed lifetime "retirement paychecks" they provide, more consumers than ever are dependent on their personal savings (and Social Security) for the money they need to support themselves in retirement. Only 23 percent of baby boomers believe that their savings will last them through the rest of their lives.³ More than one-third of advisors have seen three or more of their clients exhaust their financial resources in retirement.⁴

Regulation Should Require Financial Professionals to Consider Market and Longevity Risk Since It is Consumers' Biggest Concern.

Since running out of money in retirement has, for a variety of reasons, evolved into the biggest worry and challenge for consumers, regulation should also evolve to advance engagement between financial professionals and consumers that specifically includes consideration of the consumer's exposure to, and willingness to accept, market risk and longevity risk. This can easily be accomplished in the Model Regulation by amending subsection 11 of the definition of "Consumer Profile Information" in Section 5. D.

We propose that Section 5. D. (11) be amended to provide:

(11) Risk tolerance, including willingness to accept non-guaranteed elements in the annuity, including variability in premium, death benefit or fees, *and, when relevant;*

(a) exposure to, and willingness to accept, market risk; and

(b) exposure to, and willingness to accept, longevity risk.

The inclusion of market and longevity risk in the "Consumer Profile Information" definition will increase the probability that consumers seeking guidance about planning for, and living in, retirement receive recommendations that are consistent with the consumers' needs and objectives. It should not be a burden for financial professionals acting with reasonable diligence, care, skill, and prudence. Our experience is that most financial representatives currently consider exposure to market and longevity risks when offering recommendations about retirement strategies. The proposed changes will simply increase the probability that solutions and strategies that address market and longevity risk will be considered when they are relevant to a consumer. It is not intended to require financial professionals to inquire about, or consider, market risk and longevity risk when they are not relevant to the product or investment strategy recommended. Additionally, Section 6. D. (3) of the Model Regulation provides, "...the level of importance of each factor may vary depending on the facts and circumstances of a particular case."

³ Insured Retirement Institute, Boomer Expectations for Retirement 2017, p.4, https://www.myirionline.org/docs/default-source/research/iri_boomers-expectations-for-retirement-2017.pdf

⁴ Insured Retirement Institute and Jackson National Life Insurance Company, The Language of Retirement 2017: Advisor and Consumer Attitudes Toward Income in Retirement, p. 7, https://www.myirionline.org/docs/default-source/research/iri_whitepaper_final_singlepg.pdt?stvrnsn=2.

The undersigned also expect that specific mention of market risk and longevity risk in the Consumer Profile Information will spur further innovation among distribution entities, insurance companies, and financial technology providers in their efforts to address consumers' biggest concern and challenge. Consideration of market and longevity risk is sensible policy that is responsive to consumer interests, consumers' growing dependence on their personal savings to fund their retirements, and demographic trends.

Thank you for the opportunity to share our views. We hope our suggested language is helpful and are happy to answer any questions you have or to provide additional information.

Very truly yours,

Jackson National Life Insurance Company



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