ANNUITY DISCLOSURE MODEL REGULATION

Table of Contents

Section 1. Purpose

The purpose of this regulation is to provide standards for the disclosure of certain minimum information about annuity contracts to protect consumers and foster consumer education. The regulation specifies the minimum information which must be disclosed, the method for disclosing it and the use and content of illustrations, if used, in connection with the sale of annuity contracts. The goal of this regulation is to ensure that purchasers of annuity contracts understand certain basic features of annuity contracts.

Section 2. Authority

This regulation is issued based upon the authority granted the commissioner under Section [cite any enabling legislation and state law corresponding to Section 4 of the NAIC Unfair Trade Practices Act].

Section 3. Applicability and Scope

This regulation applies to all group and individual annuity contracts and certificates except:

A. Immediate and deferred annuities that contain no non-guaranteed elements;

B. (1) Annuities used to fund:

(a) An employee pension plan which is covered by the Employee Retirement Income Security Act (ERISA);

(b) A plan described by Sections 401(a), 401(k) or 403(b) of the Internal Revenue Code, where the plan, for purposes of ERISA, is established or maintained by an employer,

(c) A governmental or church plan defined in Section 414 or a deferred compensation plan of a state or local government or a tax exempt organization under Section 457 of the Internal Revenue Code; or

(d) A nonqualified deferred compensation arrangement established or maintained by an employer or plan sponsor.

(2) Notwithstanding Paragraph (1), the regulation shall apply to annuities used to fund a plan or arrangement that is funded solely by contributions an employee elects to make whether on a pre-tax or after-tax basis, and where the insurance company has been notified that plan participants may choose from among two (2) or more fixed annuity providers and there is a direct solicitation of an individual employee by a producer for the purchase of an annuity contract. As used in this subsection, direct solicitation shall not include any meeting held by a producer solely for the purpose of educating or enrolling employees in the plan or arrangement;

C. Non-registered variable annuities issued exclusively to an accredited investor or qualified purchaser as those terms are defined by the Securities Act of 1933 (15 U.S.C. Section 77a et seq.), the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.), or the regulations promulgated under either of those acts, and offered for sale and sold in a transaction that is exempt from registration under the Securities Act of 1933 (15 U.S.C. Section 77a et seq.).

D. (1) Transactions involving variable annuities and other registered products in compliance with Securities and Exchange Commission (SEC) rules and Financial Industry Regulatory Authority (FINRA) rules relating to disclosures and illustrations, provided that compliance with Section 5 shall be required after January 1, 2014, unless, or until such time as, the SEC has adopted a summary prospectus rule or FINRA has approved for use a simplified disclosure form applicable to variable annuities or other registered products.

(2) Notwithstanding Subsection D(1), the delivery of the Buyer's Guide is required in sales of variable annuities, and when appropriate, in sales of other registered products.

Drafting Note: The requirement to provide a Buyer's Guide would not be appropriate for contingent deferred annuities unless, or until such time as, the NAIC adopts a Buyer's Guide that specifically addresses contingent deferred annuities.

(3) Nothing in this subsection shall limit the commissioner's ability to enforce the provisions of this regulation or to require additional disclosure.

E. Structured settlement annuities;

F. [Charitable gift annuities; and]

G. [Funding agreements].

Drafting Note: States that regulate charitable gift annuities should exempt them from the requirements of this regulation. States that recognize or regulate funding agreements as annuities should exempt them from the requirements of this regulation.

Section 4. Definitions

For the purposes of this regulation:

A. "Buyer's Guide" means the National Association of Insurance Commissioner's approved Annuity Buyer's Guide.

B. ["Charitable gift annuity" means a transfer of cash or other property by a donor to a charitable organization in return for an annuity payable over one or two lives, under which the actuarial value of the annuity is less than the value of the cash or other property transferred and the difference in value constitutes a charitable deduction for federal tax purposes, but does not include a charitable remainder trust or a charitable lead trust or other similar arrangement where the charitable organization does not issue an annuity and incur a financial obligation to guarantee annuity payments.]

C. "Contract owner" means the owner named in the annuity contract or certificate holder in the case of a group annuity contract.

D. "Determinable elements" means elements that are derived from processes or methods that are guaranteed at issue and not subject to company discretion, but where the values or amounts cannot be determined until some point after issue. These elements include the premiums, credited interest rates (including any bonus), benefits, values, non-interest based credits, charges or elements of formulas used to determine any of these. These elements may be described as guaranteed but not determined at issue. An element is considered determinable if it was calculated from underlying determinable elements only, or from both determinable and guaranteed elements.

E. ["Funding agreement" means an agreement for an insurer to accept and accumulate funds and to make one or more payments at future dates in amounts that are not based on mortality or morbidity contingencies.]

F. “Generic name” means a short title descriptive of the annuity contract being applied for or illustrated such as “single premium deferred annuity.”

G. “Guaranteed elements” means the premiums, credited interest rates (including any bonus), benefits, values, non-interest based credits, charges or elements of formulas used to determine any of these, that are guaranteed or have determinable elements at issue. An element is considered guaranteed if all of the underlying elements that go into its calculation are guaranteed.

H. “Illustration” means a personalized presentation or depiction prepared for and provided to an individual consumer that includes non-guaranteed elements of an annuity contract over a period of years.

I. “Market Value Adjustment” or “MVA” feature is a positive or negative adjustment that may be applied to the account value and/or cash value of the annuity upon withdrawal, surrender, contract annuitization or death benefit payment based on either the movement of an external index or on the company’s current guaranteed interest rate being offered on new premiums or new rates for renewal periods, if that withdrawal, surrender, contract annuitization or death benefit payment occurs at a time other than on a specified guaranteed benefit date.

J. “Non-guaranteed elements” means the premiums, credited interest rates (including any bonus), benefits, values, dividends, non-interest based credits, charges or elements of formulas used to determine any of these, that are subject to company discretion and are not guaranteed at issue. An element is considered non-guaranteed if any of the underlying non-guaranteed elements are used in its calculation.

K. “Registered product” means an annuity contract or life insurance policy subject to the prospectus delivery requirements of the Securities Act of 1933.

Drafting Note: Registered products include, but are not limited to, contingent deferred annuities.

L. “Structured settlement annuity” means a “qualified funding asset” as defined in section 130(d) of the Internal Revenue Code or an annuity that would be a qualified funding asset under section 130(d) but for the fact that it is not owned by an assignee under a qualified assignment.

Section 5. Standards for the Disclosure Document and Buyer’s Guide

A. (1) Where the application for an annuity contract is taken in a face-to-face meeting, the applicant shall at or before the time of application be given both the disclosure document described in Subsection B and the Buyer’s Guide, if any.

(2) Where the application for an annuity contract is taken by means other than in a face-to-face meeting, the applicant shall be sent both the disclosure document and the Buyer’s Guide no later than five (5) business days after the completed application is received by the insurer.

(a) With respect to an application received as a result of a direct solicitation through the mail:

(i) Providing a Buyer’s Guide in a mailing inviting prospective applicants to apply for an annuity contract shall be deemed to satisfy the requirement that the Buyer’s Guide be provided no later than five (5) business days after receipt of the application.

(ii) Providing a disclosure document in a mailing inviting a prospective applicant to apply for an annuity contract shall be deemed to satisfy the requirement that the disclosure document be provided no later than five (5) business days after receipt of the application.

(b) With respect to an application received via the Internet:

(i) Taking reasonable steps to make the Buyer's Guide available for viewing and printing on the insurer's website shall be deemed to satisfy the requirement that the Buyer's Guide be provided no later than five (5) business day of receipt of the application.

(ii) Taking reasonable steps to make the disclosure document available for viewing and printing on the insurer's website shall be deemed to satisfy the requirement that the disclosure document be provided no later than five (5) business days after receipt of the application.

(c) A solicitation for an annuity contract provided in other than a face-to-face meeting shall include a statement that the proposed applicant may contact the insurance department of the state for a free annuity Buyer's Guide. In lieu of the foregoing statement, an insurer may include a statement that the prospective applicant may contact the insurer for a free annuity Buyer's Guide.

(d) Where the Buyer's Guide and disclosure document are not provided at or before the time of application, a free look period of no less than fifteen (15) days shall be provided for the applicant to return the annuity contract without penalty. This free look shall run concurrently with any other free look provided under state law or regulation.

B. At a minimum, the following information shall be included in the disclosure document required to be provided under this regulation:

(1) The generic name of the contract, the company product name, if different, and form number, and the fact that it is an annuity;

(2) The insurer's legal name, physical address, website address and telephone number;

(3) A description of the contract and its benefits, emphasizing its long-term nature, including examples where appropriate:

(a) The guaranteed and non-guaranteed elements of the contract, and their limitations, if any, including for fixed indexed annuities, the elements used to determine the index-based interest, such as the participation rates, caps or spread, and an explanation of how they operate;

(b) An explanation of the initial crediting rate, or for fixed indexed annuities, an explanation of how the index-based interest is determined, specifying any bonus or introductory portion, the duration of the rate and the fact that rates may change from time to time and are not guaranteed;

(c) Periodic income options both on a guaranteed and non-guaranteed basis;

(d) Any value reductions caused by withdrawals from or surrender of the contract;

(e) How values in the contract can be accessed;

(f) The death benefit, if available and how it will be calculated;

(g) A summary of the federal tax status of the contract and any penalties applicable on withdrawal of values from the contract; and

(h) Impact of any rider, including, but not limited to, a guaranteed living benefit or long-term care rider;

(4) Specific dollar amount or percentage charges and fees shall be listed with an explanation of how they apply; and

(5) Information about the current guaranteed rate or indexed crediting rate formula, if applicable, for new contracts that contains a clear notice that the rate is subject to change.

C. Insurers shall define terms used in the disclosure statement in language that facilitates the understanding by a typical person within the segment of the public to which the disclosure statement is directed.

Section 6. Standards for Annuity Illustrations

A. An insurer or producer may elect to provide a consumer an illustration at any time, provided that the illustration is in compliance with this section and:

(1) Clearly labeled as an illustration;

(2) Includes a statement referring consumers to the disclosure document and Buyer's Guide provided to them at time of purchase for additional information about their annuity; and

(3) Is prepared by the insurer or third party using software that is authorized by the insurer prior to its use, provided that the insurer maintains a system of control over the use of illustrations.

B. An illustration furnished an applicant for a group annuity contract or contracts issued to a single applicant on multiple lives may be either an individual or composite illustration representative of the coverage on the lives of members of the group or the multiple lives covered.

C. The illustration shall not be provided unless accompanied by the disclosure document referenced in Section 5.

D. When using an illustration, the illustration shall not:

(1) Describe non-guaranteed elements in a manner that is misleading or has the capacity or tendency to mislead;

(2) State or imply that the payment or amount of non-guaranteed elements is guaranteed; or

(3) Be incomplete.

E. Costs and fees of any type shall be individually noted and explained.

F. An illustration shall conform to the following requirements:

(1) The illustration shall be labeled with the date on which it was prepared;

(2) Each page, including any explanatory notes or pages, shall be numbered and show its relationship to the total number of pages in the disclosure document (e.g., the fourth page of a seven-page disclosure document shall be labeled "page 4 of 7 pages");

(3) The assumed dates of premium receipt and benefit payout within a contract year shall be clearly identified;

(4) If the age of the proposed insured is shown as a component of the tabular detail, it shall be issue age plus the numbers of years the contract is assumed to have been in force;

(5) The assumed premium on which the illustrated benefits and values are based shall be clearly identified, including rider premium for any benefits being illustrated;

(6) Any charges for riders or other contract features assessed against the account value or the crediting rate shall be recognized in the illustrated values and shall be accompanied by a statement indicating the nature of the rider benefits or the contract features, and whether or not they are included in the illustration;

(7) Guaranteed death benefits and values available upon surrender, if any, for the illustrated contract premium shall be shown and clearly labeled guaranteed;

(8) The non-guaranteed elements underlying the non-guaranteed illustrated values shall be no more favorable than current non-guaranteed elements and shall not include any assumed future improvement of such elements. Additionally, non-guaranteed elements used in calculating non-guaranteed illustrated values at any future duration shall reflect any planned changes, including any planned changes that may occur after expiration of an initial guaranteed or bonus period;

(9) In determining the non-guaranteed illustrated values for a fixed indexed annuity, the index-based interest rate and account value shall be calculated for three different scenarios: one to reflect historical performance of the index for the most recent ten (10) calendar years; one to reflect the historical performance of the index for the continuous period of ten (10) calendar years out of the last twenty (20) calendar years that would result in the least index value growth (the "low scenario"); one to reflect the historical performance of the index for the continuous period of ten (10) calendar years out of the last twenty (20) calendar years that would result in the most index value growth (the "high scenario"). The following requirements apply:

(a) The most recent ten (10) calendar years and the last twenty (20) calendar years are defined to end on the prior December 31, except for illustrations prepared during the first three (3) months of the year, for which the end date of the calendar year period may be the December 31 prior to the last full calendar year;

(b) If any index utilized in determination of an account value has not been in existence for at least ten (10) calendar years, indexed returns for that index shall not be illustrated. If the fixed indexed annuity provides an option to allocate account value to more than one indexed or fixed declared rate account, and one or more of those indexes has not been in existence for at least ten (10) calendar years, the allocation to such indexed account(s) shall be assumed to be zero;

(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 has been in existence;

(d) The non-guaranteed element(s), such as caps, spreads, participation rates or other interest crediting adjustments, used in calculating the non-guaranteed index-based interest rate shall be no more favorable than the corresponding current element(s);

(e) If a fixed indexed annuity provides an option to allocate the account value to more than one indexed or fixed declared rate account:

(i) The allocation used in the illustration shall be the same for all three scenarios; and

(ii) The ten (10) calendar year periods resulting in the least and greatest index growth periods shall be determined independently for each indexed account option.

(f) The geometric mean annual effective rate of the account value growth over the ten (10) calendar year period shall be shown for each scenario;

(g) If the most recent ten (10) calendar year historical period experience of the index is shorter than the number of years needed to fulfill the requirement of subsection H, the most recent ten (10) calendar year historical period experience of the index shall be used for each subsequent ten (10) calendar year period beyond the initial period for the purpose of calculating the account value for the remaining years of the illustration;

(h) The low and high scenarios: (i) need not show surrender values (if different than account values); (ii) shall not extend beyond ten (10) calendar years (and therefore are not subject to the requirements of subsection H beyond subsection H(1)(a)); and (iii) may be shown on a separate page. A graphical presentation shall also be included comparing the movement of the account value over the ten (10) calendar year period for the low scenario, the high scenario and the most recent ten (10) calendar year scenario; and

(i) The low and high scenarios should reflect the irregular nature of the index performance and should trigger every type of adjustment to the index-based interest rate under the contract. The effect of the adjustments should be clear; for example, additional columns showing how the adjustment applied may be included. If an adjustment to the index-based interest rate is not triggered in the illustration (because no historical values of the index in the required illustration range would have triggered it), the illustration shall so state;

(10) The guaranteed elements, if any, shall be shown before corresponding non-guaranteed elements and shall be specifically referred to on any page of an illustration that shows or describes only the non-guaranteed elements (e.g., “see page 1 for guaranteed elements”);

(11) The account or accumulation value of a contract, if shown, shall be identified by the name this value is given in the contract being illustrated and shown in close proximity to the corresponding value available upon surrender;

(12) The value available upon surrender shall be identified by the name this value is given in the contract being illustrated and shall be the amount available to the contract owner in a lump sum after deduction of surrender charges, bonus forfeitures, contract loans, contract loan interest and application of any market value adjustment, as applicable;

(13) Illustrations may show contract benefits and values in graphic or chart form in addition to the tabular form;

(14) Any illustration of non-guaranteed elements shall be accompanied by a statement indicating that:

(a) The benefits and values are not guaranteed;

(b) The assumptions on which they are based are subject to change by the insurer; and

(c) Actual results may be higher or lower;

(15) Illustrations based on non-guaranteed credited interest and non-guaranteed annuity income rates shall contain equally prominent comparisons to guaranteed credited interest and guaranteed annuity income rates, including any guaranteed and non-guaranteed participation rates, caps or spreads for fixed indexed annuities;

(16) The annuity income rate illustrated shall not be greater than the current annuity income rate unless the contract guarantees are in fact more favorable;

(17) Illustrations shall be concise and easy to read;

(18) Key terms shall be defined and then used consistently throughout the illustration;

(19) Illustrations shall not depict values beyond the maximum annuitization age or date;

(20) Annuitization benefits shall be based on contract values that reflect surrender charges or any other adjustments, if applicable; and

(21) Illustrations shall show both annuity income rates per $1000.00 and the dollar amounts of the periodic income payable.

G. An annuity illustration shall include a narrative summary that includes the following unless provided at the same time in a disclosure document:

(1) A brief description of any contract features, riders or options, guaranteed and/or nonguaranteed, shown in the basic illustration and the impact they may have on the benefits and values of the contract;

(2) A brief description of any other optional benefits or features that are selected, but not shown in the illustration and the impact they have on the benefits and values of the contract;

(3) Identification and a brief definition of column headings and key terms used in the illustration;

(4) A statement containing in substance the following:

(a) For other than fixed indexed annuities:

This illustration assumes the annuity's current nonguaranteed elements will not change. It is likely that they **will** change and actual values will be higher or lower than those in this illustration but will not be less than the minimum guarantees.

The values in this illustration are **not** guarantees or even estimates of the amounts you can expect from your annuity. Please review the entire Disclosure Document and Buyer's Guide provided with your Annuity Contract for more detailed information;

(b) For fixed indexed annuities:

This illustration assumes the index will repeat historical performance and that the annuity's current non-guaranteed elements, such as caps, spreads, participation rates or other interest crediting adjustments, will not change. It is likely that the index **will not** repeat historical performance, the non-guaranteed elements **will** change, and actual values will be higher or lower than those in this illustration but will not be less than the minimum guarantees.

The values in this illustration are **not** guarantees or even estimates of the amounts you can expect from your annuity. Please review the entire Disclosure Document and Buyer's Guide provided with your Annuity Contract for more detailed information; and

(5) Additional explanations as follows:

(a) Minimum guarantees shall be clearly explained;

(b) The effect on contract values of contract surrender prior to maturity shall be explained;

(c) Any conditions on the payment of bonuses shall be explained;

(d) For annuities sold as an IRA, qualified plan or in another arrangement subject to the required minimum distribution (RMD) requirements of the Internal Revenue Code, the effect of RMDs on the contract values shall be explained;

(e) For annuities with recurring surrender charge schedules, a clear and concise explanation of what circumstances will cause the surrender charge to recur; and

(f) A brief description of the types of annuity income options available shall be explained, including:

(i) The earliest or only maturity date for annuitization (as the term is defined in the contract);

(ii) For contracts with an optional maturity date, the periodic income amount for at least one of the annuity income options available based on the guaranteed rates in the contract, at the later of age seventy (70) or ten (10) years after issue, but in no case later than the maximum annuitization age or date in the contract;

(iii) For contracts with a fixed maturity date, the periodic income amount for at least one of the annuity income options available, based on the guaranteed rates in the contract at the fixed maturity date; and

(iv) The periodic income amount based on the currently available periodic income rates for the annuity income option in item (ii) or item (iii), if desired.

H. Following the narrative summary, an illustration shall include a numeric summary which shall include at minimum, numeric values at the following durations:

(1) (a) First ten (10) contract years; or

(b) Surrender charge period if longer than ten (10) years, including any renewal surrender charge period(s);

(2) Every tenth contract year up to the later of thirty (30) years or age seventy (70); and

(3) (a) Required annuitization age; or

(b) Required annuitization date.

I. If the annuity contains a market value adjustment, hereafter MVA, the following provisions apply to the illustration:

(1) The MVA shall be referred to as such throughout the illustration;

(2) The narrative shall include an explanation, in simple terms, of the potential effect of the MVA on the value available upon surrender;

(3) The narrative shall include an explanation, in simple terms, of the potential effect of the MVA on the death benefit;

(4) A statement, containing in substance the following, shall be included:

When you make a withdrawal the amount you receive may be increased or decreased by a Market Value Adjustment (MVA). If interest rates on which the MVA is based go up after you buy your annuity, the MVA likely will decrease the amount you receive. If interest rates go down, the MVA will likely increase the amount you receive.

(5) Illustrations shall describe both the upside and the downside aspects of the contract features relating to the market value adjustment;

(6) The illustrative effect of the MVA shall be shown under at least one positive and one negative scenario. This demonstration shall appear on a separate page and be clearly labeled that it is information demonstrating the potential impact of a MVA;

(7) Actual MVA floors and ceilings as listed in the contract shall be illustrated; and

(8) If the MVA has significant characteristics not addressed by Paragraphs (1) – (6), the effect of such characteristics shall be shown in the illustration.

Drafting Note: Appendix A provides an example of an illustration of an annuity containing an MVA that addresses Paragraphs (1) – (6) above.

J. A narrative summary for a fixed indexed annuity illustration also shall include the following unless provided at the same time in a disclosure document:

(1) An explanation, in simple terms, of the elements used to determine the index-based interest, including but not limited to, the following elements:

(a) The Index(es) which will be used to determine the index-based interest;

(b) The Indexing Method – such as point-to-point, daily averaging, monthly averaging;

(c) The Index Term – the period over which indexed-based interest is calculated;

(d) The Participation Rate, if applicable;

(e) The Cap, if applicable; and

(f) The Spread, if applicable;

(2) The narrative shall include an explanation, in simple terms, of how index-based interest is credited in the indexed annuity;

(3) The narrative shall include a brief description of the frequency with which the company can re-set the elements used to determine the index-based credits, including the participation rate, the cap, and the spread, if applicable; and

(4) If the product allows the contract holder to make allocations to declared-rate segment, then the narrative shall include a brief description of:

(a) Any options to make allocations to a declared-rate segment, both for new premiums and for transfers from the indexed-based segments; and

(b) Differences in guarantees applicable to the declared-rate segment and the indexed-based segments.

K. A numeric summary for a fixed indexed annuity illustration shall include, at a minimum, the following elements:

(1) The assumed growth rate of the index in accordance with Subsection F(9);

(2) The assumed values for the participation rate, cap and spread, if applicable; and

(3) The assumed allocation between indexed-based segments and declared-rate segment, if applicable, in accordance with Subsection F(9).

L. If the contract is issued other than as applied for, a revised illustration conforming to the contract as issued shall be sent with the contract, except that non-substantive changes, including, but not limited to changes in the amount of expected initial or additional premiums and any changes in amounts of exchanges pursuant to Section 1035 of the Internal Revenue Code, rollovers or transfers, which do not alter the key benefits and features of the annuity as applied for will not require a revised illustration unless requested by the applicant.

Section 7. Report to Contract Owners

For annuities in the payout period that include non-guaranteed elements, and for deferred annuities in the accumulation period, the insurer shall provide each contract owner with a report, at least annually, on the status of the contract that contains at least the following information:

A. The beginning and end date of the current report period;

B. The accumulation and cash surrender value, if any, at the end of the previous report period and at the end of the current report period;

C. The total amounts, if any, that have been credited, charged to the contract value or paid during the current report period; and

D. The amount of outstanding loans, if any, as of the end of the current report period.

Section 8. Penalties

In addition to any other penalties provided by the laws of this state, an insurer or producer that violates a requirement of this regulation shall be guilty of a violation of Section [cite state's unfair trade practices act].

Section 9. Separability

If any provision of this regulation or its application to any person or circumstance is for any reason held to be invalid by any court of law, the remainder of the regulation and its application to other persons or circumstances shall not be affected.

Section 10. [Optional] Recordkeeping

A. Insurers or insurance producers shall maintain or be able to make available to the commissioner records of the information collected from the consumer and other information provided in the disclosure statement (including illustrations) for [insert number] years after the contract is delivered by the insurer. An insurer is permitted, but shall not be required, to maintain documentation on behalf of an insurance producer.

Drafting Note: States should review their current record retention laws and specify a time period that is consistent with those laws.

B. Records required to be maintained by this regulation may be maintained in paper, photographic, microprocess, magnetic, mechanical or electronic media or by any process that accurately reproduces the actual document.

Drafting Note: This section may be unnecessary in States that have a comprehensive recordkeeping law or regulation.

Section 11. Effective Date

This regulation shall become effective [insert effective date] and shall apply to contracts sold on or after the effective date.

Annuity Illustration Example
[The following illustration is an example only
And does not reflect specific characteristics of any actual product for sale by any company]

ABC Life Insurance Company
Company Product Name
Flexible Premium Fixed Deferred Annuity with a Market Value Adjustment (MVA)
An Illustration Prepared for John Doe by John Agent on mm/dd/yyyy
(Contact us at Policyownerservice@ABCLife.com or 555-555-5555)

Sex: Male	Initial Premium Payment: $100,000.00
Age at Issue: 54	Planned Annual Premium Payments: None
Annuitant: John Doe	Tax Status: Nonqualified
Oldest Age at Which Annuity Payments Can Begin: 95	Withdrawals: None Illustrated

Initial Interest Guarantee Period	5 Years
Initial Guaranteed Interest Crediting Rates	
First Year (reflects first year only interest bonus credit of 0.75%):	4.15%
Remainder of Initial Interest Guarantee Period:	3.40%
Market Value Adjustment Period:	5 Years
Minimum Guaranteed Interest Rate after Initial Interest Guarantee Period *:	3%

* After the Initial Interest Guarantee Period, a new interest rate will be declared annually. This rate cannot be lower than the Minimum Guaranteed Interest Rate.

Annuity Income Options and Illustrated Monthly Income Values

This annuity is designed to pay an income that is guaranteed to last as long as the Annuitant lives. When annuity income payments are to begin, the income payment amounts will be determined by applying an annuity income rate to the annuity Account Value.

Annuity income options include the following:

- Periodic payments for Annuitant’s life
- Periodic payments for Annuitant’s life with payments guaranteed for a certain number of years
- Periodic payments for Annuitant’s life with payments continuing for the life of a survivor annuitant

Illustrated Annuity Income Option: Monthly payments for annuitant’s life with payments guaranteed for 10-year period.
Assumed Age When Payments Start: 70

	Account Value	Monthly Annuity Income Rate/$1,000 of Account Value *	Monthly Annuity Income
Based on Rates Guaranteed in the Contract	$164,798	$5.00	$823.99
Based on Rates Currently Offered by the Company	$171,976	$6.50	$1,117.84

* If, at the time of annuitization, the annuity income rates currently offered by the company are higher than the annuity income rates guaranteed in the contract, the current rates will apply.

ABC Life Insurance Company
Company Product Name
Flexible Premium Fixed Deferred Annuity with a Market Value Adjustment (MVA)
An Illustration Prepared for John Doe by John Agent on mm/dd/yyyy
Contact us at Policyownerservice@ABCLife.com or 555-555-5555

		Values Based on Guaranteed Rates				Values Based on Assumption that Initial Guaranteed Rates Continue		
Contract Year/Age	Premium Payment	Interest Crediting Rate	Account Value	Cash Surrender Value Before MVA	Minimum Cash Surrender Value After MVA	Interest Crediting Rate	Account Value	Cash Surrender Value Before and After MVA
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1 / 55	$ 100,000	4.15%	$ 104,150	$ 95,818	$ 92,000	4.15%	$ 104,150	$ 95,818
2 / 56	0	3.40%	107,691	100,153	93,000	3.40%	107,691	100,153
3 / 57	0	3.40%	111,353	104,671	95,614	3.40%	111,353	104,671
4 / 58	0	3.40%	115,139	109,382	98,482	3.40%	115,139	109,382
5 / 59	0	3.40%	119,053	114,291	114,291	3.40%	119,053	114,291
6 / 60	0	3.00%	122,625	118,946	118,946	3.40%	123,101	119,408
7 / 61	0	3.00%	126,304	123,778	123,778	3.40%	127,287	124,741
8 / 62	0	3.00%	130,093	130,093	130,093	3.40%	131,614	131,614
9 / 63	0	3.00%	133,996	133,996	133,996	3.40%	136,089	136,089
10 / 64	0	3.00%	138,015	138,015	138,015	3.40%	140,716	140,716
11 / 65	0	3.00%	142,156	142,156	142,156	3.40%	145,501	145,501
16 / 70	0	3.00%	164,798	164,798	164,798	3.40%	171,976	171,976
21 / 75	0	3.00%	191,046	191,046	191,046	3.40%	203,268	203,268
26 / 80	0	3.00%	221,474	221,474	221,474	3.40%	240,255	240,255
31 / 85	0	3.00%	256,749	256,749	256,749	3.40%	283,972	283,972
36 / 90	0	3.00%	297,643	297,643	297,643	3.40%	335,643	335,643
41 / 95	0	3.00%	345,050	345,050	345,050	3.40%	396,717	396,717

For column descriptions, turn to page 245-14

Column Descriptions

(1) **Ages** shown are measured from the Annuitant's age at issue

(2) **Premium Payments** are assumed to be made at the beginning of the Contract Year shown

Values Based on Guaranteed Rates

(3) **Interest Crediting Rates** shown are annual rates; however, interest is credited daily. During the Initial Interest Guarantee Period, values developed from the Initial Premium Payment are illustrated using the Initial Guaranteed Interest Rate(s) declared by the insurance company, which include an additional first year only interest bonus credit of 0.75%. The interest rates will be guaranteed for the Initial Interest Guarantee Period, subject to an MVA. After the Initial Interest Guarantee Period, a new renewal interest rate will be declared annually, but can never be less than the Minimum Guaranteed Interest Rate shown.

(4) **Account Value** is the amount you have at the end of each year if you leave your money in the contract until you start receiving annuity payments. It is also the amount available upon the Annuitant's death if it occurs before annuity payments begin. The death benefit is not affected by surrender charges or the MVA.

(5) **Cash Surrender Value Before MVA** is the amount available at the end of each year if you surrender the contract (after deduction of any Surrender Charge) but before the application of any MVA. Surrender charges are applied to the Account Value according to the schedule below until the surrender charge period ends, which may be after the Initial Interest Guarantee Period has ended.

Years Measured from Premium Payment:	1	2	3	4	5	6	7	8+
Surrender Charges:	8%	7%	6%	5%	4%	3%	2%	0%

(6) **Minimum Cash Surrender Value After MVA** is the minimum amount available at the end of each year if you surrender your contract before the end of five years, no matter what the MVA is. The minimum is set by law. The amount you receive may be higher or lower than the cash surrender value due to the application of the MVA, but never lower than this minimum. Otherwise the MVA works as follows: If the interest rate available on new contracts offered by the company is LOWER than your Initial Guaranteed Interest Rate, the MVA will INCREASE the amount you receive. If the interest rate available on new contracts offered by the company is HIGHER than your initial guaranteed interest rate, the MVA will DECREASE the amount you receive. Page 4 of this illustration provides additional information concerning the MVA.

Values Based on Assumption that Initial Guaranteed Rates Continue

(7) **Interest Crediting Rates** are the same as in Column (3) for the Initial Interest Guarantee Period. After the Initial Interest Guarantee Period, a new renewal interest rate will be declared annually. For the purposes of calculating the values in this column, it is assumed that the Initial Guaranteed Interest Rate (without the bonus) will continue as the new renewal interest rate in all years. The actual renewal interest rates are not subject to an MVA and will very likely NOT be the same as the illustrated renewal interest rates.

(8) **Account Value** is calculated the same way as column (4).

(9) **Cash Surrender Value Before and After MVA** is the Cash Surrender Value at the end of each year assuming that Initial Guaranteed Interest Rates continue, and that the continuing rates are the rates offered by the company on new contracts. In this case the MVA would be zero, and Cash Surrender Values before and after the MVA would be the same.

Important Note: This illustration assumes you will take **no** withdrawals from your annuity before you begin to receive periodic income payments. **Withdrawals will reduce both the annuity Account Value and the Cash Surrender Value.** You may make partial withdrawals of up to 10% of your account value each contract year without paying surrender charges. Excess withdrawals (above 10%) and full withdrawals will be subject to surrender charges.

This illustration assumes the annuity's current interest crediting rates will not change. It is likely that they will change and actual values may be higher or lower than those in the illustration.

The values in this illustration are not guarantees or even estimates of the amounts you can expect from your annuity. For more information, read the annuity disclosure and annuity buyer's guide.

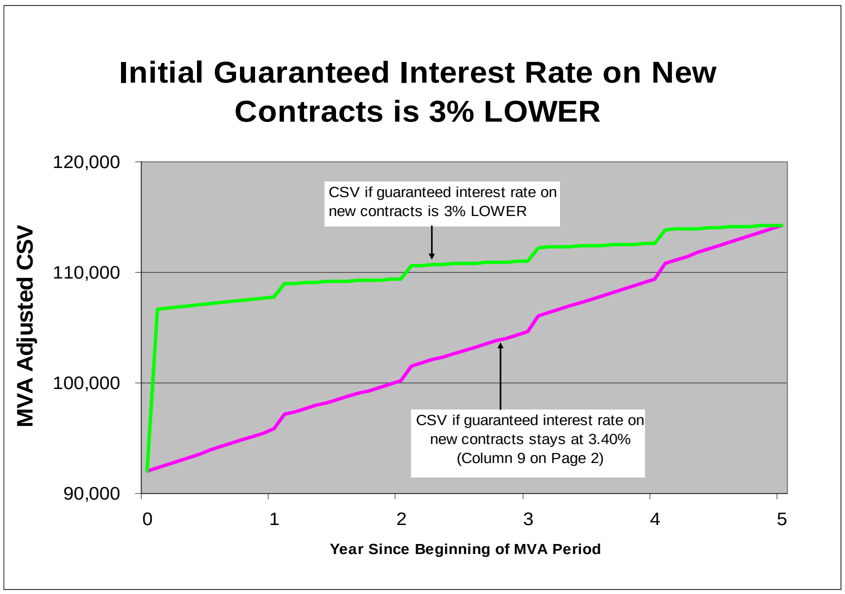
MVA-adjusted Cash Surrender Values (CSVs) Under Sample Scenarios

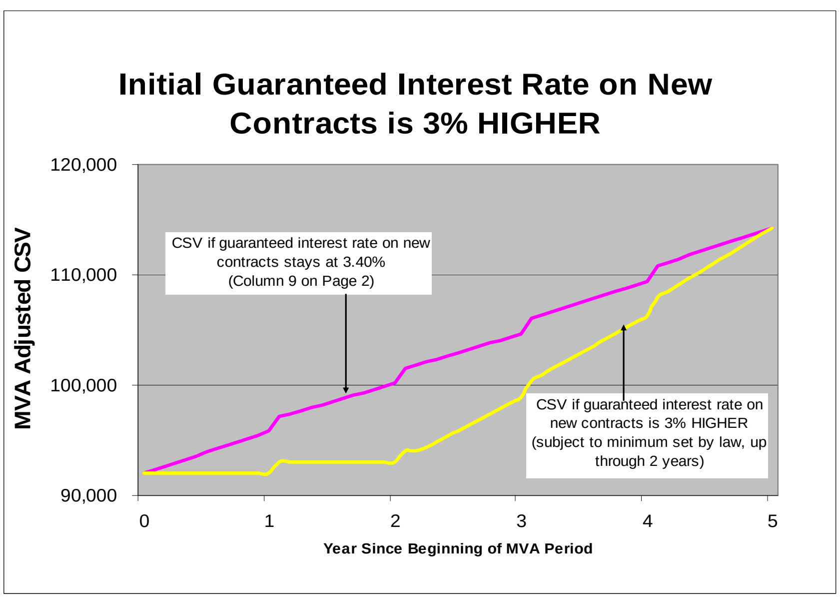
The graphs below shows MVA-adjusted Cash Surrender Values (CSVs) during the first five years of the contract, as illustrated on page 2 ($100,000 single premium, a 5-year MVA Period) under two sample scenarios, as described below.

Graph #1 shows if the interest rate on new contracts is 3% LOWER than your Initial Guaranteed Interest Rate, the MVA will increase the amount you receive (green line). The pink line shows the Cash Surrender Values if the Initial Guaranteed Interest Rates continue (from Column (9) on Page 2).

Graph #2 shows if the interest rate on new contracts is 3% HIGHER than your Initial Guaranteed Interest Rate, the MVA will decrease the amount you receive, but not below the minimum set by law (Column (6) on Page 2), which in this scenario limits the decrease for the first 2 years (yellow line). The pink line shows the Cash Surrender Values if the Initial Guaranteed Interest Rates continue (from Column (9) on Page 2).

These graphs and the sample guaranteed interest rates on new contracts used are for demonstration purposes only and are not intended to be a projection of how guaranteed interest rates on new contracts are likely to behave.





Chronological Summary of Action (all references are to the Proceedings of the NAIC).

1998 Proc. 4th Quarter 15, 17, 608, 628, 629-632 (adopted).
2011 Ex/Plenary Conference Call Oct 11, 2011 (amendments adopted)
2013 Proc. 3rd Quarter, Vol. I 121, 135, 138, 157, 225-319, 331, 500-512 (Guideline Amendments adopted).
2015 Proc. 1st Quarter, Vol. I 117-118, 131-134, 317-325, 431 (amended).

This model replaced an earlier version:

1978 Proc. II 31, 34, 295, 380, 382, 388-391 (adopted).
1980 Proc. I 34, 38, 406, 516, 518 (amended).
1982 Proc. II 505-512 (copy of most amendments adopted 1983 Proc. I).
1983 Proc. I 6, 35, 447, 569, 572-579 (amended; incorrectly reprinted).
1983 Proc. II 16, 22, 554, 613 (Buyer's Guide modified).
1988 Proc. I 9, 19-20, 601, 603-609 (adopted technical amendments; reprinted).
1988 Proc. II 5, 12, 478, 490-497 (amended and reprinted).
1998 Proc. 3rd Quarter 15, 518, 542, 545-553 (Buyer’s Guide amended and reprinted).

ANNUITY DISCLOSURE MODEL REGULATION

The NAIC amended this model during the 2013 Fall National Meeting. These amendments were adopted as guidelines under the NAIC's model laws process. The December 2013 Guideline Amendments are highlighted in grey.

Table of Contents

Section 1. Purpose

The purpose of this regulation is to provide standards for the disclosure of certain minimum information about annuity contracts to protect consumers and foster consumer education. The regulation specifies the minimum information which must be disclosed, the method for disclosing it and the use and content of illustrations, if used, in connection with the sale of annuity contracts. The goal of this regulation is to ensure that purchasers of annuity contracts understand certain basic features of annuity contracts.

Section 2. Authority

This regulation is issued based upon the authority granted the commissioner under Section [cite any enabling legislation and state law corresponding to Section 4 of the NAIC Unfair Trade Practices Act].

Section 3. Applicability and Scope

This regulation applies to all group and individual annuity contracts and certificates except:

A. Immediate and deferred annuities that contain no non-guaranteed elements;

B. (1) Annuities used to fund:

(a) An employee pension plan which is covered by the Employee Retirement Income Security Act (ERISA);

(b) A plan described by Sections 401(a), 401(k) or 403(b) of the Internal Revenue Code, where the plan, for purposes of ERISA, is established or maintained by an employer,

(c) A governmental or church plan defined in Section 414 or a deferred compensation plan of a state or local government or a tax exempt organization under Section 457 of the Internal Revenue Code; or

(d) A nonqualified deferred compensation arrangement established or maintained by an employer or plan sponsor.

(2) Notwithstanding Paragraph (1), the regulation shall apply to annuities used to fund a plan or arrangement that is funded solely by contributions an employee elects to make whether on a pre-tax or after-tax basis, and where the insurance company has been notified that plan participants may choose from among two (2) or more fixed annuity providers and there is a direct solicitation of an individual employee by a producer for the purchase of an annuity contract. As used in this subsection, direct solicitation shall not include any meeting held by a producer solely for the purpose of educating or enrolling employees in the plan or arrangement;

C. Non-registered variable annuities issued exclusively to an accredited investor or qualified purchaser as those terms are defined by the Securities Act of 1933 (15 U.S.C. Section 77a et seq.), the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.), or the regulations promulgated under either of those acts, and offered for sale and sold in a transaction that is exempt from registration under the Securities Act of 1933 (15 U.S.C. Section 77a et seq.).

D. (1) Transactions involving variable annuities and other registered products in compliance with Securities and Exchange Commission (SEC) rules and Financial Industry Regulatory Authority (FINRA) rules relating to disclosures and illustrations, provided that compliance with Section 5 shall be required after January 1, 2014, unless, or until such time as, the SEC has adopted a summary prospectus rule or FINRA has approved for use a simplified disclosure form applicable to variable annuities or other registered products.

Drafting Note: States should be aware that the provision in paragraph (1) above requiring transactions involving variable annuities and other registered products to comply with the requirements of Section 5 of the regulation after Jan. 1, 2014 unless the U.S. Securities and Exchange Commission (SEC) adopts a summary prospectus rule or the Financial Industry Regulatory Authority (FINRA) approves for use a simplified disclosure form applicable to variable annuities or other registered products could be preempted by the National Securities Markets Improvement Act of 1996 (NSMIA). NSMIA prohibits the States from making laws establishing record-making or record-keeping requirements for broker-dealers. Given this, in adopting this regulation, States may want to omit the language in paragraph (1) above that eliminates the exemption for these transactions after Jan. 1, 2014 and, as a consequence, would require broker-dealers to comply with Section 5 of this regulation unless or until the SEC or FINRA takes the delineated action. States should consider only adopting the language from paragraph (1) above that exempts transactions involving variable annuities and other registered products in compliance with the SEC and FINRA rules relating to disclosures and illustrations from having to comply with the regulation.

(2) Notwithstanding Subsection D(1), the delivery of the Buyer's Guide is required in sales of variable annuities, and when appropriate, in sales of other registered products.

Drafting Note: The requirement to provide a Buyer's Guide would not be appropriate for contingent deferred annuities unless, or until such time as, the NAIC adopts a Buyer's Guide that specifically addresses contingent deferred annuities.

(3) Nothing in this subsection shall limit the commissioner's ability to enforce the provisions of this regulation or to require additional disclosure.

E. Structured settlement annuities;

F. [Charitable gift annuities; and]

G. [Funding agreements].

Drafting Note: States that regulate charitable gift annuities should exempt them from the requirements of this regulation. States that recognize or regulate funding agreements as annuities should exempt them from the requirements of this regulation.

Section 4. Definitions

For the purposes of this regulation:

A. "Buyer's Guide" means the National Association of Insurance Commissioner's approved Annuity Buyer's Guide.

B. ["Charitable gift annuity" means a transfer of cash or other property by a donor to a charitable organization in return for an annuity payable over one or two lives, under which the actuarial value of the annuity is less than the value of the cash or other property transferred and the difference in value constitutes a charitable deduction for federal tax purposes, but does not include a charitable remainder trust or a charitable lead trust or other similar arrangement where the charitable organization does not issue an annuity and incur a financial obligation to guarantee annuity payments.]

C. “Contract owner” means the owner named in the annuity contract or certificate holder in the case of a group annuity contract.

D. “Determinable elements” means elements that are derived from processes or methods that are guaranteed at issue and not subject to company discretion, but where the values or amounts cannot be determined until some point after issue. These elements include the premiums, credited interest rates (including any bonus), benefits, values, non-interest based credits, charges or elements of formulas used to determine any of these. These elements may be described as guaranteed but not determined at issue. An element is considered determinable if it was calculated from underlying determinable elements only, or from both determinable and guaranteed elements.

E. [“Funding agreement” means an agreement for an insurer to accept and accumulate funds and to make one or more payments at future dates in amounts that are not based on mortality or morbidity contingencies.]

F. “Generic name” means a short title descriptive of the annuity contract being applied for or illustrated such as “single premium deferred annuity.”

G. “Guaranteed elements” means the premiums, credited interest rates (including any bonus), benefits, values, non-interest based credits, charges or elements of formulas used to determine any of these, that are guaranteed or have determinable elements at issue. An element is considered guaranteed if all of the underlying elements that go into its calculation are guaranteed.

H. “Illustration” means a personalized presentation or depiction prepared for and provided to an individual consumer that includes non-guaranteed elements of an annuity contract over a period of years.

I. “Market Value Adjustment” or “MVA” feature is a positive or negative adjustment that may be applied to the account value and/or cash value of the annuity upon withdrawal, surrender, contract annuitization or death benefit payment based on either the movement of an external index or on the company’s current guaranteed interest rate being offered on new premiums or new rates for renewal periods, if that withdrawal, surrender, contract annuitization or death benefit payment occurs at a time other than on a specified guaranteed benefit date.

J. “Non-guaranteed elements” means the premiums, credited interest rates (including any bonus), benefits, values, dividends, non-interest based credits, charges or elements of formulas used to determine any of these, that are subject to company discretion and are not guaranteed at issue. An element is considered non-guaranteed if any of the underlying non-guaranteed elements are used in its calculation.

K. “Registered product” means an annuity contract or life insurance policy subject to the prospectus delivery requirements of the Securities Act of 1933.

Drafting Note: Registered products include, but are not limited to, contingent deferred annuities.

L. “Structured settlement annuity” means a “qualified funding asset” as defined in section 130(d) of the Internal Revenue Code or an annuity that would be a qualified funding asset under section 130(d) but for the fact that it is not owned by an assignee under a qualified assignment.

Section 5. Standards for the Disclosure Document and Buyer’s Guide

A. (1) Where the application for an annuity contract is taken in a face-to-face meeting, the applicant shall at or before the time of application be given both the disclosure document described in Subsection B and the Buyer’s Guide, if any.

(2) Where the application for an annuity contract is taken by means other than in a face-to-face meeting, the applicant shall be sent both the disclosure document and the Buyer’s Guide no later than five (5) business days after the completed application is received by the insurer.

(a) With respect to an application received as a result of a direct solicitation through the mail:

(i) Providing a Buyer's Guide in a mailing inviting prospective applicants to apply for an annuity contract shall be deemed to satisfy the requirement that the Buyer's Guide be provided no later than five (5) business days after receipt of the application.

(ii) Providing a disclosure document in a mailing inviting a prospective applicant to apply for an annuity contract shall be deemed to satisfy the requirement that the disclosure document be provided no later than five (5) business days after receipt of the application.

(b) With respect to an application received via the Internet:

(i) Taking reasonable steps to make the Buyer's Guide available for viewing and printing on the insurer's website shall be deemed to satisfy the requirement that the Buyer's Guide be provided no later than five (5) business day of receipt of the application.

(ii) Taking reasonable steps to make the disclosure document available for viewing and printing on the insurer's website shall be deemed to satisfy the requirement that the disclosure document be provided no later than five (5) business days after receipt of the application.

(c) A solicitation for an annuity contract provided in other than a face-to-face meeting shall include a statement that the proposed applicant may contact the insurance department of the state for a free annuity Buyer's Guide. In lieu of the foregoing statement, an insurer may include a statement that the prospective applicant may contact the insurer for a free annuity Buyer's Guide.

(d) Where the Buyer's Guide and disclosure document are not provided at or before the time of application, a free look period of no less than fifteen (15) days shall be provided for the applicant to return the annuity contract without penalty. This free look shall run concurrently with any other free look provided under state law or regulation.

B. At a minimum, the following information shall be included in the disclosure document required to be provided under this regulation:

(1) The generic name of the contract, the company product name, if different, and form number, and the fact that it is an annuity;

(2) The insurer's legal name, physical address, website address and telephone number;

(3) A description of the contract and its benefits, emphasizing its long-term nature, including examples where appropriate:

(a) The guaranteed and non-guaranteed elements of the contract, and their limitations, if any, including for fixed indexed annuities, the elements used to determine the index-based interest, such as the participation rates, caps or spread, and an explanation of how they operate;

(b) An explanation of the initial crediting rate, or for fixed indexed annuities, an explanation of how the index-based interest is determined, specifying any bonus or introductory portion, the duration of the rate and the fact that rates may change from time to time and are not guaranteed;

(c) Periodic income options both on a guaranteed and non-guaranteed basis;

(d) Any value reductions caused by withdrawals from or surrender of the contract;

(e) How values in the contract can be accessed;

(f) The death benefit, if available and how it will be calculated;

(g) A summary of the federal tax status of the contract and any penalties applicable on withdrawal of values from the contract; and

(h) Impact of any rider, including, but not limited to, a guaranteed living benefit or long-term care rider;

(4) Specific dollar amount or percentage charges and fees shall be listed with an explanation of how they apply; and

(5) Information about the current guaranteed rate or indexed crediting rate formula, if applicable, for new contracts that contains a clear notice that the rate is subject to change.

C. Insurers shall define terms used in the disclosure statement in language that facilitates the understanding by a typical person within the segment of the public to which the disclosure statement is directed.

Section 6. Standards for Annuity Illustrations

A. An insurer or producer may elect to provide a consumer an illustration at any time, provided that the illustration is in compliance with this section and:

(1) Clearly labeled as an illustration;

(2) Includes a statement referring consumers to the disclosure document and Buyer's Guide provided to them at time of purchase for additional information about their annuity; and

(3) Is prepared by the insurer or third party using software that is authorized by the insurer prior to its use, provided that the insurer maintains a system of control over the use of illustrations.

B. An illustration furnished an applicant for a group annuity contract or contracts issued to a single applicant on multiple lives may be either an individual or composite illustration representative of the coverage on the lives of members of the group or the multiple lives covered.

C. The illustration shall not be provided unless accompanied by the disclosure document referenced in Section 5.

D. When using an illustration, the illustration shall not:

(1) Describe non-guaranteed elements in a manner that is misleading or has the capacity or tendency to mislead;

(2) State or imply that the payment or amount of non-guaranteed elements is guaranteed; or

(3) Be incomplete.

E. Costs and fees of any type shall be individually noted and explained.

F. An illustration shall conform to the following requirements:

(1) The illustration shall be labeled with the date on which it was prepared;

(2) Each page, including any explanatory notes or pages, shall be numbered and show its relationship to the total number of pages in the disclosure document (e.g., the fourth page of a seven-page disclosure document shall be labeled "page 4 of 7 pages");

(3) The assumed dates of premium receipt and benefit payout within a contract year shall be clearly identified;

(4) If the age of the proposed insured is shown as a component of the tabular detail, it shall be issue age plus the numbers of years the contract is assumed to have been in force;

(5) The assumed premium on which the illustrated benefits and values are based shall be clearly identified, including rider premium for any benefits being illustrated;

(6) Any charges for riders or other contract features assessed against the account value or the crediting rate shall be recognized in the illustrated values and shall be accompanied by a statement indicating the nature of the rider benefits or the contract features, and whether or not they are included in the illustration;

(7) Guaranteed death benefits and values available upon surrender, if any, for the illustrated contract premium shall be shown and clearly labeled guaranteed;

(8) The non-guaranteed elements underlying the non-guaranteed illustrated values shall be no more favorable than current non-guaranteed elements and shall not include any assumed future improvement of such elements. Additionally, non-guaranteed elements used in calculating non-guaranteed illustrated values at any future duration shall reflect any planned changes, including any planned changes that may occur after expiration of an initial guaranteed or bonus period;

(9) In determining the non-guaranteed illustrated values for a fixed indexed annuity, the index-based interest rate and account value shall be calculated for three different scenarios: one to reflect historical performance of the index for the most recent ten (10) calendar years; one to reflect the historical performance of the index for the continuous period of ten (10) calendar years out of the last twenty (20) calendar years that would result in the least index value growth (the “low scenario”); one to reflect the historical performance of the index for the continuous period of ten (10) calendar years out of the last twenty (20) calendar years that would result in the most index value growth (the “high scenario”). The following requirements apply:

(a) The most recent ten (10) calendar years and the last twenty (20) calendar years are defined to end on the prior December 31, except for illustrations prepared during the first three (3) months of the year, for which the end date of the calendar year period may be the December 31 prior to the last full calendar year;

(b) If any index utilized in determination of an account value has not been in existence for at least ten (10) calendar years, indexed returns for that index shall not be illustrated. If the fixed indexed annuity provides an option to allocate account value to more than one indexed or fixed declared rate account, and one or more of those indexes has not been in existence for at least ten (10) calendar years, the allocation to such indexed account(s) shall be assumed to be zero;

(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 has been in existence;

(d) The non-guaranteed element(s), such as caps, spreads, participation rates or other interest crediting adjustments, used in calculating the non-guaranteed index-based interest rate shall be no more favorable than the corresponding current element(s);

(e) If a fixed indexed annuity provides an option to allocate the account value to more than one indexed or fixed declared rate account:

(i) The allocation used in the illustration shall be the same for all three scenarios; and

(ii) The ten (10) calendar year periods resulting in the least and greatest index growth periods shall be determined independently for each indexed account option.

(f) The geometric mean annual effective rate of the account value growth over the ten (10) calendar year period shall be shown for each scenario;

(g) If the most recent ten (10) calendar year historical period experience of the index is shorter than the number of years needed to fulfill the requirement of subsection H, the most recent ten (10) calendar year historical period experience of the index shall be used for each subsequent ten (10) calendar year period beyond the initial period for the purpose of calculating the account value for the remaining years of the illustration;

(h) The low and high scenarios: (i) need not show surrender values (if different than account values); (ii) shall not extend beyond ten (10) calendar years (and therefore are not subject to the requirements of subsection H beyond subsection H(1)(a)); and (iii) may be shown on a separate page. A graphical presentation shall also be included comparing the movement of the account value over the ten (10) calendar year period for the low scenario, the high scenario and the most recent ten (10) calendar year scenario; and

(i) The low and high scenarios should reflect the irregular nature of the index performance and should trigger every type of adjustment to the index-based interest rate under the contract. The effect of the adjustments should be clear; for example, additional columns showing how the adjustment applied may be included. If an adjustment to the index-based interest rate is not triggered in the illustration (because no historical values of the index in the required illustration range would have triggered it), the illustration shall so state;

(10) The guaranteed elements, if any, shall be shown before corresponding non-guaranteed elements and shall be specifically referred to on any page of an illustration that shows or describes only the non-guaranteed elements (e.g., “see page 1 for guaranteed elements”);

(11) The account or accumulation value of a contract, if shown, shall be identified by the name this value is given in the contract being illustrated and shown in close proximity to the corresponding value available upon surrender;

(12) The value available upon surrender shall be identified by the name this value is given in the contract being illustrated and shall be the amount available to the contract owner in a lump sum after deduction of surrender charges, bonus forfeitures, contract loans, contract loan interest and application of any market value adjustment, as applicable;

(13) Illustrations may show contract benefits and values in graphic or chart form in addition to the tabular form;

(14) Any illustration of non-guaranteed elements shall be accompanied by a statement indicating that:

(a) The benefits and values are not guaranteed;

(b) The assumptions on which they are based are subject to change by the insurer; and

(c) Actual results may be higher or lower;

(15) Illustrations based on non-guaranteed credited interest and non-guaranteed annuity income rates shall contain equally prominent comparisons to guaranteed credited interest and guaranteed annuity income rates, including any guaranteed and non-guaranteed participation rates, caps or spreads for fixed indexed annuities;

(16) The annuity income rate illustrated shall not be greater than the current annuity income rate unless the contract guarantees are in fact more favorable;

(17) Illustrations shall be concise and easy to read;

(18) Key terms shall be defined and then used consistently throughout the illustration;

(19) Illustrations shall not depict values beyond the maximum annuitization age or date;

(20) Annuitization benefits shall be based on contract values that reflect surrender charges or any other adjustments, if applicable; and

(21) Illustrations shall show both annuity income rates per $1000.00 and the dollar amounts of the periodic income payable.

G. An annuity illustration shall include a narrative summary that includes the following unless provided at the same time in a disclosure document:

(1) A brief description of any contract features, riders or options, guaranteed and/or nonguaranteed, shown in the basic illustration and the impact they may have on the benefits and values of the contract;

(2) A brief description of any other optional benefits or features that are selected, but not shown in the illustration and the impact they have on the benefits and values of the contract;

(3) Identification and a brief definition of column headings and key terms used in the illustration;

(4) A statement containing in substance the following:

(a) For other than fixed indexed annuities:

This illustration assumes the annuity’s current nonguaranteed elements will not change. It is likely that they **will** change and actual values will be higher or lower than those in this illustration but will not be less than the minimum guarantees.

The values in this illustration are **not** guarantees or even estimates of the amounts you can expect from your annuity. Please review the entire Disclosure Document and Buyer’s Guide provided with your Annuity Contract for more detailed information;

(b) For fixed indexed annuities:

This illustration assumes the index will repeat historical performance and that the annuity’s current non-guaranteed elements, such as caps, spreads, participation rates or other interest crediting adjustments, will not change. It is likely that the index **will not** repeat historical performance, the non-guaranteed elements **will** change, and actual values will be higher or lower than those in this illustration but will not be less than the minimum guarantees.

The values in this illustration are **not** guarantees or even estimates of the amounts you can expect from your annuity. Please review the entire Disclosure Document and Buyer’s Guide provided with your Annuity Contract for more detailed information; and

(5) Additional explanations as follows:

(a) Minimum guarantees shall be clearly explained;

(b) The effect on contract values of contract surrender prior to maturity shall be explained;

(c) Any conditions on the payment of bonuses shall be explained;

(d) For annuities sold as an IRA, qualified plan or in another arrangement subject to the required minimum distribution (RMD) requirements of the Internal Revenue Code, the effect of RMDs on the contract values shall be explained;

(e) For annuities with recurring surrender charge schedules, a clear and concise explanation of what circumstances will cause the surrender charge to recur; and

(f) A brief description of the types of annuity income options available shall be explained, including:

(i) The earliest or only maturity date for annuitization (as the term is defined in the contract);

(ii) For contracts with an optional maturity date, the periodic income amount for at least one of the annuity income options available based on the guaranteed rates in the contract, at the later of age seventy (70) or ten (10) years after issue, but in no case later than the maximum annuitization age or date in the contract;

(iii) For contracts with a fixed maturity date, the periodic income amount for at least one of the annuity income options available, based on the guaranteed rates in the contract at the fixed maturity date; and

(iv) The periodic income amount based on the currently available periodic income rates for the annuity income option in item (ii) or item (iii), if desired.

H. Following the narrative summary, an illustration shall include a numeric summary which shall include at minimum, numeric values at the following durations:

(1) (a) First ten (10) contract years; or

(b) Surrender charge period if longer than ten (10) years, including any renewal surrender charge period(s);

(2) Every tenth contract year up to the later of thirty (30) years or age seventy (70); and

(3) (a) Required annuitization age; or

(b) Required annuitization date.

I. If the annuity contains a market value adjustment, hereafter MVA, the following provisions apply to the illustration:

(1) The MVA shall be referred to as such throughout the illustration;

(2) The narrative shall include an explanation, in simple terms, of the potential effect of the MVA on the value available upon surrender;

(3) The narrative shall include an explanation, in simple terms, of the potential effect of the MVA on the death benefit;

(4) A statement, containing in substance the following, shall be included:

When you make a withdrawal the amount you receive may be increased or decreased by a Market Value Adjustment (MVA). If interest rates on which the MVA is based go up after you buy your annuity, the MVA likely will decrease the amount you receive. If interest rates go down, the MVA will likely increase the amount you receive.

(5) Illustrations shall describe both the upside and the downside aspects of the contract features relating to the market value adjustment;

(6) The illustrative effect of the MVA shall be shown under at least one positive and one negative scenario. This demonstration shall appear on a separate page and be clearly labeled that it is information demonstrating the potential impact of a MVA;

(7) Actual MVA floors and ceilings as listed in the contract shall be illustrated; and

(8) If the MVA has significant characteristics not addressed by Paragraphs (1) – (6), the effect of such characteristics shall be shown in the illustration.

Drafting Note: Appendix A provides an example of an illustration of an annuity containing an MVA that addresses Paragraphs (1) – (6) above.

J. A narrative summary for a fixed indexed annuity illustration also shall include the following unless provided at the same time in a disclosure document:

(1) An explanation, in simple terms, of the elements used to determine the index-based interest, including but not limited to, the following elements:

(a) The Index(es) which will be used to determine the index-based interest;

(b) The Indexing Method – such as point-to-point, daily averaging, monthly averaging;

(c) The Index Term – the period over which indexed-based interest is calculated;

(d) The Participation Rate, if applicable;

(e) The Cap, if applicable; and

(f) The Spread, if applicable;

(2) The narrative shall include an explanation, in simple terms, of how index-based interest is credited in the indexed annuity;

(3) The narrative shall include a brief description of the frequency with which the company can re-set the elements used to determine the index-based credits, including the participation rate, the cap, and the spread, if applicable; and

(4) If the product allows the contract holder to make allocations to declared-rate segment, then the narrative shall include a brief description of:

(a) Any options to make allocations to a declared-rate segment, both for new premiums and for transfers from the indexed-based segments; and

(b) Differences in guarantees applicable to the declared-rate segment and the indexed-based segments.

K. A numeric summary for a fixed indexed annuity illustration shall include, at a minimum, the following elements:

(1) The assumed growth rate of the index in accordance with Subsection F(9);

(2) The assumed values for the participation rate, cap and spread, if applicable; and

(3) The assumed allocation between indexed-based segments and declared-rate segment, if applicable, in accordance with Subsection F(9).

L. If the contract is issued other than as applied for, a revised illustration conforming to the contract as issued shall be sent with the contract, except that non-substantive changes, including, but not limited to changes in the amount of expected initial or additional premiums and any changes in amounts of exchanges pursuant to Section 1035 of the Internal Revenue Code, rollovers or transfers, which do not alter the key benefits and features of the annuity as applied for will not require a revised illustration unless requested by the applicant.

Section 7. Report to Contract Owners

For annuities in the payout period that include non-guaranteed elements, and for deferred annuities in the accumulation period, the insurer shall provide each contract owner with a report, at least annually, on the status of the contract that contains at least the following information:

A. The beginning and end date of the current report period;

B. The accumulation and cash surrender value, if any, at the end of the previous report period and at the end of the current report period;

C. The total amounts, if any, that have been credited, charged to the contract value or paid during the current report period; and

D. The amount of outstanding loans, if any, as of the end of the current report period.

Section 8. Penalties

In addition to any other penalties provided by the laws of this state, an insurer or producer that violates a requirement of this regulation shall be guilty of a violation of Section [cite state's unfair trade practices act].

Section 9. Separability

If any provision of this regulation or its application to any person or circumstance is for any reason held to be invalid by any court of law, the remainder of the regulation and its application to other persons or circumstances shall not be affected.

Section 10. [Optional] Recordkeeping

A. Insurers or insurance producers shall maintain or be able to make available to the commissioner records of the information collected from the consumer and other information provided in the disclosure statement (including illustrations) for [insert number] years after the contract is delivered by the insurer. An insurer is permitted, but shall not be required, to maintain documentation on behalf of an insurance producer.

Drafting Note: States should review their current record retention laws and specify a time period that is consistent with those laws.

B. Records required to be maintained by this regulation may be maintained in paper, photographic, microprocess, magnetic, mechanical or electronic media or by any process that accurately reproduces the actual document.

Drafting Note: This section may be unnecessary in States that have a comprehensive recordkeeping law or regulation.

Section 11. Effective Date

This regulation shall become effective [insert effective date] and shall apply to contracts sold on or after the effective date.

Annuity Illustration Example
[The following illustration is an example only
And does not reflect specific characteristics of any actual product for sale by any company]

ABC Life Insurance Company
Company Product Name
Flexible Premium Fixed Deferred Annuity with a Market Value Adjustment (MVA)
An Illustration Prepared for John Doe by John Agent on mm/dd/yyyy
(Contact us at Policyownerservice@ABCLife.com or 555-555-5555)

Sex: Male	Initial Premium Payment: $100,000.00
Age at Issue: 54	Planned Annual Premium Payments: None
Annuitant: John Doe	Tax Status: Nonqualified
Oldest Age at Which Annuity Payments Can Begin: 95	Withdrawals: None Illustrated

Initial Interest Guarantee Period	5 Years
Initial Guaranteed Interest Crediting Rates	
First Year (reflects first year only interest bonus credit of 0.75%):	4.15%
Remainder of Initial Interest Guarantee Period:	3.40%
Market Value Adjustment Period:	5 Years
Minimum Guaranteed Interest Rate after Initial Interest Guarantee Period *:	3%

* After the Initial Interest Guarantee Period, a new interest rate will be declared annually. This rate cannot be lower than the Minimum Guaranteed Interest Rate.

Annuity Income Options and Illustrated Monthly Income Values

This annuity is designed to pay an income that is guaranteed to last as long as the Annuitant lives. When annuity income payments are to begin, the income payment amounts will be determined by applying an annuity income rate to the annuity Account Value.

Annuity income options include the following:

- Periodic payments for Annuitant's life
- Periodic payments for Annuitant's life with payments guaranteed for a certain number of years
- Periodic payments for Annuitant's life with payments continuing for the life of a survivor annuitant

Illustrated Annuity Income Option: Monthly payments for annuitant's life with payments guaranteed for 10-year period.
Assumed Age When Payments Start: 70

	Account Value	Monthly Annuity Income Rate/$1,000 of Account Value *	Monthly Annuity Income
Based on Rates Guaranteed in the Contract	$164,798	$5.00	$823.99
Based on Rates Currently Offered by the Company	$171,976	$6.50	$1,117.84

* If, at the time of annuitization, the annuity income rates currently offered by the company are higher than the annuity income rates guaranteed in the contract, the current rates will apply.

ABC Life Insurance Company

Company Product Name

Flexible Premium Fixed Deferred Annuity with a Market Value Adjustment (MVA)

An Illustration Prepared for John Doe by John Agent on mm/dd/yyyy

Contact us at Policyownerservice@ABCLife.com or 555-555-5555

		Values Based on Guaranteed Rates				Values Based on Assumption that Initial Guaranteed Rates Continue		
Contract Year/Age	Premium Payment	Interest Crediting Rate	Account Value	Cash Surrender Value Before MVA	Minimum Cash Surrender Value After MVA	Interest Crediting Rate	Account Value	Cash Surrender Value Before and After MVA
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1 / 55	$ 100,000	4.15%	$ 104,150	$ 95,818	$ 92,000	4.15%	$ 104,150	$ 95,818
2 / 56	0	3.40%	107,691	100,153	93,000	3.40%	107,691	100,153
3 / 57	0	3.40%	111,353	104,671	95,614	3.40%	111,353	104,671
4 / 58	0	3.40%	115,139	109,382	98,482	3.40%	115,139	109,382
5 / 59	0	3.40%	119,053	114,291	114,291	3.40%	119,053	114,291
6 / 60	0	3.00%	122,625	118,946	118,946	3.40%	123,101	119,408
7 / 61	0	3.00%	126,304	123,778	123,778	3.40%	127,287	124,741
8 / 62	0	3.00%	130,093	130,093	130,093	3.40%	131,614	131,614
9 / 63	0	3.00%	133,996	133,996	133,996	3.40%	136,089	136,089
10 / 64	0	3.00%	138,015	138,015	138,015	3.40%	140,716	140,716
11 / 65	0	3.00%	142,156	142,156	142,156	3.40%	145,501	145,501
16 / 70	0	3.00%	164,798	164,798	164,798	3.40%	171,976	171,976
21 / 75	0	3.00%	191,046	191,046	191,046	3.40%	203,268	203,268
26 / 80	0	3.00%	221,474	221,474	221,474	3.40%	240,255	240,255
31 / 85	0	3.00%	256,749	256,749	256,749	3.40%	283,972	283,972
36 / 90	0	3.00%	297,643	297,643	297,643	3.40%	335,643	335,643
41 / 95	0	3.00%	345,050	345,050	345,050	3.40%	396,717	396,717

For column descriptions, turn to page 245-17

Column Descriptions

(1) **Ages** shown are measured from the Annuitant's age at issue

(2) **Premium Payments** are assumed to be made at the beginning of the Contract Year shown

Values Based on Guaranteed Rates

(3) **Interest Crediting Rates** shown are annual rates; however, interest is credited daily. During the Initial Interest Guarantee Period, values developed from the Initial Premium Payment are illustrated using the Initial Guaranteed Interest Rate(s) declared by the insurance company, which include an additional first year only interest bonus credit of 0.75%. The interest rates will be guaranteed for the Initial Interest Guarantee Period, subject to an MVA. After the Initial Interest Guarantee Period, a new renewal interest rate will be declared annually, but can never be less than the Minimum Guaranteed Interest Rate shown.

(4) **Account Value** is the amount you have at the end of each year if you leave your money in the contract until you start receiving annuity payments. It is also the amount available upon the Annuitant's death if it occurs before annuity payments begin. The death benefit is not affected by surrender charges or the MVA.

(5) **Cash Surrender Value Before MVA** is the amount available at the end of each year if you surrender the contract (after deduction of any Surrender Charge) but before the application of any MVA. Surrender charges are applied to the Account Value according to the schedule below until the surrender charge period ends, which may be after the Initial Interest Guarantee Period has ended.

Years Measured from Premium Payment:	1	2	3	4	5	6	7	8+
Surrender Charges:	8%	7%	6%	5%	4%	3%	2%	0%

(6) **Minimum Cash Surrender Value After MVA** is the minimum amount available at the end of each year if you surrender your contract before the end of five years, no matter what the MVA is. The minimum is set by law. The amount you receive may be higher or lower than the cash surrender value due to the application of the MVA, but never lower than this minimum. Otherwise the MVA works as follows: If the interest rate available on new contracts offered by the company is LOWER than your Initial Guaranteed Interest Rate, the MVA will INCREASE the amount you receive. If the interest rate available on new contracts offered by the company is HIGHER than your initial guaranteed interest rate, the MVA will DECREASE the amount you receive. Page 4 of this illustration provides additional information concerning the MVA.

Values Based on Assumption that Initial Guaranteed Rates Continue

(7) **Interest Crediting Rates** are the same as in Column (3) for the Initial Interest Guarantee Period. After the Initial Interest Guarantee Period, a new renewal interest rate will be declared annually. For the purposes of calculating the values in this column, it is assumed that the Initial Guaranteed Interest Rate (without the bonus) will continue as the new renewal interest rate in all years. The actual renewal interest rates are not subject to an MVA and will very likely NOT be the same as the illustrated renewal interest rates.

(8) **Account Value** is calculated the same way as column (4).

(9) **Cash Surrender Value Before and After MVA** is the Cash Surrender Value at the end of each year assuming that Initial Guaranteed Interest Rates continue, and that the continuing rates are the rates offered by the company on new contracts. In this case the MVA would be zero, and Cash Surrender Values before and after the MVA would be the same.

Important Note: This illustration assumes you will take **no** withdrawals from your annuity before you begin to receive periodic income payments. **Withdrawals will reduce both the annuity Account Value and the Cash Surrender Value.** You may make partial withdrawals of up to 10% of your account value each contract year without paying surrender charges. Excess withdrawals (above 10%) and full withdrawals will be subject to surrender charges.

This illustration assumes the annuity's current interest crediting rates will not change. It is likely that they will change and actual values may be higher or lower than those in the illustration.

The values in this illustration are not guarantees or even estimates of the amounts you can expect from your annuity. For more information, read the annuity disclosure and annuity buyer's guide.

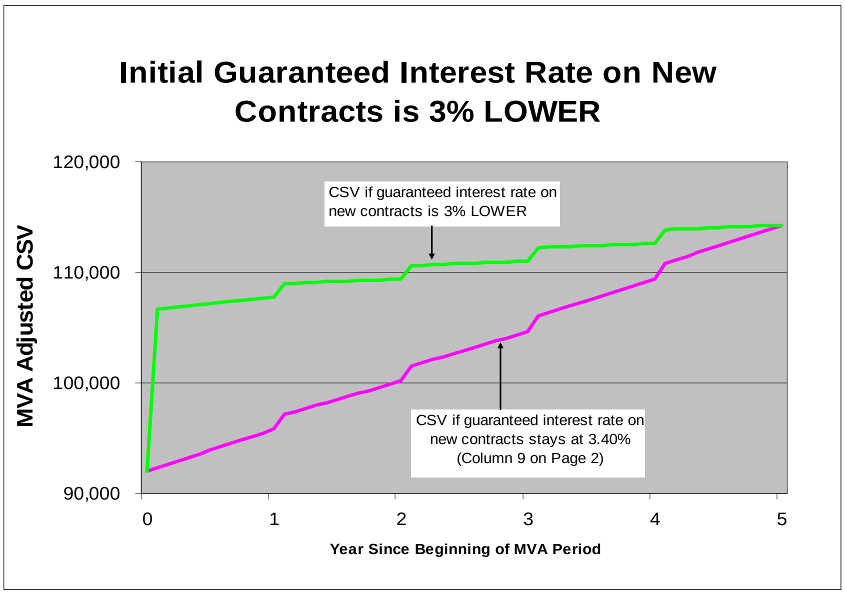
MVA-adjusted Cash Surrender Values (CSVs) Under Sample Scenarios

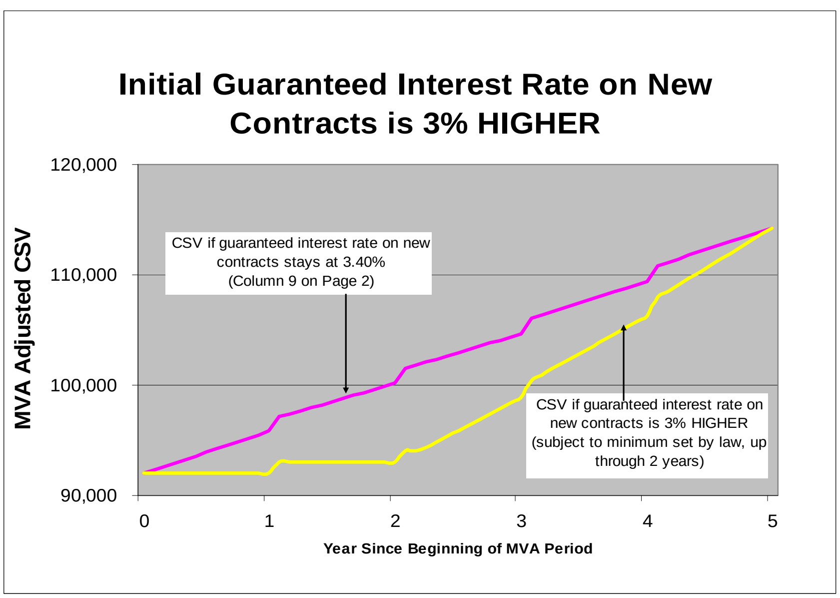
The graphs below shows MVA-adjusted Cash Surrender Values (CSVs) during the first five years of the contract, as illustrated on page 2 ($100,000 single premium, a 5-year MVA Period) under two sample scenarios, as described below.

Graph #1 shows if the interest rate on new contracts is 3% LOWER than your Initial Guaranteed Interest Rate, the MVA will increase the amount you receive (green line). The pink line shows the Cash Surrender Values if the Initial Guaranteed Interest Rates continue (from Column (9) on Page 2).

Graph #2 shows if the interest rate on new contracts is 3% HIGHER than your Initial Guaranteed Interest Rate, the MVA will decrease the amount you receive, but not below the minimum set by law (Column (6) on Page 2), which in this scenario limits the decrease for the first 2 years (yellow line). The pink line shows the Cash Surrender Values if the Initial Guaranteed Interest Rates continue (from Column (9) on Page 2).

These graphs and the sample guaranteed interest rates on new contracts used are for demonstration purposes only and are not intended to be a projection of how guaranteed interest rates on new contracts are likely to behave.





Chronological Summary of Action (all references are to the Proceedings of the NAIC).

1998 Proc. 4th Quarter 15, 17, 608, 628, 629-632 (adopted).
2011 Proc. 3rd Quarter I 3-4 (amended).
2013 Proc. 3rd Quarter, Vol. I 121, 135, 138, 157, 225-319, 331, 500-512 (Guideline Amendments adopted).
2015 Proc. 1st Quarter, Vol. I 117-118, 131-134, 317-325, 431 (amended).

This model replaced an earlier version:

1978 Proc. II 31, 34, 295, 380, 382, 388-391 (adopted).
1980 Proc. I 34, 38, 406, 516, 518 (amended).
1982 Proc. II 505-512 (copy of most amendments adopted 1983 Proc. I).
1983 Proc. I 6, 35, 447, 569, 572-579 (amended; incorrectly reprinted).
1983 Proc. II 16, 22, 554, 613 (Buyer's Guide modified).
1988 Proc. I 9, 19-20, 601, 603-609 (adopted technical amendments; reprinted).
1988 Proc. II 5, 12, 478, 490-497 (amended and reprinted).
1998 Proc. 3rd Quarter 15, 518, 542, 545-553 (Buyer’s Guide amended and reprinted).

ANNUITY DISCLOSURE MODEL REGULATION

This chart is intended to provide readers with additional information to more easily access state statutes, regulations, bulletins or administrative rulings related to the NAIC model. Such guidance provides readers with a starting point from which they may review how each state has addressed the model and the topic being covered. The NAIC Legal Division has reviewed each state's activity in this area and has determined whether the citation most appropriately fits in the Model Adoption column or Related State Activity column based on the definitions listed below. The NAIC's interpretation may or may not be shared by the individual states or by interested readers.

This chart does not constitute a formal legal opinion by the NAIC staff on the provisions of state law and should not be relied upon as such. Nor does this state page reflect a determination as to whether a state meets any applicable accreditation standards. Every effort has been made to provide correct and accurate summaries to assist readers in locating useful information. Readers should consult state law for further details and for the most current information.

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ANNUITY DISCLOSURE MODEL REGULATION

KEY:

MODEL ADOPTION: States that have citations identified in this column adopted the most recent version of the NAIC model in a **substantially similar manner**. This requires states to adopt the model in its entirety but does allow for variations in style and format. States that have adopted portions of the current NAIC model will be included in this column with an explanatory note.

RELATED STATE ACTIVITY: Examples of Related State Activity include but are not limited to: older versions of the NAIC model, statutes or regulations addressing the same subject matter, or other administrative guidance such as bulletins and notices. States that have citations identified in this column **only** (and nothing listed in the Model Adoption column) have **not** adopted the most recent version of the NAIC model in a **substantially similar manner.**

NO CURRENT ACTIVITY: No state activity on the topic as of the date of the most recent update. This includes states that have repealed legislation as well as states that have never adopted legislation.

NAIC MEMBER	MODEL ADOPTION	RELATED STATE ACTIVITY
Alabama		ALA. ADMIN. CODE r. 482-1-129 (2003/2006) (previous version of model).
Alaska		ALASKA ADMIN. CODE tit. 3, §§ 26.750 to 26.769 (2008/2011) (portions of previous version of model).
American Samoa	NO CURRENT ACTIVITY	
Arizona		ARIZ. REV. STAT. ANN. §§ 20-1242 to 20-1242.05 (2003); ARIZ. ADMIN. CODE § 20-6-212.01 (2004/2007) (adopts NAIC buyer's guide by reference) (previous version of model).
Arkansas		054-00-98 ARK. CODE R. (2009) (previous version of model).
California	NO CURRENT ACTIVITY	
Colorado		COLO. CODE REGS. § 4-1-12 (2006/2014) (previous version of model); BULLETIN B-4.67 (2014).
Connecticut	NO CURRENT ACTIVITY	
Delaware	NO CURRENT ACTIVITY	
District of Columbia	NO CURRENT ACTIVITY	

ANNUITY DISCLOSURE MODEL REGULATION

NAIC MEMBER	MODEL ADOPTION	RELATED STATE ACTIVITY
Florida		FLA. STAT. § 627.4554 (2013) (previous version of model); FLA. STAT. § 626.99 (1982/2013) (Requires delivery of model buyer's guide).
Georgia		GA. COMP. R. & REGS. 120-2-73 (1996); BULLETIN 15-EX-1 (2015).
Guam	NO CURRENT ACTIVITY	
Hawaii	NO CURRENT ACTIVITY	
Idaho		IDAHO CODE ANN. § 41-1941 (2010/2012); BULLETIN 13-06 (2013).
Illinois	NO CURRENT ACTIVITY	
Indiana	NO CURRENT ACTIVITY	
Iowa		IOWA ADMIN. CODE r. 191-15.61 to 191-15.67 (2003/2012); BULLETIN 2013-3 (2013) (previous version of model).
Kansas	NO CURRENT ACTIVITY	
Kentucky		806 KY. ADMIN. REGS. 12:150 (2007/2012) (previous version of model); 806 KY. ADMIN. REGS. 12:131 (1991) (Annuity used to fund preeneed funeral contracts).
Louisiana	NO CURRENT ACTIVITY	
Maine		ME. CODE R. § 915 (2004/2015); (previous version of model); BULLETIN 389.
Maryland		MD. CODE REGS. 31.15.04.01 to 31.15.04.07 (1980).
Massachusetts	NO CURRENT ACTIVITY	
Michigan	NO CURRENT ACTIVITY	
Minnesota	NO CURRENT ACTIVITY	
Mississippi	NO CURRENT ACTIVITY	

ANNUITY DISCLOSURE MODEL REGULATION

NAIC MEMBER	MODEL ADOPTION	RELATED STATE ACTIVITY
Missouri		MO. CODE REGS. ANN. tit. 20, §§ 400-5.410 (2008) (previous version of model).
Montana		MONT. ADMIN. R. 6.6.801 to 6.6.806 (1998/1999) (previous version of model).
Nebraska	NO CURRENT ACTIVITY	
Nevada		NEV. ADMIN. CODE §§ 688A.110 to 688A.180 (1980).
New Hampshire		N.H. CODE ADMIN. R. ANN. INS. 306.02 to 306.9 (1983/2001).
New Jersey	NO CURRENT ACTIVITY	BULLETIN 2009-6 (2009); BULLETIN 2014-5 (2014).
New Mexico		N.M. CODE R. §§ 9.12.1 to 9.12.13 (1997/2000) (previous version of model).
New York		N.Y. ADMIN. LAW §§ 40.0 to 40.6 (Regulation 139) (1990); §§ 53-1.1 to 53-1.6 (Regulation 74) (1997/2003).
North Carolina		N.C. GEN. STAT. §§ 58-60-120 to 58-60-145 (2005) (previous version of model).
North Dakota		BULLETIN 2002-1 (2002).
Northern Marianas	NO CURRENT ACTIVITY	
Ohio		OHIO ADMIN. CODE 3901-6-14 (2007/2014) (previous version of model).
Oklahoma		OKLA. ADMIN. CODE §§ 365:25-19-1 to 25-19-9 (2007); LIFE AND HEALTH BULLETIN 2013-02 (2013) (previous version of model).
Oregon		OR. ADMIN. R. 836-051-0900 to 836-051-0925 (2008) (previous version of model); OR. ADMIN. R. 836-051-005 to 836-051-0020 (1978/2006).

ANNUITY DISCLOSURE MODEL REGULATION

NAIC MEMBER	MODEL ADOPTION	RELATED STATE ACTIVITY
Pennsylvania		31 PA. CODE §§ 85.38 to 85.39 (1978).
Puerto Rico	NO CURRENT ACTIVITY	
Rhode Island		11-5-41 R.I. CODE R. §§ 1 to 10; Appx. A (2014) (previous version of model).
South Carolina		S.C. CODE ANN. REGS. 69-39 (1986).
South Dakota	NO CURRENT ACTIVITY	
Tennessee	NO CURRENT ACTIVITY	
Texas	NO CURRENT ACTIVITY	
Utah		UTAH ADMIN. CODE r. 590-229-1 to 590-229-10 (2004/2014) (previous version of model).
Vermont	NO CURRENT ACTIVITY	
Virgin Islands	NO CURRENT ACTIVITY	
Virginia		14 VA. ADMIN. CODE 5-41-40 (2012).
Washington		WASH. ADMIN. CODE 284-23-300 to 284-23-380 (1980).
West Virginia		W. VA. CODE R. §§ 114-11E-1 to 11E-7; App. A (2015) (previous version of model).
Wisconsin		WIS. ADMIN. CODE INS. § 2.15 (1982/1989).
Wyoming	NO CURRENT ACTIVITY	

ANNUITY DISCLOSURE MODEL REGULATION

Proceedings Citations
Cited to the Proceedings of the NAIC

Amendments to Annuity Disclosure Model Regulation were adopted via conference call on October 11, 2011. **2011 Proc. 3rd Quarter I 3-4.**

Section 1. Purpose

When an NAIC group was developing a regulation for life insurance illustrations, they asked for the authority, immediately after completion of that project, to start developing a regulation on annuity illustrations. The chair emphasized the one of the working group's goals was that the illustration rules should not drive the market. Companies should not be encouraged to sell one product over another simply because it had less onerous illustration requirements. For this reason, it was important to have consistent regulation of all the types of policies. **1994 Proc. 4th Quarter 652**.

The working group began the drafting process by applying the standards for life insurance illustrations and making minor changes. Interested parties told regulators this created difficulties in two areas: (1) the overall scope of the regulation; and (2) the marketplace, with its completing financial instruments. Interested parties recommended that disclosure requirements for annuities be divided into two pieces: (1) key elements that everyone needs to know; and (2) a basic illustration for situations where this is appropriate. Most companies did not currently provide illustrations for annuities. An industry spokesperson said that most complaints about annuities were because of misunderstanding about surrender charges, rather than about the amount of annuity proceeds. **1996 Proc. 3rd Quarter II 929-930**.

The working group decided to draft a document of annuity disclosure standards for discussion of the major issues. **1996 Proc. 3rd Quarter II 930, 957-959**.

In the initial discussion document, the working group used the term "disclosure" to refer to all types of disclosure, which would sometimes include a full illustration. **1996 Proc. 3rd Quarter II 930**.

It was the sense of the technical resource advisors that the problems they identified were connected to a lack of understanding about how surrender charges work and how interest rates may change after the initial guarantee period. Instead of an illustration, the interested parties urged the use of a brief, highly focused disclosure document. **1996 Proc. 3rd Quarter II 960**.

The recommendation from the technical resource advisors was for a document that contained the following: (1) proper identification of the product as an annuity; (2) a description of the application of surrender charges; (3) an explanation of interest rate crediting; (4) a statement of whether a death benefit was available; (5) a description of the effect of tax law; and (6) a statement of other charges and fees. The interested parties did not believe it was necessary to personalize the document. **1996 Proc. 3rd Quarter II 960**.

Discussion continued on the need for a full illustration, at least in some cases. One regulator opined that three types of annuities needed illustrations: equity-indexed products, two-tier annuities and annuities sold with a life insurance policy. One regulator spoke in favor of requiring a full illustration with each sale and another responded that an illustration could do more harm than good, especially with an unsophisticated purchaser, who could be misled by numeric displays. Another concern raised by the working group that led to the decision not to require a full illustration was the great financial burden on insurers. Originally the assumption had been that insurers typically used full illustrations, but when they found that the assumption was not correct, the working group stepped back and reviewed the types of complaints that were received. **1997 Proc. 2nd Quarter 650**.

By mid-1997 the group was still discussing the levels of disclosure that might be required in the regulation. The possible levels of disclosure included a generic buyer's guide describing annuity products, a disclosure document describing the particular company products, and an illustration specific to one person and product. **1997 Proc. 3rd Quarter II 1237-1240**.

When the working group reviewed the draft section by section, an interested party noted that the life insurance illustrations regulation contained a concept requiring simple clear language that is understandable "as far as possible." She asked if this language could be added to the annuity regulation also. A regulator responded that the concept was understood, but he preferred that language not be included because it was vague. The working group members decided to leave Section 1 as drafted. **1997 Proc. 4th Quarter II 782**.

ANNUITY DISCLOSURE MODEL REGULATION

Proceedings Citations
Cited to the Proceedings of the NAIC

Section 1 (cont.)

Throughout the drafting process, regulators continued to discuss illustration requirements for certain products and situations. In the summer of 1998, the working group considered a suggestion to hold off on the illustrations requirement and do it at the same time as the requirements for variable life. Companies would not likely be able to make changes to their illustration systems until after the year 2000. The working group could focus on getting out the disclosure portion of the model, including the buyer's guide, so companies could begin using that. A regulator expressed concern that regulators were getting bogged down in the illustrations part of the regulation. Another regulator agreed that the process had gone on for quite a while and it did not seem appropriate to hold up the process, since few companies illustrate annuities in any case. **1998 Proc. 2nd Quarter II 678**.

A recommendation was made to establish a working group to study the issue of annuity disclosures after viewing a presentation by ACLI/NAVA urging an initiative to improve annuity disclosures. **2008 Proc. 2nd Quarter I 6-4**.

Working group proposed to improve the disclosure of information provided for annuity products and to provide insurers uniform guidance in developing disclosure information to better inform consumers about annuity products. **2008 Proc. 3rd Quarter I 4-35.**

Section 2. Authority

Section 3. Applicability and Scope

Interested parties urged that the regulation not apply to variable annuities and other registered contracts, fully guaranteed annuities, structured settlement annuities, or annuities purchased to fund pension plans. **1996 Proc. 3rd Quarter II 960**.

The working group discussed revisions to the scope section of Annuity Disclosure model. **2009 Proc. 1st Quarter I 6-2.**

A. Discussion turned to whether certain annuities should be excluded from the model or whether a buyer's guide and disclosure information should be required for all types of annuities. Interested parties spoke in favor of an exemption for sophisticated transactions such as registered products and structured settlements. The working group members agreed to exempt registered products and structured settlements from the regulation. **1997 Proc. 3rd Quarter II 1238**.

B. The working group discussed an exclusion for guaranteed only products. The chair asked if there were any products on the market that have only guaranteed elements. An interested party responded that a single payment immediate annuity would fit into that category. A regulator responded that, without the disclosures in the model, an individual purchasing a single premium immediate annuity would get nothing to warn him of the results if he decided to stop taking the annuity and instead took the rest in cash. An interested party pointed out that the buyer's guide being drafted only described deferred annuities. **1997 Proc. 3rd Quarter II 1238**.

An industry representative said there are some contracts that are guaranteed deferred annuities. A regulator suggested they be exempted if they contained guarantees only, the language describing the provisions is in the contract, and they have a 30-day free look period. An interested party said that, if rates moved upward during the 30-day period, the policy would be cancelled. This was not a problem of misunderstanding but rather a matter of disintermediation. The chair questioned whether regulators provided a service to consumers if information was not provided that there are other options beside guarantees only contracts. **1997 Proc. 3rd Quarter II 1225**.

Near the end of the drafting process the working group again turned its attention to the exception for immediate and deferred annuities. An interested party recommended eliminating the reference to a 30-day free look period and separating immediate and deferred annuities. The chair expressed concern with this suggestion, because consumers need as much information as possible. A regulator suggested exempting only annuities with no nonguaranteed elements. The working group agreed with this suggestion. **1998 Proc. 3rd Quarter 542**.

ANNUITY DISCLOSURE MODEL REGULATION

Proceedings Citations
Cited to the Proceedings of the NAIC

Section 3 (cont.)

C. When reviewing the first draft of the model, an insurance industry representative suggested that the model should exempt annuities used to fund retirement plans. A regulator suggested leaving the language of the regulation open enough to allow the plan document to satisfy the disclosure requirements rather than including an exemption. **1997 Proc. 2nd Quarter 649**.

The working group considered further whether tax qualified annuities should be exempted from the requirements. An interested party explained that an employer can be subject to penalties under the Employee Retirement Income Security Act (ERISA) if the annuities provided are not in the best interest of the employee. Employees do not get to select the type of annuity products that will be offered. **1997 Proc. 3rd Quarter II 1238**.

Interested parties offered many comments on clarifications to Subsection C. Many preferred not to include Paragraph (2) at all, which was really an exception to an exception. An interested party explained that Paragraph (2) was added because some plans are individually negotiated with the consumer. It would be difficult to balance the needs of a plan where there is negotiation with the individual employee and the needs of the plan negotiated with a sophisticated employer. **1997 Proc. 4th Quarter II 782-783**.

A regulator questioned the need for Paragraph (1)(d). He noted that the other examples in Paragraph (1) are tax qualified, but Subparagraph (d) does not seem to fit. Another attendee pointed out that this exception was written for “top hat” plans designed to supplement other plans for the highly compensated. These generally do not need the protections offered by the model. **1997 Proc. 4th Quarter II 783**.

E. An interested party suggested that the reference to charitable gift annuities be deleted from the draft and be dealt with in a drafting note. She said a state could adopt the model and not even regulate charitable gift annuities. Staff suggested putting the exemption in brackets to alert states to consider whether they needed that exemption. The interested party said similar treatment for funding agreements would be appropriate. **1998 Proc. 3rd Quarter 542**.

Section 4. Definitions

The working group had some difficulty in deciding what terms to define. Since the definitions started out as a copy of the Life Insurance Illustrations Model Regulation, many were no longer necessary or were inconsistent with the direction being taken with the annuity disclosure regulation. **1997 Proc. 4th Quarter II 783**.

The working group decided that terminology used in the Annuity Illustration Guidelines should be consistent with the terminology used in the buyers’ guides. **2009 Proc. 3rd Quarter I 6-48**.

The working group agreed to use the term “contract premium” and delete the term “premium outlay.” **2010 Proc. 2nd Quarter I 6-13**.

Working group adopted the definition proposed by AAA for “Market Value Adjustment (MVA)” which means “a contract feature of a deferred annuity that could increase or decrease the value of a withdrawal based on changes in an index or changes to the company’s current guaranteed interest rate being offered on new premiums or for renewal periods.” **2010 Proc. 2nd Quarter I 6-13**.

A. Technical resource advisors suggested adding definitions for the exemptions agreed upon. A regulator said that the definition for charitable gift annuity could be taken from the Charitable Gift Annuities Model Act. **1998 Proc. 3rd Quarter 542**.

D. A regulator said some elements that are tied to an index are not guaranteed in amount, but in form. He asked if they were included as guaranteed or nonguaranteed elements. The working group agreed to add definitions from the American Academy of Actuaries (AAA) report that described determinable elements. The working group agreed that was an appropriate way to describe an equity-indexed product. **1998 Proc. 3rd Quarter 543**.

ANNUITY DISCLOSURE MODEL REGULATION

Proceedings Citations
Cited to the Proceedings of the NAIC

Section 4 (cont.)

F. After the working group agreed to include the definition of determinable elements from the AAA, its representatives opined that it might be ambiguous to include only that definition and not the AAA definition for guaranteed and non-guaranteed elements. The working group decided to include all three definitions from the AAA report. **1998 Proc. 3rd Quarter 544**.

H. One regulator questioned the definition of a structured settlement annuity. An interested party said it had been drafted by her company's tax attorneys. Another regulator explained that this definition really contains two alternatives. The first alternative says that the structured settlement annuity can be a qualified funding asset under the Internal Revenue Code. The second alternative is an annuity that would fit under the Internal Revenue Code except that it is not owned by an assignee under a qualified assignment. **1998 Proc. 3rd Quarter 543**.

Section 5. Standards for the Disclosure Document and Buyer's Guide

A. One regulator questioned the timing for the disclosure document. He said agents in his state were questioning how full disclosure could be given earlier than at the time of delivery. The chair said he envisioned a preprinted disclosure document that would be available at the beginning of the sales process. **1997 Proc. 4th Quarter 783**.

Interested parties believed that delivery of the disclosure document at the time of solicitation was appropriate in a face-to-face contact, but that the minimum standard should be at the time of sale confirmation or contract delivery. The request for a purchase might come from a telephone conversation or it might just be a confirmation slip rather than an application. **1998 Proc. 1st Quarter 729**.

A regulator pointed out that the Life Insurance Disclosure Model Regulation and the earlier model for annuity disclosure required delivery of the buyer's guide at the time of policy delivery. She opined that giving the buyer's guide at the point of sale was too late. An industry representative suggested allowing the buyer's guide to be given at the point of delivery if the policy allows for a ten-day free look period. The regulator did not consider this adequate and urged the information be provided early in the process so people could decide if an annuity was suitable. **1998 Proc. 1st Quarter 730**.

The chair said that consumers should come to the sales process with a significant amount of information and he asked how to get information to consumers even before the sales process. Suggestions included informational distributions by insurance departments and a requirement to distribute the guide at the first contact. An insurer representative suggested that a consumer will not likely read the materials if he was involved with an agent. The agent might be asked questions about products he was not authorized to sell and that could lead to incorrect disclosures. **1998 Proc. 1st Quarter 730**.

A technical resource advisor recommended that the delivery requirement of Subsection A state that insurers should make reasonable efforts to deliver the buyer's guide as early in the sales process as practical. If the guide was delivered with the contract, an additional period of ten days would be added to the free look period. A regulator responded that he had no problem with the suggestion as long as it did not include the concept that a face-to-face meeting could occur without giving a buyer's guide. **1998 Proc. 2nd Quarter II 678**.

Shortly before adoption of the model, the working group again discussed the timing for delivery of the buyer's guide. The chair said a suggestion from interested parties was not acceptable because the rationale from the beginning had been that the buyer's guide and the disclosure document were companion pieces. He said the buyer's guide could be delivered alone as an education piece, but the disclosure document without the buyer's guide was a limp document. Another regulator agreed because the buyer's guide explains words used in the disclosure document. **1998 Proc. 3rd Quarter 542**.

As the working group neared the end of the drafting process, it turned its attention again to the most controversial provisions of Section 5. The draft before the working group required delivery of the buyer's guide at the time of application in the case of a face-to-face meeting, and within two days for telephone, mail and Internet sales. **1998 Proc. 3rd Quarter 555**.

ANNUITY DISCLOSURE MODEL REGULATION

Proceedings Citations
Cited to the Proceedings of the NAIC

Section 5A (cont.)

A trade association representative said that direct mail was difficult. If a contract could be issued in a two-day period, it would be efficient, but if two mailings are necessary, the cost will be doubled. An interested party emphasized again how difficult it would be to deliver a buyer's guide in two days for other than a face-to-face sale. **1998 Proc. 3rd Quarter 543**.

In crafting a compromise to the controversial provision on delivery of the buyer's guide, the chair asked how much additional time interested parties wanted to provide a buyer's guide. An interested party responded that insurers wanted from three to seven days. A regulator responded that he thought the buyer's guide was helpful information and he wanted to get it out to the public. He thought people who got the guide at the same time as the contract would not read it. Another regulator expressed surprise that the industry did not think it was good business practice to educate the buyers. **1998 Proc. 3rd Quarter 544**.

The last issue to be resolved was the time for delivery of a buyer's guide. The chair said it appeared there was agreement that, in a face-to-face meeting, delivery of the buyer's guide would be at that time. An interested party confirmed that was a concern for some companies, but most could live with the requirements. **1998 Proc. 4th Quarter II 632**.

The working group reviewed comments from an interested party with alternative language. The working group agreed to insert a five-day requirement for delivery in an other the face-to-face sale. **1998 Proc. 4th Quarter II 632**.

Then the working group discussed the free look period that should be included. Some spoke in favor of 30 days. An interested party said 15 was more than adequate; 30 was too long because of the disintermediation problem. A company representative said the insurer would need to sell assets it had just invested, so this would result in a higher cost if rates had moved during this time period. The insurer would be investing for the long term, not the short term. **1998 Proc. 4th Quarter II 632-633**.

Just prior to adoption of the model, the working group settled on a 15-day free look period. A regulator asked for specifics of how this procedure would work. A representative from a trade association said all states have a free-look requirement for life insurance, so this is nothing new for insurers to deal with. She opined that it was not necessary to add specifics to the model regulation. **1998 Proc. 4th Quarter II 628**.

B. One of the first questions regulators raised in regard to the disclosure document was when an interest rate quote might trigger a full-illustration. A regulator asked if illustrations were ever used with "plain vanilla" annuities and an industry spokesperson said there were variations, but that her company did not even have software to prepare annuity illustrations. Annual reports typically prepared by annuity companies show accumulations but do not project forward. A representative from an insurer focusing on the retirement market said her company provided an illustration for every sale and updated it yearly. She suggested it was appropriate to focus on the annuitized value rather than the accumulation value. **1997 Proc. 1st Quarter 687**.

When reviewing the first draft of a regulation, an industry representative pointed out that the draft did not prohibit describing a guaranteed or nonguaranteed interest rate. She pointed out that if the working group wanted to include an interest rate in the disclosure document, there needed to be standards for that disclosure. A regulator opined that, without discussion of the anticipated renewal rate, there was a possibility of misunderstanding. The interested party responded that describing the possible renewal rate could also lead to misunderstandings. Regulators considered the possibility of including a requirement that, if the first year rate was mentioned, the disclosure must include the most recent renewal rate for that form. **1997 Proc. 2nd Quarter 649-650**.

One regulator suggested including a bailout provision. If the renewal rate declined more than a certain amount, the surrender charges should be waived for 60 days. Another regulator said a higher initial rate was inherently misleading and should be prohibited. **1997 Proc. 2nd Quarter 650**.

An actuary asked that her association have the opportunity to comment if rates were included. A disciplined current scale may be needed so that the illustration did not end up with an artificially high rate. An interested party said she thought of the disclosure document as being primarily narrative. She expressed concern that getting too specific in the disclosure would

ANNUITY DISCLOSURE MODEL REGULATION

Proceedings Citations
Cited to the Proceedings of the NAIC

Section 5B (cont.)

encourage companies to design products around the disclosure. A regulator responded that it had never been his understanding that the disclosure would include numbers. **1997 Proc. 2nd Quarter 650**.

Regulators grappled extensively with the concepts related to disclosure of the current crediting rate, bonuses, and future crediting rates and how to make disclosures without being misleading. The chair noted that some companies intended to pay the same rate they have guaranteed for the first year whereas some companies intend a "bait and switch" tactic with the highest possible rate paid during the first year and the guaranteed rates after that. An interested party opined that, if a bonus was given, it should be shown as a bonus with information about the current renewal rate. Another insurance industry representative reminded regulators that sales of annuities were moving increasingly to banks and wire houses. If the disclosure was too onerous, the banks and wire houses will sell non-insurance products instead. **1997 Proc. 3rd Quarter II 1239**.

The working group continued to refine the standards included in Paragraph (3). One regulator said the most important concept was to differentiate what happens after the first year. Its purpose is to let the purchaser know whether he can expect to continue the rate received during the first year. **1997 Proc. 4th Quarter II 783**.

One issue to be resolved was whether each company should be able to design its own disclosure document or whether the disclosure should have a standardized set of questions and the company's response to these. A technical resource advisor said he felt very strongly that, while there should be certain key elements in the disclosure, the language should be that of the insurer. If the company was to describe its own products, a standardized form will not work. She opined that it would put insurers at a disadvantage in relation to other types of financial products. Another interested party said she was part of a group that worked on the draft of the equity-indexed annuity buyer's guide and she discovered how difficult it was to come up with something understandable that had consensus. With the variety of products being offered, it would be difficult to come up with something that described them all adequately. **1998 Proc. 1st Quarter 729**.

Regulators agreed that the model should itemize disclosures to be required, but not prescribe language for the disclosure. They agreed that a one-page disclosure document was appropriate. **1998 Proc. 1st Quarter 729**.

A regulator asked how the working group would handle disclosure of the interest rate. Interested parties responded that it would not be included in the disclosure document. Interested parties had first envisioned a blank space that could be filled in with the current rate, but some states would not allow this approach. The audience did agree that the document should say that the rate may change. **1998 Proc. 1st Quarter 730**.

A commissioner raised the issue of the use of illustrations for indexed annuities. Preliminary recommendations included: limits on what can be illustrated, use of common definitions consistent in all illustrations, banning illustrations outright. One commissioner stated that the use of illustrations is helpful to consumers and is beneficial so should not be banned. There was agreement that continued use of illustrations calls for needed improvement with certain illustrations. Discussion that guidance on use of illustrations should be provided in Disclosure model. **2008 Proc. 4th Quarter I 6-4.**

Working group began developing a specific disclosure about guaranty fund coverage and reviewed a second version of proposed guidelines for annuity illustrations. **2009 Proc. 1st Quarter I 6-2.**

Draft of guaranty fund coverage disclosure was considered and there was discussion as to when the notice should be given to the consumer, either at the time of application or at the time of sale. Draft annuity illustrations were needed to address indexed-type products as those were not included in the draft annuity illustrations provided by the ACLI. **2009 Proc. 2nd Quarter I 6-8.**

Drafts of Guaranty Association Coverage Disclosure document was discussed to determine if the draft with language about the free-look period should be approved, or if the version without the free-look language should be adopted. Both versions were forwarded to Life Insurance and Annuities Committee for their consideration. **2009 Proc. 3rd Quarter Vol. I 6-47**.

ANNUITY DISCLOSURE MODEL REGULATION

Proceedings Citations
Cited to the Proceedings of the NAIC

Section 5B (cont.)

A commissioner suggested that graphs used in the illustrations should be part of the Annuity Disclosure Model Regulation rather than being included in the appendix. He also suggested making the graphs mandatory rather than optional when using illustrations. Another commissioner stated the illustration and buyers' guide need to work together and avoid unnecessary duplication of information. The working group also agreed that more than one illustration be provided, such as a worst-case scenario and a most-likely scenario. **2009 Proc. 3rd Quarter I 6-48**.

The working group identified when to include an illustration as an issue that needs to be further discussed and resolved. Some members favored use of illustrations as a sales tool that should be optional while others favored illustrations being mandatory. There was also discussion as to which annuitization rate to use in the illustration, either opting for current rates, which would require more frequent updating, or an annual rate with disclaimer that illustrated rates shall not be higher than the annuitization rate on the last day of the business year. **2009 Proc. 4th Quarter I 6-5**.

The use of an illustration template was discussed heavily and the working group determined that the use of a template rather than illustration guidelines would be more beneficial to consumers. The working group agreed that an illustration should be required, but whether it would be required for all products still needed to be determined. The working group agreed that current annuitization rates should be used on the illustration rather than prior year-end rates. Working group agreed that illustration should be given to the consumer prior to, or at the time of sale. **2010 Proc. 1st Quarter I 6-18**.

The working group created a new section, "Standards for Annuity Illustrations" and a sample annuity illustration was added to Appendix A. The use of an illustration is not mandatory, but if an insurer uses one it must be consistent with the model's provisions. **2010 Proc. 3rd Quarter I 6-4**.

C. An interested party suggested that the disclosure statements need readability standards. The chair said that the sample documents provided to the working group did not use very clear language and were full of jargon. An insurer representative said that is what was in the contract; the disclosure document should use the same terms. The group discussed whether to include definitions. An agent representative pointed out that, if fewer words are included, larger type can be used for the benefit of senior citizens. **1998 Proc. 1st Quarter 729**.

For a time the draft required insurers to write the disclosure in "plain language." An interested party expressed concern about the meaning of the phrase. The working group redrafted with a sentence they agreed meant the same thing without using the phrase. **1998 Proc. 3rd Quarter 543**.

Section 6. Report to Contract Owners

A regulator asked if the requirement for annual reports would continue when the annuitant was in payment status, or whether the requirement should just apply to the accumulation status. The chair expressed the opinion it should still be required when the contract is in payment status. An interested party said the focus had been on the accumulation phase, so the section should be reviewed closely to see if anything needs to be different for an immediate annuity. **1997 Proc. 4th Quarter II 785**.

An interested party asked the working group to change the reference from "annual report" to "report at least annually." Some companies prepare quarterly reports but they are not accumulated into an annual report. The working group agreed to this suggestion. **1998 Proc. 3rd Quarter 543**.

The working group made some minor language changes to Section 6. **2010 Proc. 3rd Quarter I 6-9**.

Section 7. Penalties

Section 8. Separability

Section 9. Effective Date

ANNUITY DISCLOSURE MODEL REGULATION

Proceedings Citations
Cited to the Proceedings of the NAIC

Appendix A Buyer's Guide

The goal of the buyer's guide would be first to summarize the basics of annuities in general, and then to concentrate on the features or elements of equity-indexed annuities. While brevity is an admirable goal, being comprehensive may give more value to consumers. **1997 Proc. 2nd Quarter 633**.

By the fall of 1997 the group was asked to review a general buyer's guide and a specialized buyer's guide for equity-increased annuities. **1997 Proc. 3rd Quarter II 1226-1236**.

The working group suggested that there be one general annuity buyer's guide with various appendices. So far the only one that has been written is the appendix that described equity-indexed annuities. If a company sold only fixed deferred annuities, it would likely distribute the basic buyer's guide, but, if it sold equity-indexed products, it would attach the appendix that described these products. In the future an appendix could be written for variable annuities or other products. **1998 Proc. 1st Quarter 731**.

The working group felt strongly that the buyer's guide should be provided at the point of solicitation, but no later than the point of application. The chair said he did not see a problem with asking whether the individual already had a copy of the guide, and agreed it was not necessary to give one in that instance. Interested parties said it was an important responsibility of regulators to give information to consumers before purchase of an annuity. One suggested putting the buyer's guide on the NAIC website. The chair agreed that regulators have a significant responsibility to educate consumers. **1998 Proc. 1st Quarter 731**.

An industry representative said one of the reasons for keeping the disclosure document to one page was because it was easy to mail with a direct response mailing. The buyer's guide would be much thicker and therefore would be much more expensive to mail. The chair responded that a one-page disclosure would work well if the individual was already familiar with the concepts and terminology but he did not think it worked very well by itself. An interested party said that in a direct market solicitation, it would be very expensive to send the buyer's guide to a large number of people. **1998 Proc. 1st Quarter 731**.

The chair outlined possible scenarios for delivery of the buyer's guide: (1) the agent calls to set up an appointment; send the buyer's guide before the appointment. (2) If the guide is not sent, take it to the meeting. (3) If no agent visits, mail the guide with the policy. (4) Internet sales could be designed to make a copy of the guide available before application. An agent representative said the consumer should have the option to say, "I trust my agent," instead of reading a guide. **1998 Proc. 1st Quarter 732**.

An interested party said the model was minimum standards and should not include a requirement to deliver a buyer's guide at the time of application. For minimum drafting standards regulators should look to the needs of direct writers. A regulator suggested making a distinction between whether an agent was involved or not. If an agent was involved, the buyer's guide should be given at the time of solicitation; if it was a direct response sale, the buyer's guide can be given upon delivery of the policy. An agent representative said he would try to fit under the direct response category. The working group decided to make the differentiation on whether there was a face-to-face meeting. **1998 Proc. 1st Quarter 732**.

An insurer representative asked why the regulators would set a higher standard when an agent was involved because then the individual had more opportunity to ask questions. The chair responded that it was strictly a matter of logistics. Regulators would like to see a buyer's guide every time, but have heard it is too difficult when there is not a face-to-face contact. **1998 Proc. 1st Quarter 732**.

A working group member suggested adding a table of contents to the guide. The consumer representative recommended against it so that the potential buyer would read the whole guide rather than zero in on certain parts. A regulator pointed out that none of the other buyer's guides have a table of contents. **1998 Proc. 2nd Quarter 677**.

The working group reviewed a copy of the guide with a table of contents and decided not to include a table of contents. **1998 Proc. 3rd Quarter 565**.

ANNUITY DISCLOSURE MODEL REGULATION

Proceedings Citations
Cited to the Proceedings of the NAIC

Appendix A Buyer's Guide (cont.)

After review of final changes to the buyer's guide, it was adopted. It was attached to the old Annuity and Deposit Fund Disclosure Regulation until the annuity disclosure model was completed. **1998 Proc. 3rd Quarter 542**.

Appendix I

Technical resource advisors recommended a buyer's guide specifically for equity-indexed products. They anticipated that this would be a helpful document used by insurance companies, agents and insurance departments to explain generally an equity-indexed product. **1997 Proc. 2nd Quarter 624**.

A regulator noted that the buyer's guide contained "balancing language." He explained that balancing language would require that any time a statement was made about a positive aspect of a feature, the narrative also needed to tell the negative aspects of the same feature. **1997 Proc. 2nd Quarter 625**.

The main goal was to provide consumers with meaningful information so they could understand what their choices were and what they were buying. Disclosure should be sufficiently simple, yet complete and balanced, so that consumers have an understanding of how the product works. **1997 Proc. 2nd Quarter 632**.

The working group finished work on a stand alone equity-indexed buyer's guide first so companies could begin to use it. Then the group worked on revisions to make it an appendix to the deferred annuity buyer's guide. Before adoption, the guide was reviewed by a consumer representative to make it more consumer friendly. The intent was to give the guide without the appendix to those who were not considering purchase of an equity-indexed product, and to include the appendix for equity-indexed annuities to those considering purchase of that type of product. **1998 Proc. 2nd Quarter II 677**.

When the equity-indexed annuity guide was compared to the general guide, duplicative language was deleted. An interested party said several sentences had been deleted, but not moved to the main guide, so they needed to be put back in place. The chair asked if it was correct to assume that everything in the general guide also applied to equity-indexed annuities. The interested party responded that it was clear that the material in the general guide applied to equity-indexed annuities also. She suggested that the equity-indexed portion begin by stating that the material in the main guide applied to equity-indexed products. **1998 Proc. 2nd Quarter II 677**.

After discussions with the SEC, the working group determined that the buyers' guides should focus on the risk of whether the consumer is going to lose his or her principal, rather than talking about whether a product is high-risk, moderate-risk, or lower-risk. The working group also decided to have one general guide that included language used in the three guides, and creating three addendums to the general guide that would contain product-specific information. A commissioner suggested the need for strong warnings in the guides about consumer disclosures with respect to MVAs. **2010 Proc. 1st Quarter I 6-18**.

Chronological Summary of Actions

December 1998: Buyer's Guide adopted.
March 1999: Model regulation adopted.
October 2011: Amendments to model regulation adopted.

ANNUITY DISCLOSURE MODEL REGULATION

Proceedings Citations
Cited to the Proceedings of the NAIC

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