



AMERICAN ACADEMY *of* ACTUARIES

James Mumford, Chairperson
Annuity Disclosure (A) Working Group
National Association of Insurance Commissioners

September 14, 2009

Dear Mr. Mumford:

In June, the NAIC Annuity Disclosure (A) Working Group asked the Annuity Illustration Work Group of the American Academy of Actuaries¹ (“Academy”) Life Practice Council to continue to review, from an actuarial perspective, the draft of annuity illustration guidelines presented by the ACLI last March. A redlined version is attached that reflects all of our proposed changes to date. Note that we moved some items from one section to another; where there were otherwise no changes to the item, we did not redline such a move.

Highlights of the new proposed changes include:

- 1) Additional clarifications, especially with respect to MVAs.
- 2) Warnings about potential tax penalties related to withdrawals.
- 3) In the sample illustration:
 - a) We moved the annuitization section to precede the cash value section since the purpose of an annuity is to provide income. We also added sample numbers to this section.
 - b) We stated in the column headings, rather than in footnotes, whether values were before or after any MVAs.
 - c) We added a column to the cash value section to show the Minimum Guaranteed Cash Surrender Value after any Maximum MVA in an effort to provide additional information as to the possible downside effect of the MVA provision.

One of the items included in the guideline’s General Rules section was a recommendation for the use of graphs as an aide in explaining to consumers certain product features, such as MVAs. Therefore, we have also attached a sample graph showing the positive and negative effect that a fairly typical MVA feature could have on a contract’s cash surrender value under various interest scenarios.

As was the situation last June, these guidelines still reflect fixed annuity products, excluding index-linked annuities.

Sincerely,

Linda Rodway, FSA, MAAA, Chair
Annuity Illustrations Work Group

¹ The American Academy of Actuaries is a 16,000-member professional association whose mission is to serve the public on behalf of the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

ACLI DISCUSSION DRAFT OF PROPOSED ANNUITY ILLUSTRATION GUIDELINES v. 2
(Fixed annuities only, excluding index-linked annuities)

PURPOSE

- To provide guidelines for companies ~~preparing sales who wish to prepare pre-sale~~ illustrations for specific prospective consumers of fixed deferred annuities. Such illustrations should disclose the benefits and risks of the annuity and provide sufficient information (in addition to the Buyers Guide and other required disclosures) for the consumer to make an informed decision about the purchase.

TIMING

- There should be a one year effective date for companies to implement systems changes for compliance.

APPLICABILITY AND SCOPE

- The guidelines should be incorporated into the NAIC Annuity Disclosure Model Regulation by way of an appendix similar to the Buyer's Guide.
- If the company decides to market a product (including riders) with an illustration, an illustration must be used for all sales of that product.
- ~~- Annuity illustrations should be optional, not mandatory.~~
- The same exceptions ~~provided~~ permitted under the Disclosure Model Regulation would will apply to illustrations.
- Illustrations showing only fully guaranteed values will be exempt; i.e., annuities with a Market Value Adjustment provision are not exempt.
- Annuities required to be registered as securities under the Securities and Exchanges Act (1933) ~~will~~ beare exempt.

GENERAL RULES

- Illustrations shall not conflict with required disclosure.
- ~~-~~ The nonguaranteed illustrated values must be reflective of current conditions and must not include any assumed improvement of any underlying assumptions.
- The crediting interest rate illustrated at any future duration shall not be greater than the current crediting interest rate.
- The annuitization rate illustrated shall not be greater than the current annuitization rate (unless the contract guarantees are more favorable).
- ~~-The maximum rate that can be illustrated is the current/prevaling offered rate.~~
- Illustrations based on nonguaranteed crediting interest rates and nonguaranteed annuitization rates shall contain equally prominent comparisons to guaranteed crediting interest rates and rates (company minimum-guaranteed annuitization ratesrate).
- Illustrations ~~shall~~ should be concise and ~~the~~ easy to read.
- Specific terms (~~i.e.g.~~, "withdrawal") defined in the annuity contract ~~shall~~ should be used ~~in the same way~~ consistently throughout the illustration.
- The illustration shall not imply that the product is other than an annuity; nor should it utilize words such as "CD annuity," "CD," "savings account," or other term that might imply in the product is other than an annuity illustration.
- ~~-The legal name of the annuity must use the basic types of fixed deferred annuities such as Single Premium Deferred Annuity, Modified Single Premium Deferred Annuity, Fixed Premium Deferred~~

~~Annuity or Flexible Premium Deferred Annuity. Indexed annuities must include the term “indexed” in the legal or marketing name.~~

~~The name of the annuity shall not refer to the annuity as a CD annuity.~~

- Market Value Adjustments (MVA) ~~shall~~must be called Market Value Adjustments throughout the illustration~~MVA’s~~.

~~Graphs are recommended as a supplement to add clarity and help describe the annuity product. Such graphs should~~

- ~~Illustrations shall not~~ illustrate both upside and downside aspects of the product features.
- ~~Illustrations shall not illustrate benefits beyond anything past~~ the maximum annuitization age or date.
- Annuitization benefits shall be based on contract values that reflect surrender charges or any other adjustments, if applicable.
- Annuitization benefits shall show both annuitization rates and the dollar amounts of the income payable.

ILLUSTRATIONS SHALL CONTAIN THE FOLLOWING INFORMATION:

- The full corporate name of the issuer of the annuity.
- The legal name of the annuity, the form number and the company product name, if different.
- The annuitant and contract owner if different.
- Guaranteed Cash Surrender Values (based upon all contract guarantees).
- Current Cash Surrender Values (based upon currently crediting interest rates and other nonguaranteed policy elements).
- Cash Value (current and minimum guaranteed rate).
- Annuity Contract Value (current and minimum guaranteed rate).
- Death benefit, including the (and impact of any MVA and/or surrender charges).
- Premium amounts assumed.
- ~~Additional premiums.~~
- Bonus interest or similar features shall be described including any restrictions or limitations.
- Surrender charge rates applicable to initial and subsequent premiums or contract values~~charges~~.
- ~~Interest crediting.~~
- The effect of premium taxes, if applicable.
- The effect on the annuity of death occurring prior to commencement of annuity payments, e.g., spousal continuation, required distributions, owner death vs. annuitant death, etc.
- The impact of partial withdrawals on contract values (both penalty free and those with penalties).
- Warnings about possible tax penalties related to withdrawals.
- MVA’s, if included, shall be described on the illustration. Suggested language: “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 went go up after you bought buy your annuity, the MVA likely will decrease the amount you receive. If interest rates went go down, the MVA will likely increase the amount you receive.”
- The potential effect of MVA's on the cash value. It is suggested the illustrative effect of the MVA be shown under at least one up- and one down-scenario (mMay be done on a separate page).
- Other optional benefits or features, if included, shall be described along with their additional cost, if any, to the policyholder—~~The cost and benefit of selected riders.~~ (mMay be done on a separate page).
- Minimum guarantees and MVA floors and ceilings, not generic examples which are higher.
- The effect of early surrenders and any other conditions on the payment of bonuses.

- A display of at least one of the guaranteed annuity payout benefits available (may be done on a separate page).
- For annuities sold as a qualified IRA or similar situation, the effect of required minimum distributions (RMDs) on ~~the~~ contract values and potential tax situation considerations if RMDs are not made.
- ~~—~~For ~~renewable~~ annuities with recurring surrender charge schedules, the ~~perpetual~~ nature of any how those charges recur.
- ~~Illustrations must contain a~~ statement to the effect that they values shown are not to be considered guarantees or estimates of amounts to be paid, and ~~should a~~ reference to the required disclosure Disclosure Documents and Buyers Guide ~~(if any)~~. Suggested language: “Values Shown in Tthis illustration should not be considered a-guarantees or estimates of amounts to be paid. Illustrated yValues show the company’s current interest crediting rates and current annuitization rates continuing unchanged. Actual results-values may be more or less favorable than what is those illustrated. Please refer to the Disclosure Documents and Buyer’s Guide provided with your Annuity Contract for more detailed information.”
- ~~The illustration show~~At a minimum, numeric values at the following durations at a minimum:
 - 1) first 10 contract years OR surrender charge period if longer than 10 years.
 - 2) every 10th contract year thereafter OR renewal surrender charge period if less than 10 years, but not beyond the later of 30 years or age 70.
 - 3) required annuitization age or date.
- A display of the guaranteed annuity payout benefits at the later of age 70 or 10 years after issue but in no case later than maximum annuitization age or date in the contract. The illustration could also display the annuity payout benefits based on currently available annuitization rates.

SAMPLE ILLUSTRATION

- Attached is a sample of a *simple* flexible premium fixed deferred annuity illustration intended to provide an example of an illustration which that meets the requirements of the proposed guidelines. This is not intended to be inclusive of all concepts that might be illustrated, ~~for example, a company may wish to illustrate the effect of annuitization before death.~~

ABC Life Insurance Company
Marketing 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

Sex: Male	Initial Premium Payment: \$100,000.00
Age <u>at Issue</u> : 54	Planned Annual Premium Payments: None
Annuitant: (if different than owner)	Tax <u>MarketStatus</u> : Nonqualified
Maximum Annuitization Age: 98	Withdrawals: Monthly Interest (to age 65)

Guarantee Period Options	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Allocation of Premium Payment:				100%		
Initial Guaranteed Interest Rates						
First Year (reflects a first-year only interest bonus credit of 0.75%):				4.15%		
Remaining guarantee period:				3.40%		
Minimum Guaranteed Rate on Renewal:				3.00%		
<u>Market Value Adjustment Period:</u>				<u>5 years</u>		

Annuitization Options and Associated Income Values

At annuitization, the periodic income amount will be determined by applying an income rate to the account value. Annuity options may include the following:

- Periodic payments for a certain number of years
- 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 life of survivor annuitant

Illustrated Annuity Option: Age 65, Life with payments guaranteed for 10-Year Period

	<u>Account Value Basis</u>	<u>Purchase Rate/\$1,000</u>	<u>Monthly Income</u>
<u>Guaranteed</u>	<u>\$100,000</u>	<u>\$5.00</u>	<u>\$500.00</u>
<u>Non-Guaranteed</u>	<u>\$100,000</u>	<u>\$6.50</u>	<u>\$650.00</u>

Annuity Contract Anniversary / Age	Premium Payment	Illustrated Values			Guaranteed Values		
		Withdrawals	Account Value/Death Benefit	Cash Surrender Value	Withdrawals	Account Value/Death Benefit	Cash Surrender Value
1 / 55	\$100,000.00	\$4,073.00	\$100,000.00	\$ 92,000.00	\$4,073.00	\$100,000.00	\$ 92,000.00
2 / 56	0.00	\$3,348.00	\$100,000.00	\$ 93,000.00	\$3,348.00	\$100,000.00	\$ 93,000.00
3 / 57	0.00	\$3,348.00	\$100,000.00	\$ 94,000.00	\$3,348.00	\$100,000.00	\$ 94,000.00
4 / 58	0.00	\$3,348.00	\$100,000.00	\$ 95,000.00	\$3,348.00	\$100,000.00	\$ 95,000.00
5 / 59	0.00	\$3,348.00	\$100,000.00	\$ 96,000.00	\$3,348.00	\$100,000.00	\$ 96,000.00
6 / 60	0.00	\$3,348.00	\$100,000.00	\$ 97,000.00	\$2,960.00	\$100,000.00	\$ 97,000.00
7 / 61	0.00	\$3,348.00	\$100,000.00	\$ 98,000.00	\$2,960.00	\$100,000.00	\$ 98,000.00
8 / 62	0.00	\$3,348.00	\$100,000.00	\$100,000.00	\$2,960.00	\$100,000.00	\$100,000.00
9 / 63	0.00	\$3,348.00	\$100,000.00	\$100,000.00	\$2,960.00	\$100,000.00	\$100,000.00
10 / 64	0.00	\$3,348.00	\$100,000.00	\$100,000.00	\$2,960.00	\$100,000.00	\$100,000.00
11 / 65	0.00	\$3,348.00	\$100,000.00	\$100,000.00	\$2,960.00	\$100,000.00	\$100,000.00
16 / 70	0.00	0.00	\$118,196.00	\$118,196.00	0.00	\$115,927.00	\$115,927.00
21 / 75	0.00	0.00	\$139,703.00	\$139,703.00	0.00	\$134,392.00	\$134,392.00

ABC Life Insurance Company
Marketing 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

Annuity Contract Anniversary/ Age	Premium Payment	Illustrated Values before MVA			Guaranteed Values before MVA			Minimum Guaranteed Cash Surrender Values after maximum MVA *
		Withdrawals	Acct Value/Death Benefit	Cash Surrender Value	Withdrawals	Acct Value/Death Benefit	Cash Surrender Value	
1 / 55	\$100,000	\$4,073	\$100,000	\$ 92,000	\$4,073	\$100,000	\$ 92,000	\$88,253
2 / 56	0	3,348	100,000	93,000	3,348	100,000	93,000	86,098
3 / 57	0	3,348	100,000	94,000	3,348	100,000	94,000	84,424
4 / 58	0	3,348	100,000	95,000	3,348	100,000	95,000	83,589
5 / 59	0	3,348	100,000	96,000	3,348	100,000	96,000	96,000
6 / 60	0	3,348	100,000	97,000	2,960	100,000	97,000	97,000
7 / 61	0	3,348	100,000	98,000	2,960	100,000	98,000	98,000

8 / 62	0	3,348	100,000	100,000	2,960	100,000	100,000	100,000
9 / 63	0	3,348	100,000	100,000	2,960	100,000	100,000	100,000
10 / 64	0	3,348	100,000	100,000	2,960	100,000	100,000	100,000
11 / 65	0	3,348	100,000	100,000	2,960	100,000	100,000	100,000
16 / 70	0	0	118,196	118,196	0	115,927	115,927	115,927
21 / 75	0	0	139,703	139,703	0	134,392	134,392	134,392

Annuity Contract Anniversary / Age	Premium Payment	Illustrated Values			Guaranteed Values		
		Withdrawals	Account Value/Death Benefit	Cash Surrender Value	Withdrawals	Account Value/Death Benefit	Cash Surrender Value

26 / 80	0.00	0	0.00 \$165,123	0.00 \$165,123.00	0	0.00 \$155,797	0.00
\$155,797	155,797.00						

31 / 85	0.00	0	0.00 \$195,169	0.00 \$195,169.00	0	0.00 \$180,611	0.00
\$180,611	180,611.00						

36 / 90	0.00	0	0.00 \$230,682	0.00 \$230,682.00	0	0.00 \$209,378	0.00
\$209,378	209,378.00						

41 / 95	0.00	0	0.00 \$272,657	0.00 \$272,657.00	0	0.00 \$242,726	0.00
\$242,726	242,726.00						

44 / 98	0.00	0	0.00 \$301,424.00	0.00 \$301,424.00	0	0.00 \$265,234	0.00
0.00	\$265,234	265,234.00					

*Minimum Guaranteed Cash Surrender Value after maximum MVA is the Guaranteed Cash Surrender Value floor.

This is an illustration not a contract

Ages shown are ~~based on~~ measured from the Annuitants' age at ~~the time of~~ issue.

The Death Benefit upon the [owner]'s death is your Annuity Contract's ~~Guaranteed~~ Account Value.

~~Current crediting interest~~ Interest rates are declared by the insurance company. Interest rates are shown with daily compounding. ~~Partial withdrawals~~ Withdrawals, before the end of the Guarantee Period will lower the actual interest rate credited.

During the Guarantee Period, values developed from the Initial Premium Payment ~~are~~ is illustrated using Initial Guaranteed Interest Rate(s) shown, with an additional first-year only interest bonus credit of 0.75%. On the Annuity Contract issue date, the interest rates will be guaranteed for the selected Guarantee Period. After the initial Guarantee Period, a new renewal interest rate would be declared for the Guarantee Period illustrated. The company's current

declared Initial Guaranteed Interest Rate (without the bonus) is used to calculate the Illustrated Values after renewal and the Minimum Guaranteed Interest Rate is used to calculate the Guaranteed Values. ~~Illustrated Values assume the company's current Guaranteed Interest Rate applicable at renewal.~~ The actual renewal rates will very likely NOT be the same as the illustrated renewal rates.

Cash Surrender Values shown on this illustration ~~are before the assessment of assume that~~ the Market Value Adjustment ('MVA'), ~~if any. If at the time of Withdrawal was zero.~~ At the actual ~~withdrawal occurs before the end of a Guarantee Period, time of Withdrawal~~ the Cash Surrender Value you receive may be increased or decreased by an MVA ~~(if withdrawn before the end of a Guarantee Period)~~. If interest rates ~~went up/increase~~ after you ~~bought/buy~~ your annuity ~~or after the guaranteed interest rate for the selected period is set~~, the MVA will likely decrease the amount you receive. If interest rates ~~went down/decrease~~, the MVA will likely increase the amount you receive. The MVA has no effect on the Death Benefit. See page XX of this illustration for additional information concerning the MVA.

~~The Guaranteed Cash Surrender Values are based on a full Withdrawal and do not reflect premium tax.~~

ABC Life Insurance Company
Marketing 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~~

Free partial Withdrawals of up to 10% of your Account Value, less partial withdrawals since the last Annuity Contract Anniversary, may be made each year without Surrender Charges. Excess Withdrawals above this 10% level and full Withdrawals will be subject to Surrender Charges and an MVA (if applicable). Surrender Charges are applied ~~on to~~ each Premium Payment and continue ~~on this schedule~~ according to the applicable schedule even after the initial Guarantee Period has ended. ~~Surrender Charges reduce from 8% in year one to 0% in year 8:~~

Surrender Charges: _____	8%	7%	6%	5%	4%	3%	2%	0%	
<u>Years Measured from</u> Premium Payment Year:	1	2	3	4	5	6	7	8+	

All Withdrawals are processed on a first in first out basis, with the oldest Premium Payment withdrawn first. Withdrawals will also reduce the Death Benefit and Cash Surrender Value. The Cash Surrender Values reflect the deduction of Surrender Charges as outlined above.

This illustration should not be considered a guarantee or estimate of amounts to be paid. Illustrated Values show the company's current ~~Guaranteed Interest~~ Crediting Rates and current annuitization rates continuing unchanged. This is not likely to occur and actual results may be more or less favorable than those shown. Please refer to the Disclosure Documents and Annuity Buyer's Guide for more detailed information.

ACLI DISCUSSION DRAFT OF PROPOSED ANNUITY ILLUSTRATION GUIDELINES v. 2
(Fixed annuities only, excluding index-linked annuities)

PURPOSE

- To provide guidelines for companies preparing sales illustrations for specific prospective consumers of fixed deferred annuities. Such illustrations should disclose the benefits and risks of the annuity and provide sufficient information (in addition to the Buyers Guide and other required disclosures) for the consumer to make an informed decision about the purchase.

TIMING

- There should be a one year effective date for companies to implement systems changes for compliance.

APPLICABILITY AND SCOPE

- The guidelines should be incorporated into the NAIC Annuity Disclosure Model Regulation by way of an appendix similar to the Buyer's Guide.
- If the company decides to market a product (including riders) with an illustration, an illustration must be used for all sales of that product.
- The same exceptions permitted under the Disclosure Model Regulation will apply to illustrations.
- Illustrations showing only fully guaranteed values will be exempt; i.e., annuities with a Market Value Adjustment provision are not exempt.
- Annuities required to be registered as securities under the Securities Exchange Act (1933) are exempt.

GENERAL RULES

- Illustrations shall not conflict with required disclosure.
- The nonguaranteed illustrated values must be reflective of current conditions and must not include any assumed improvement of any underlying assumptions.
- The crediting interest rate illustrated at any future duration shall not be greater than the current crediting interest rate.
- The annuitization rate illustrated shall not be greater than the current annuitization rate (unless the contract guarantees are more favorable).
- Illustrations based on nonguaranteed crediting interest rates and nonguaranteed annuitization rates shall contain equally prominent comparisons to guaranteed crediting interest rates and guaranteed annuitization rates.
- Illustrations shall be concise and easy to read.
- Specific terms (e.g., "withdrawal") defined in the annuity contract shall be used consistently throughout the illustration.
- The illustration shall not imply that the product is other than an annuity; nor should it utilize words such as "CD annuity," "CD," "savings account," or other term that might imply the product is other than an annuity.
- Market Value Adjustments (MVA) shall be called "Market Value Adjustments" throughout the illustration.
- Graphs are recommended as a supplement to add clarity and help describe the annuity product. Such graphs should illustrate both upside and downside aspects of the product features.
- Illustrations shall not illustrate benefits beyond the maximum annuitization age or date.
- Annuitization benefits shall be based on contract values that reflect surrender charges or any other adjustments, if applicable.

- Annuitization benefits shall show both annuitization rates and the dollar amounts of the income payable.

ILLUSTRATIONS SHALL CONTAIN THE FOLLOWING INFORMATION:

- The full corporate name of the issuer of the annuity.
- The legal name of the annuity, the form number and the company product name, if different.
- The annuitant and contract owner if different.
- Guaranteed Cash Surrender Values (based upon all contract guarantees).
- Current Cash Surrender Values (based upon currently crediting interest rates and other nonguaranteed policy elements).
- Cash Value (current and minimum guaranteed rate).
- Annuity Contract Value (current and minimum guaranteed rate).
- Death benefit, including the impact of any MVA and/or surrender charges.
- Premium amounts assumed.
- Bonus interest or similar features shall be described including any restrictions or limitations.
- Surrender charge rates applicable to initial and subsequent premiums or contract values.
- The effect of premium taxes, if applicable.
- The effect on the annuity of death occurring prior to commencement of annuity payments, e.g., spousal continuation, required distributions, owner death vs. annuitant death, etc.
- The impact of partial withdrawals on contract values (both penalty free and those with penalties).
- Warnings about possible tax penalties related to withdrawals.
- MVA's, if included, shall be described on the illustration. Suggested language: "When you make a withdrawal the amount you receive may be increased or decreased by a Market Value Adjustment (MVA). If 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."
- The potential effect of MVA's on the cash value. It is suggested the illustrative effect of the MVA be shown under at least one up- and one down-scenario (may be done on a separate page).
- Other optional benefits or features, if included, shall be described along with their additional cost, if any, to the policyholder (may be done on a separate page).
- Minimum guarantees and MVA floors and ceilings.
- The effect of surrenders and any other conditions on the payment of bonuses.
- A display of at least one of the guaranteed annuity payout benefits available (may be done on a separate page).
- For annuities sold as a qualified IRA or similar situation, the effect of required minimum distributions (RMDs) on contract values and potential tax considerations if RMDs are not made.
- For annuities with recurring surrender charge schedules, the nature of how those charges recur.
- A statement to the effect that the values shown are not to be considered guarantees or estimates of amounts to be paid, and a reference to the required Disclosure Documents and Buyers Guide. Suggested language: "Values shown in this illustration should not be considered guarantees or estimates of amounts to be paid. Illustrated values show the company's current interest crediting rates and current annuitization rates continuing unchanged. Actual values may be more or less favorable than those illustrated. Please refer to the Disclosure Documents and Buyer's Guide provided with your Annuity Contract for more detailed information."
- At a minimum, numeric values at the following durations:
 - 1) first 10 contract years OR surrender charge period if longer than 10 years.
 - 2) every 10th contract year thereafter OR renewal surrender charge period if less than 10 years, but not beyond the later of 30 years or age 70.
 - 3) required annuitization age or date.

- A display of the guaranteed annuity payout benefits at the later of age 70 or 10 years after issue but in no case later than maximum annuitization age or date in the contract. The illustration could also display the annuity payout benefits based on currently available annuitization rates.

SAMPLE ILLUSTRATION

- Attached is a sample of a *simple* flexible premium fixed deferred annuity illustration intended to provide an example of an illustration that meets the requirements of the proposed guidelines. This is not intended to be inclusive of all concepts that might be illustrated.

ABC Life Insurance Company

Marketing 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

Sex: Male	Initial Premium Payment: \$100,000.00
Age at Issue: 54	Planned Annual Premium Payments: None
Annuitant: (if different than owner)	Tax Status: Nonqualified
Maximum Annuitization Age: 98	Withdrawals: Monthly Interest (to age 65)

Guarantee Period Options	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Allocation of Premium Payment:				100%		
Initial Guaranteed Interest Rates						
First Year (reflects a first-year only interest bonus credit of 0.75%):				4.15%		
Remaining guarantee period:				3.40%		
Minimum Guaranteed Rate on Renewal:				3.00%		
Market Value Adjustment Period:				5 years		

Annuitization Options and Associated Income Values

At annuitization, the periodic income amount will be determined by applying an income rate to the account value.

Annuity options may include the following:

- Periodic payments for a certain number of years
- 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 life of survivor annuitant

Illustrated Annuity Option: Age 65, Life with payments guaranteed for 10-Year Period

	Account Value Basis	Purchase Rate/\$1,000	Monthly Income
Guaranteed	\$100,000	\$5.00	\$500.00
Non-Guaranteed	\$100,000	\$6.50	\$650.00

ABC Life Insurance Company

Marketing 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

Annuity Contract Anniversary/ Age	Premium Payment	Illustrated Values before MVA			Guaranteed Values before MVA			Minimum Guaranteed Cash Surrender Value after maximum MVA *
		Withdrawals	Acct Value/ Death Benefit	Cash Surrender Value	Withdrawals	Acct Value/ Death Benefit	Cash Surrender Value	
1 / 55	\$100,000	\$4,073	\$100,000	\$ 92,000	\$4,073	\$100,000	\$ 92,000	\$88,253
2 / 56	0	3,348	100,000	93,000	3,348	100,000	93,000	86,098
3 / 57	0	3,348	100,000	94,000	3,348	100,000	94,000	84,424
4 / 58	0	3,348	100,000	95,000	3,348	100,000	95,000	83,589
5 / 59	0	3,348	100,000	96,000	3,348	100,000	96,000	96,000
6 / 60	0	3,348	100,000	97,000	2,960	100,000	97,000	97,000
7 / 61	0	3,348	100,000	98,000	2,960	100,000	98,000	98,000
8 / 62	0	3,348	100,000	100,000	2,960	100,000	100,000	100,000
9 / 63	0	3,348	100,000	100,000	2,960	100,000	100,000	100,000
10 / 64	0	3,348	100,000	100,000	2,960	100,000	100,000	100,000
11 / 65	0	3,348	100,000	100,000	2,960	100,000	100,000	100,000
16 / 70	0	0	118,196	118,196	0	115,927	115,927	115,927
21 / 75	0	0	139,703	139,703	0	134,392	134,392	134,392
26 / 80	0	0	165,123	165,123	0	155,797	155,797	155,797
31 / 85	0	0	195,169	195,169	0	180,611	180,611	180,611
36 / 90	0	0	230,682	230,682	0	209,378	209,378	209,378
41 / 95	0	0	272,657	272,657	0	242,726	242,726	242,726
44 / 98	0	0	301,424	301,424	0	265,234	265,234	265,234

*Minimum Guaranteed Cash Surrender Value after maximum MVA is the Guaranteed Cash Surrender Value floor.

This is an illustration not a contract

Ages shown are measured from the Annuitants age at issue.

The Death Benefit upon the [owner]'s death is your Annuity Contract's Account Value.

Current crediting interest rates are declared by the insurance company. Interest rates are shown with daily compounding. Partial withdrawals, before the end of the Guarantee Period will lower the actual interest rate credited.

During the Guarantee Period, values developed from the Initial Premium Payment are illustrated using Initial Guaranteed Interest Rate(s) shown, with an additional first year only interest bonus credit of 0.75%. On the Annuity Contract issue date, the interest rates will be guaranteed for the selected Guarantee Period. After the initial Guarantee Period, a new renewal interest rate would be declared for the Guarantee Period illustrated. The company's current declared Initial Guaranteed Interest Rate (without the bonus) is used to calculate the Illustrated Values after renewal and the Minimum Guaranteed Interest Rate is used to calculate the Guaranteed Values. The actual renewal rates will very likely NOT be the same as the illustrated renewal rates.

Cash Surrender Values shown on this illustration are before the assessment of the Market Value Adjustment ('MVA'), if any. If the actual withdrawal occurs before the end of a Guarantee Period, the Cash Surrender Value you receive may be increased or decreased by an MVA. If interest rates increase after you buy your annuity or after the guaranteed interest rate for the selected period is set, the MVA will likely decrease the amount you receive. If interest rates decrease, the MVA will likely increase the amount you receive. The MVA has no effect on the Death Benefit. See page XX of this illustration for additional information concerning the MVA.

Free partial withdrawals of up to 10% of your Account Value, less partial withdrawals since the last Annuity Contract Anniversary, may be made each year without Surrender Charges. Excess Withdrawals above this 10% level and full Withdrawals will be subject to Surrender Charges and an MVA (if applicable). Surrender Charges are applied to each Premium Payment and continue according to the applicable schedule even after the initial Guarantee Period has ended.

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

All Withdrawals are processed on a first in, first out basis, with the oldest Premium Payment withdrawn first. Withdrawals will also reduce the Death Benefit and Cash Surrender Value. The Cash Surrender Values reflect the deduction of Surrender Charges as outlined above.

This illustration should not be considered a guarantee or estimate of amounts to be paid. Illustrated Values show the company's current Interest Crediting Rates and current annuitization rates continuing unchanged. This is not likely to occur and actual results may be more or less favorable than those shown. Please refer to the Disclosure Documents and Annuity Buyer's Guide for more detailed information.

Sample Graph of MVA Adjusted Cash Surrender Values (CSVs)

- Sample graph is based on assumptions in the illustration sample
- Company's illustration graph should reflect:
 - Actual MVA formula for at least first interest rate guarantee period
 - Up and down scenarios for same interest rate increases/decreases
 - Down scenario should also reflect both regulatory and contractual CSV floors

Sample Graph Showing the Impact of Interest Rate Changes on MVA Adjusted Cash Surrender Values (CSVs)

Based on \$100,000 single premium, a 5-year (60-month) guaranteed interest term, and monthly withdrawals of interest

