

ACLI DISCUSSION DRAFT OF PROPOSED ANNUITY ILLUSTRATION GUIDELINES v. 2

PURPOSE

- To provide guidelines for companies who wish to prepare pre-sale illustrations for specific prospective consumers of fixed deferred annuities.

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 NAIC Annuity Disclosure Model Regulation by way of an appendix similar to the Buyer's Guide.
- Annuity illustrations should be optional, not mandatory.
- The same exceptions provided under the Disclosure Model would apply to illustrations.
- Annuities required to be registered as securities under the Securities and Exchanges Act (1933) will be exempt.

GENERAL RULES

- Illustrations shall not conflict with required disclosure.
Illustrations must contain a statement to the effect that they are not to be considered guarantees or estimates of amount to be paid and should reference the required disclosure and buyers guide (if any). Suggested language: "This illustration should not be considered a guarantee or estimate of amounts to be paid. Actual results may be more or less favorable than what is illustrated. Please refer to the Disclosure Documents and Buyer's Guide provided with your Annuity Contract for more detailed information".
- The maximum rate that can be illustrated is the current/prevaling offered rate.
- Illustrations based on nonguaranteed rates shall contain equally prominent comparisons to guaranteed rates (company minimum guaranteed rate).
- Illustrations should be concise and the easy to read.
- Specific terms (i.e. withdrawal) defined in the annuity contract should be used in the same way in the 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) must be called MVA's.
- MVA's shall be described on the illustration. Suggested language: "When you make a withdrawal the amount receive may be increased or decreased by a MVA. If interest rates went up after you bought your annuity, the MVA likely will decrease the amount you receive. If interest rates went down, the MVA will likely increase the amount you receive".
- The illustration shall show 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.

- 3) required annuitization date.
- Illustrations shall not illustrate anything past the maximum annuitization age.

ILLUSTRATIONS SHALL CONTAIN THE FOLLOWING INFORMATION

- The issuer of the annuity.
- The legal name of the annuity and the company product name, if different.
- The annuitant and owner if different.
- Cash Value (current and minimum guaranteed rate).
- Annuity Contract Value (current and minimum guaranteed rate).
- Death benefit (and impact of MVA and/or surrender charges).
- Premium amount.
- Additional premiums.
- Surrender charges.
- Interest crediting.
- The effect of premium taxes, if applicable.
- The effect of death occurring prior to commencement of annuity payments.
- The impact of withdrawals on values (both penalty free and those with penalties).
- The potential effect of MVA's on the cash value. (May be done on a separate page).
- The cost and benefit of selected riders. (May be done on a separate page).
- Minimum guarantees and MVA floors, not generic examples which are higher.
- The effect of early surrenders and any other conditions on the payment of bonuses.
- For annuities sold as a qualified IRA, the effect of required minimum distributions on the contract values and tax situation.
- For renewable annuities, the perpetual nature of any charges.

SAMPLE ILLUSTRATION

- Attached is a sample of a *simple* flexible premium fixed deferred annuity illustration intended to provide an example of an illustration which 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: 54	Planned Annual Premium Payments: None
Annuitant: (if different than owner)	Tax Market: 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%		

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			Guaranteed Values		
		Withdrawals	Account Value/Death Benefit	Cash Surrender Value	Withdrawals	Account Value/Death Benefit	Cash Surrender Value
26 / 80	0.00	0.00	\$165,123.00	\$165,123.00	0.00	\$155,797.00	\$155,797.00
31 / 85	0.00	0.00	\$195,169.00	\$195,169.00	0.00	\$180,611.00	\$180,611.00
36 / 90	0.00	0.00	\$230,682.00	\$230,682.00	0.00	\$209,378.00	\$209,378.00
41 / 95	0.00	0.00	\$272,657.00	\$272,657.00	0.00	\$242,726.00	\$242,726.00
44 / 98	0.00	0.00	\$301,424.00	\$301,424.00	0.00	\$265,234.00	\$265,234.00

This is an illustration not a contract

Ages shown are based on the Annuitant at the time of issue.

The Death Benefit is your Annuity Contract's Guaranteed Account Value.

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

During the Guarantee Period, the Initial Premium Payment 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 assume that the Market Value Adjustment ('MVA') at the time of Withdrawal was zero. At the actual 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 after you bought your annuity, the MVA will likely decrease the amount you receive. If interest rates went down, the MVA will likely increase the amount you receive. The MVA has no effect on the Death Benefit.

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 a MVA (if applicable). Surrender Charges are applied on each Premium Payment and continue on this 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%
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 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 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.