

TO: Jennifer Cook, NAIC

FROM: Brenda J. Cude and Karrol Kitt, NAIC Consumer Representatives

RE: Draft Fixed Indexed Annuity Buyers Guide

DATE: October 22, 2009

Thank you for the opportunity to continue to work to improve the buyer's guide. Attached is a Word file with recommended changes marked using track changes. Some of the changes in this version of the guide are merely changes in wording to increase clarity and/or change the tense from passive to active. The more substantive comments are summarized below. There are a few questions which are noted as comments in the Word file itself.

In addition, we are attaching a document that might be more useful than a traditional table of contents for your consideration. It's probably longer than it could be but for a document like this we would like to discuss whether it might be an option.

A summary of the major issues and outstanding questions follows:

1. How are we titling this buyer's guide? To be correct and consistent we recommend the words in the title be "Fixed Indexed Deferred Annuities."
2. In a few instances, we don't think we've been consistent in the language that would differentiate between the annuity's (or the contract's) value. Those are highlighted in pink.
3. We've also been advised that the word "principal" is not strictly correct. Those appearances are highlighted in green.
4. The wording (p. 1), "There is, however, a brief description of two other types of deferred annuities, fixed and variable, as well as immediate annuities." seems confusing when an indexed annuity is a type of fixed annuity. We've suggested language that might be clearer.
5. It seems more accurately to refer to surrender charges (and withdrawal charges) in the plural rather than as singular so those changes have been made throughout.
6. We recommend that the section "How the Money in an Annuity Earns Interest: Fixed, Fixed Indexed and Variable Annuities" be reordered to discuss indexed annuities after fixed annuities since an indexed annuity is a type of fixed annuity.

7. The section, “How Do I Decide Which Annuity Is Best for Me?” should include the factors in the suitability standards that an agent is expected to consider to decide if an annuity is suitable. Also appropriate in that section would be a statement that some elements of an annuity may be guaranteed while others are not guaranteed. This seems appropriate as a current disclosure requirement is “the guaranteed, non-guaranteed and determinable elements of the contract.” In this same section, the sentence “It’s important that any annuity you choose be consistent with the amount of risk that you’re willing to accept.” seems too narrow. It implies that risk tolerance is the *only* consideration. We have expanded it.
8. In the section “**How Can I Access My Money?**” it’s not clearly stated that annuitizing removes the option to receive a lump sum payment. It’s also not clear what happens if you die to the money in an annuity during the annuitization period. We’ve added more information.
9. To make the section “**What Charges May Be Subtracted from My Annuity?**” consistent with the disclosure requirements, we should add language about mortality and expense fees and investment advisory fees. For the same reason, an additional reason clearly stating how charges for riders are assessed should be added. We’ve added language about mortality and expense fees and riders but not investment advisory fees (because we don’t know what to say.)
10. In the section “**HOW DO I KNOW IF A FIXED INDEXED ANNUITY IS RIGHT FOR ME?**” we recommend the addition of two questions to be more consistent with the disclosure requirements. In the questions for the consumer to ask him/herself, we suggest adding, “What long-term goal(s) do I hope to achieve by buying an annuity?” In the questions to ask the agent, we suggest adding, “What parts of the annuity are guaranteed? What parts aren’t?” Both are key parts of the disclosure requirements that should be emphasized in the Buyer’s Guide for consistency.