



July 20, 2015

Office of Exemption Determinations  
Employee Benefits Security Administration  
Attention D-11712 & D-11850)  
U.S. Department of Labor  
200 Constitution Avenue NW. Suite 400  
Washington, DC 20210

Office of Regulations and Interpretations  
Employee Benefits Security Administration  
Attn: Conflict of Interest Rule  
Room N-5655  
U.S. Department of Labor  
200 Constitution Avenue NW.  
Washington, DC 20210

Re: RIN 1210-AB32: Employee Benefits Security Administration’s Notice of Proposed Rulemaking Definition of the Term “Fiduciary;” Conflict of Interest Rule-Retirement Investment Advice; ZRIN: 1210-ZA25; D-11712: Proposed Best Interest Contract Exemption; ZRIN: 1210-ZA25; D-11850: Proposed Amendment to and Proposed Partial Revocation of Prohibited Transaction Exemption 84-24

Dear Assistant Secretary Borzi and Ms. Lloyd:

The Indexed Annuity Leadership Council (“IALC”) welcomes the opportunity to comment on the Department’s proposed regulation revising the definition of “fiduciary” under the Employee Retirement Income Security Act of 1974 (ERISA) and the related Prohibited Transaction Exemptions (PTEs). We appreciate the Department’s efforts to constructively engage with the various stakeholders in this initiative to ensure that employee benefit plan participants and individual retirement account (IRA) holders receive investment advice that is in their best interest while preserving distribution channels that make available appropriate financial products to millions of Americans.

The IALC, a consortium of life insurance companies that offer fixed indexed annuities, was established in 2011 with a commitment to providing complete and factual information about the use of fixed indexed annuities as a part of a balanced financial plan. Our mission is to help educate consumers, the media, regulators and industry professionals about the benefits of fixed indexed annuities. Namely, that these products offer principal protection, provide a predictable source of guaranteed income in retirement, and can add balance to any long-term financial plan.

Below are our comments regarding the proposed regulation changing the definition of “fiduciary” and two proposed PTEs. We offer these comments and suggested modifications to help clarify the

proposals and help achieve the Department's objectives of protecting plan participants and IRA holders from receiving investment advice that may not be in their best interest.

## **I. Background on Deferred Annuities**

There are two types of deferred annuities – fixed and variable:

Fixed annuities, including fixed indexed annuities, have been used by consumers for many years as part of a well-structured financial plan and as a way to provide guaranteed income for life. The shift by employers away from defined benefit pension plans has heightened the importance of educating consumers about the benefits of fixed annuities that can help ensure that they have sufficient funds to last throughout their retirement years with income guarantees and protection. Fixed annuities can play an important role in achieving that objective because they offer guaranteed income and protection from market volatility. Of course, that does not mean that fixed annuities are the only product that should be included in an individual's financial plan. Rather, they are an important instrument to protect principal and insure against longevity risk that should be considered as part of sound retirement planning.

Fixed annuities offer protection against market loss as the insurance company assumes the market risk. In other words, there is no risk of loss of principal (so long as the owner does not surrender the contract prematurely) and any earnings credited to the policy are guaranteed and cannot be lost or reduced in future periods. Earnings can be credited based on a periodically declared rate, a multi-year guaranteed rate, or a rate established based on a formula that references a market index (a fixed indexed annuity). In each case the contract's premium is not invested in a separate account or specific investment, but rather is supported by the general account of the insurance company. In the case of a fixed indexed annuity the index is only used to compute interest earnings credited to the policy, there is no actual investment by the policyholder or the insurance company in the financial instruments that comprise the particular index. A typical fixed index annuity policy allows the policyholder to elect to switch the chosen index or computation method from year to year, or alternatively to select a fixed rate for the year. The only difference among these fixed annuity products is the method for determining the interest earnings that are credited to the policy.

The issuers of fixed annuities do not assess sales charges on the policyholders at the time of issuance of the policy or at any other time. These products are regulated as insurance under state insurance law, protected by state guaranty funds, and are exempt securities under section 3(a)(8) of the Securities Act of 1933. Finally, they are sold only by state licensed insurance agents.

Under state insurance laws, a policyholder is offered a free look period: a period of time ranging from 10 to 30 days depending upon the applicable state insurance law, when the policyholder has the right to return the policy for a full refund. Once the policy is in effect the policyholder accrues interest yearly, but initially does not have access to the full account value of the policy. Specifically, a policyholder is charged a surrender charge, or a percent of the contract value, in the event that he or she decides to cash-in the policy early. Surrender charge periods and applicable surrender charges vary from insurer-to-insurer and vary amongst products. Surrender charges are generally reduced each year until they are eliminated. Most products sold today have a surrender charge period of ten years or less and a surrender charge of ten percent or less. Surrender charges are an important part of a fixed annuity contract as they protect the insurance company from losses due to early terminations and allow the insurance company to make longer-term investments thereby providing higher interest rates to policyholders.

The surrender charges are normally waived in a number of situations – for example, to satisfy required minimum distribution (RMD) requirements under federal pension law or in the event of death. Given the substantial percentage of sales of fixed indexed annuities to IRAs, waiving surrender charges to allow for penalty-free withdrawals to comply with RMD requirements is an important consumer protection feature. In addition, most policies allow a percentage of the contract value to be withdrawn each year after the first year without penalty.

Because annuities are intended to be held long-term and surrender charges could be imposed under the terms of the policy if terminated early it is important for the policyholder to demonstrate that he or she has sufficient liquid assets at the time of purchase to reduce the likelihood that the policyholder will need to terminate the policy prematurely. State insurance laws require the insurance agent selling the policy, and subsequently the insurance company issuing the policy, to review detailed financial and other data to determine that the policy is suitable for the consumer – with emphasis on the consumer’s liquidity needs.

Fixed annuity policies also offer consumers a variety of liquidity options and riders that can be added to the policy. Options include: (i) annual penalty-free withdrawals of up to ten percent of the value of the policy; (ii) the ability to annuitize and receive a stream of payments for life or a specified period; (iii) nursing home riders which permit increased penalty-free withdrawals if the policyholder enters a nursing home; and (iv) terminal illness riders which permit penalty-free withdrawals of some or all of the policy value if the policyholder becomes terminally ill. Lifetime income benefit riders are also available which guarantee a lifetime income that the policyholder cannot outlive. The lifetime income benefit rider is an alternative to annuitizing the policy where the income payments are lower in exchange for increased flexibility to access the account value. Lifetime income benefit riders can have additional options including enhanced death benefits that provide enhanced payments to the beneficiary and wellbeing riders that provide increased lifetime income benefits to the policyholder in the event the policyholder is unable to perform a certain number of activities of daily living.

In sum, fixed annuities offer an important tool in retirement planning to protect against longevity risk – the risk that a person outlives his or her assets. The benefit of fixed annuities was recognized recently by the Department of Treasury when it adopted regulations making it easier to hold these products in an IRA or pension plan. These so-called Qualified Longevity Annuity Contract regulations eased the minimum distribution requirements to prevent IRA owners and pension plan participants from having to prematurely surrender their fixed annuity policies or face penalties.

Today there are approximately \$753.1 billion in active fixed annuity policies. Of that amount about \$303.4 billion are in fixed indexed annuity policies. While the largest sales channel for these products are independent insurance agents, a significant number are also sold through career agents, banks, broker-dealers, and registered investment advisors (see Exhibit 1). Finally, and most importantly for this discussion, a majority of fixed annuities are sold to plan participants and IRA holders (with IRA holders being the most significant market).

Variable annuities on the other hand are very different products. Most importantly, unlike fixed annuities they do not offer protections against investment risk unless optional riders are purchased. These products might offer the potential for higher investment returns, but only by placing the risk of investment loss on the policyholder. Unlike fixed annuities these products are not supported by

the general account of the insurance company, but rather are invested in separate accounts. The contract earnings depend on the investment performance of the stocks, bonds, or money market instruments that are chosen by the policyholder, and can experience a loss in value from year-to-year. The fees associated with these products are also very different – they include mortality and expense risk, and administrative and underlying fund expense charges. While state insurance regulators also have authority over and regulate these products since they also carry insurance features, they are registered securities and are subject to oversight by the Securities and Exchange Commission and the Financial Industry Regulatory Authority (FINRA). These products are sold only by those who have both a FINRA issued license and a state issued life insurance license.

Today there are approximately \$1,996.5 billion in outstanding variable annuity policies. The largest sales channel by far for these products is broker-dealers, with some sales through career agents and banks (see Exhibit 2).

## II. Proposed Fiduciary Definition

### 1. *In General*

The proposed definition of “fiduciary” is intended to increase the legal standard applied to the investment advice offered to plan participants and IRA holders. Among other changes, the proposed rule will extend its reach to include advice rendered by state licensed insurance agents that sell fixed annuities, including fixed indexed annuities. We understand that this legal standard means the insurance agent must act prudently and loyally, putting the interests of the plan participant or IRA holder ahead of any self-interest. We further understand that in applying this legal standard in the context of a licensed insurance agent who is not licensed to sell other products such as securities, or who may only be contractually able to offer the products of certain insurance companies, that the agent has the responsibility to (1) assess the consumer’s needs and (2) determine if the product and its features satisfies those needs (i.e., whether the instrument would be prudent) at the time of sale. However, we understand that the agent would not be responsible for recommending products which the agent is not licensed or otherwise contractually able to offer to the consumer. **Clarifying this point in the preamble of the final regulation would be helpful in addressing the concern that the standard might otherwise prove impossible to satisfy.**<sup>1</sup>

### 2. *Examples of How an Insurance Agent Satisfies Standard*

While not a fiduciary standard, the National Association of Insurance Commissioners (NAIC) has published the Suitability in Annuity Transactions Model Regulation (Suitability Model Regulation). Almost all fixed indexed annuities are sold in compliance with requirements that are substantially similar to the Suitability Model Regulation. These state regulations require insurers or agents to make “reasonable efforts” to obtain a consumer’s “suitability information,” based upon which the insurer and agent must have reasonable grounds to believe the transaction being recommended to the consumer is suitable. This suitability information includes the consumer’s: age, annual income, financial situation and needs; financial experience; liquidity needs; risk tolerance and other

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<sup>1</sup> See discussion below under III. 5 (Impartial Conduct Standards) suggesting a modification to PTE 84-24 to clarify the application of the best interest standard in the case of an insurance agent with a limited range of products to offer, and our suggested modification to the definition of “Insurance Agent” under III 8 below to clarify that PTE 84-24 is available to an insurance agent regardless of his or her status as a registered investment advisor or registered representative of a broker-dealer.

information. These requirements were adopted in order to ensure that the financial needs and objectives of consumers are appropriately addressed.

Given that the proposed regulation envisions an insurance agent selling a fixed annuity to be held to a higher standard than complying with the suitability standard applicable under state insurance law, **it would be helpful for the final regulation to include in its preamble some examples of the conduct that an insurance agent should demonstrate under ERISA or PTE 84-24 to comport with the legal standard that is being imposed.** For example, while not relieving the agent of the responsibility to fairly represent the various product features and to make recommendations with respect to such features that are in the consumer's best interest, the agent has likely demonstrated compliance with his or her fiduciary obligation if (1) the consumer indicates that he or she wants to procure a fixed annuity, or wants a financial product that protects principal even if it means earning *potentially* reduced returns than other financial product alternatives; (2) the fixed annuity is suitable based on the state law requirements; and (3) the insurance agent, from the fixed annuities the agent has available, either (a) recommends the particular policy that is at the time of sale in the best interest of the client from the retirement products the agent has available, or (b) the consumer chooses the specific policy from a menu provided by the agent.

### ***3. Carve-Out for Illustrations and Insurance Company Quotes***

The proposed regulation includes six specific carve-outs from the definition of fiduciary. We urge the Department to add a seventh carve out for illustrations produced or approved by or in coordination with an insurance company that satisfy Section 6 of the NAIC "Annuity Disclosure Model Regulation" (Disclosure Model Regulation) MDL 245 or any similar or successor regulation, and quotes for guaranteed income features and riders provided by an insurance company to an insurance agent.

The Disclosure Model Regulation is intended to "ensure that purchasers of annuity contracts understand certain basic features of annuity contracts." The Disclosure Model Regulation provides standards for the disclosure of information about annuity contracts to protect consumers and foster consumer education. The Disclosure Model Regulation specifies the information that must be disclosed, the method for disclosing it, and the use and content of illustrations when used in connection with the sale of annuity contracts. The Disclosure Model Regulation governs illustrations that are produced or approved by or in coordination with an insurance company as a means of helping inform consumers of how annuity products function while also comporting with specific consumer protections adopted by the NAIC.

Illustrations can be misunderstood or become misleading if they are not properly constructed. Illustrations that satisfy the Disclosure Model Regulation provisions are unlikely to be misleading and are subject to state regulation, while those that do not comport with the Disclosure Model Regulation may fail to comport with the appropriate standards and protections the Department is advancing in its proposed regulation. For example, the requirements of the Disclosure Model Regulation further the objective of the proposed amended PTE 84-24 to avoid misleading statements. Therefore, illustrations that satisfy this higher standard should qualify for a carve-out.

The production and distribution of illustrations that satisfy the Disclosure Model Regulation should not by itself create a fiduciary relationship between the insurance company and an ultimate policyholder. Of course, if an insurance agent uses the illustration when making a recommendation

to a consumer to purchase an annuity the carve-out does not prevent the agent from being a fiduciary.

Attached as Exhibit 3 are examples of illustrations that would satisfy the Disclosure Model Regulation.

Second, this carve-out should cover insurance companies that are providing a quote to an insurance agent with respect to a guaranteed income feature or rider for a prospective policy. Just as with an illustration, the activity of providing a quote to an insurance agent should not in and of itself create a fiduciary relationship between the insurance company and the prospective policyholder. Of course if the insurance agent uses the quote when making a recommendation to a customer to purchase an annuity the carve-out does not prevent the agent from being a fiduciary.

**We suggest making the following modifications to §2510.3-21(b):**

- (1) In the first sentence strike “(6)” and insert “(7)” in lieu thereof;**
- (2) At the end of the subsection add the following new paragraph:**

**“(7) Illustrations and Quotes. The person produces, furnishes or makes available -**

- (i) illustrations produced or approved by or in coordination with an insurance company that (A) is domiciled in a State that adopts rules governing standards for illustrations of insurance or annuity contracts, which shall substantially meet or exceed the minimum requirements established by Section 6 of the Annuity Disclosure Model Regulation (or any similar or successor regulation thereto) adopted by the National Association of Insurance Commissioners (the NAIC Model Regulation), or (B) adopts and implements practices on a nationwide basis for the sale of any insurance or annuity contract that meet or exceed the minimum requirements of such model regulations. An illustration is described in this paragraph if it states that it is intended to substantially meet or exceed the minimum requirements of the NAIC Model Regulation; or**
- (ii) quotes to an insurance agent with respect to guaranteed features (including income and rates) of the policy or riders to the policy.”**

### **III. Proposed Amendment to PTE 84-24 (Certain Transactions Involving Insurance Agents and Brokers, Pension Consultants, Insurance Companies and Investment Company Principal Underwriters)**

The IALC appreciates the Department retaining and modifying PTE 84-24 to provide an exemption from the prohibited transaction rules for insurance agents who sell fixed annuities, including fixed indexed annuities, to plan participants and IRA holders in order to protect the traditional commission form of compensation paid by insurance companies.

Preserving commission-based compensation for fixed annuities will help preserve access to financial advice to families who may not otherwise pay out-of-pocket for it. The Department’s approach is much more constructive than the approach taken by financial regulators in the United Kingdom which banned commission-based compensation beginning in 2013. A number of studies and reports have concluded that their approach dramatically reduced access to financial advice services, especially to families at more moderate income levels. We applaud the Department’s

general approach of preserving commission-based compensation while requiring insurance agents to comport to a best interest standard when recommending insurance products to IRA owners and pension plan participants.

We are offering several suggestions below to clarify the language of the exemption's conditions that preserve the Department's stated purpose of ensuring insurance agents adhere to certain impartial conduct standards while not unnecessarily or unintentionally disrupting distribution channels for insurance products.

The Department has inquired in its preamble about whether it has struck the right balance in terms of providing exemptions for securities and non-securities products. While the IALC takes no position regarding the proposal's removal of variable annuities and certain mutual fund transactions from PTE 84-24, we believe that the conditions of the Best Interest Contract Exemption (BICE) would be problematic for fixed annuities and would not offer any meaningful additional protections for sales of fixed annuities to IRA holders.

First, and foremost, the distribution channels for fixed annuities are significantly different than those that apply to securities products, including variable annuities. The BICE approach assumes that there is a financial institution that oversees a host of potential financial products, one or more of which may be appropriate for purchase by a particular customer. The insurance company frequently does not offer a variety of different financial and securities products. Similarly, an Independent Marketing Organization (IMO) does not typically offer a host of different financial products that would be appropriate for the BICE framework.

Second, certain particulars of BICE do not reflect the nature or distribution process of fixed annuity products. For example, customers who have purchased a fixed annuity may not communicate annually with their insurance agents (the potential fiduciaries) due to the long-term nature of the fixed annuity making the annual disclosure by the fiduciary challenging if not unworkable. Independent insurance agents frequently offer annuities from more than one insurance company, potentially subjecting such agents to multiple written policies and procedures by insurers designed to mitigate conflicts of interest. The model website disclosure chart would provide no meaningful additional information to an annuity purchaser, and in fact, the requested data sets do not reflect the nature of fixed annuity products. Similarly, the transaction model chart would provide no additional information to the policyholder. Also, the BICE exemption seems to assume an ongoing compensation and fee structure that does not reflect current fixed annuity market practices. Finally, given the consumer protections already afforded under state insurance regulations, including regulations governing sales practices, marketing, and suitability, and the ultimate authority of the state insurance commissioners to protect policyholders, BICE would introduce a very significant layer of compliance costs with little or no tangible benefit for the policyholder. Given the conditions of PTE 84-24, we believe the Department is correct in preserving, with its suggested modifications (and the clarifications offered below), this exemption for fixed annuities.

We offer the following specific suggestions to clarify the proposed modifications of PTE 84-24:

***1. Clarify Covered Transactions***

Section I(a) of the proposed exemption covers the receipt of Insurance Commissions in connection with certain annuity purchases using plan assets. However, while the preamble of

the PTE and other sections clearly indicate that the PTE is intended to cover transactions involving IRAs, the covered transactions do not appear to be defined to include IRAs.

**We urge the Department to clarify that the covered transactions include sales of annuities to IRAs as defined in Section VI by amending section I(a) by adding “or with the assets of an Individual Retirement Account” after “with plan assets” each place it appears.**

## **2. Clarify the Scope of the Exemption**

Section I(b) excludes from the PTE a purchase by an IRA holder of any “annuity contract that is a security under federal securities laws”. Technically, all annuities are securities, however all fixed annuities qualify as “exempt” under section 3(a)(8) of the Securities Act of 1933.

**Therefore, we suggest that if the final PTE removes variable annuities (which IALC takes no position on) that the more appropriate language to use in I(b)(1) is:**

**“a variable annuity contract or other annuity contract that is not exempt under section 3(a)(8) of the Securities Act of 1933 (15 U.S.C. 77c(a)(8)), or”.**

## **3. Reasonable Compensation**

One of the proposed PTE conditions would prohibit total consideration paid to the agent that is in excess of “reasonable compensation” as described in “ERISA section 408(b)(2) and 408(c)(2) and Code section 4975(d)(2) and 4975(d)(10).” While we do not object to the thrust of this condition, we find the definition of what constitutes “reasonable compensation” for this purpose to be more complex than is necessary, and without sufficient guidance for purposes of fixed annuities. As described below, we believe some minor changes to the proposed description of “reasonable compensation” would not alter what appears to be the intention of the provision, but would offer much better guidance to insurance agents.

The ERISA section 408(b)(2) definition of “reasonable compensation” is generally targeted at service contracts with ERISA plans, and fails to provide sufficient guidance for determining reasonableness in the context of a fixed annuity sale. To determine the proper definition of “reasonable compensation” we urge the Department to focus on the current regulations under ERISA section 408(c)(2). The regulations under ERISA Section 408(c)(2) (§2550.408c-2(b)(5)) reference the tax code regulations relating to compensation for personal services (26 CFR 1.162-7) as guidance to determine whether compensation is reasonable. Those regulations provide that it is in general “just to assume that reasonable and true compensation is only such amount as would ordinarily be paid for like services by like enterprises under like circumstances.” That standard is more definitive in the context of fixed annuity sales.

Adopting the tax code regulation’s notion of comparing compensation to similar products under similar circumstances to evaluate “reasonableness” would provide greater clarity and provide better guidance to assist compliance. In addition, retaining the ERISA section 408 standards for employee benefit plans and the Code’s section 4975 standards for IRAs would be more appropriate and workable.



Specifically, we suggest that Section III(c)(2) read as follows:

**“(2) In connection with the purchase of insurance or annuity contracts (or securities issued by an investment company) is not in excess of “reasonable compensation” within the contemplation of Code section 4975(d)(2) and 4975(d)(10) and, for plans subject to Title I of ERISA, within the contemplation of ERISA section 408(b)(2) and 408(c)(2). Compensation is deemed reasonable for these purposes if it does not exceed amounts that are consistent with comparable products in comparable markets. If the total is in excess of “reasonable compensation,” the “amount involved” for purposes of civil penalties of ERISA section 502(i) and the excise tax imposed by Code section 4975(a) and (b) is the amount of compensation in excess of “reasonable compensation.””**

#### **4. *Independent Fiduciary***

One condition of PTE 84-24 would require the insurance agent, broker or pension consultant to provide certain information in writing to an independent fiduciary and obtain a written acknowledgment of the receipt of the information and approval on behalf of the plan. However, it is not clear in the proposed rule who the independent fiduciary would be in the case of an IRA and whether either the written acknowledgment and/or approval is required in such case.

It is our understanding that an employer or trustee for the plan can sign as an independent fiduciary, or in the case of an IRA, the IRA owner (or IRA beneficiary in the event that the IRA owner is deceased or incapacitated) is envisioned as the independent fiduciary. Our interpretation of the proposed language is that once the requisite information is provided in writing to an IRA owner (or IRA beneficiary) the condition is satisfied without the need for further written response from the IRA owner/beneficiary. In such a case, the entering of the contract would be evidence that such person approved the purchase of the fixed annuity policy.

**We believe that the intent of this provision would be made clearer with the following changes to Section IV(b):**

**(1) The first sentence of (b)(1) should be amended to read as follows:**

**“(1) With respect to a transaction involving the purchase with plan or IRA assets of an insurance or annuity contract or the receipt of an Insurance Commission thereon, the insurance agent or broker or pension consultant provides (i) to an independent fiduciary with respect to the plan, or (ii) to the beneficial owner of the IRA, prior to the execution of the transaction the following information in writing and in a form calculated to be understood by a plan fiduciary who has no special expertise in insurance or investment matters:”**; and

**(2) Paragraph (b)(2) should be amended by adding “by the plan” after “Following the receipt”.**

## ***5. Impartial Conduct Standards***

Section II requires a fiduciary to act in the Best Interest of the plan participant or IRA holder “with respect to the assets involved in the transaction.” However, unlike the proposed BICE PTE there is no explicit provision in PTE 84-24 that addresses how to apply the impartial conduct standards in the event that the insurance agent (or other fiduciary) has a limited range of products or annuities to offer. The modification suggested below will also partially address the concerns stated under paragraph 8 below and under the discussion of BICE below, that PTE 84-24 be available to an insurance agent that also is a registered investment advisor or registered representative of a broker-dealer.

**We suggest that Section II(a) be modified by adding at the end thereof before the semicolon:**

**“with respect to the insurance or annuity contracts such fiduciary is authorized to offer the plan participant or IRA holder”.**

## ***6. Disclosure of Insurance Commission***

Section IV(b) requires the insurance agent to disclose to the consumer the Insurance Commission “expressed as a percentage of gross annual premium payments for the first year and for each of the succeeding renewal years” that is “paid by the insurance company” in connection with the purchase. Some forms of commission payments may be very difficult if not impossible to express as a percentage of premium payments. For example, a retirement benefit contribution that is paid after the agent satisfies a minimum sales target would be impossible to quantify as a percentage of a specific premium payment. Second, as described below under “Definition of Commission”, the disclosure requirement does not encompass payments made indirectly by entities other than an insurance company or its affiliate.

**We urge that Section IV (b)(1)(B) be modified to read as follows:**

**“(B) The Insurance Commission, expressed as a percentage of gross annual premium payments to the extent feasible, and as an absolute dollar figure otherwise, for the first year and for each of the succeeding renewal years, that will be paid to the agent, broker or consultant in connection with the purchase of the recommended contract, and may include a description of any conditions or limitations with respect to any anticipated or potential such payments; and”.**

## ***7. Definition of Insurance Commission***

The preamble to the PTE indicates that in the Department’s view the receipt of payments from third parties in connection with the sale of an annuity contract involving a plan or IRA would be a prohibited transaction. The proposed PTE covers “the receipt, directly or indirectly, by an insurance agent...of an Insurance Commission from an insurance company.” Section VI(f) defines “Insurance Commission” as a “sales commission paid by the insurance company or an Affiliate to the insurance agent or broker or pension consultant...” The definition of “Insurance Commission” is important not only to determine the scope of the PTE, but also to determine the anticipated payments that must be disclosed under Section IV (b) of the PTE. We believe that there are three distinct problems with the proposed definition:

- (a) The definition of “Insurance Commission” conflicts with the provisions of Section I that indicates that the scope of the exemption is intended to cover Insurance Commissions that are received “directly or indirectly” by the insurance agent. Frequently, an independent insurance agent is paid a commission by an IMO with which the agent is contracted. The insurance company will pay a commission to the IMO who in turns pays a commission to the agent. Similar arrangements exist with respect to broker-dealers and registered investment advisors. While the scope of the PTE appears to accommodate these traditional business arrangements, the definition of “Insurance Commission” seems to require a direct payment from the Insurance Company or its Affiliate. In most cases neither an IMO nor a broker-dealer is an Affiliate of the insurance company.
- (b) The use of the term “sales commission” to define “Insurance Commission” does not provide sufficient guidance to determine the forms of payments that are included. For example, some insurance companies offer various forms of retirement benefits or health care coverage to insurance agents based on sales. It is unclear what types of payments constitute “sales commissions.”
- (c) The complete elimination of revenue sharing payments, administrative fees and marketing payments is not necessary to minimize the risk that an insurance agent might be motivated to recommend a specific product on the basis of an incentive payment rather than what is in the best interest of the customer. This risk can be addressed by preventing such payments when they are tied to any specific product, but by allowing them only to the extent that they are paid on the basis of total aggregate sales. These payments support activities that are important components of the distribution process. For example, the elimination of marketing payments to agents would be a disservice to consumers as it is the advertising by agents that actually brings greater awareness to consumers about the financial products available, the companies that provide them, and how consumers can obtain them. Targeted advertising by agents occurs throughout the country, in rural areas and small communities, not just in major markets. That advertising leads to consumers seeking out agents and becoming educated about the financial products available to them or retirement planning.

**We urge the Department to modify the definition of “Insurance Commission” (Section VI(f)) to read as follows:**

**“(f) The term “Insurance Commission” means any taxable income or retirement or welfare benefit received directly or indirectly by an insurance agent or broker or pension consultant for the service of effecting the purchase or sale of an insurance or annuity contract, including renewal fees, trailers, and sales incentives based on aggregate sales, but not revenue sharing payments, administrative fees or marketing payments, unless such revenue sharing payments, administrative fees or marketing payments are based solely on the total aggregate sales with an insurance company of an individual insurance agent or all insurance agents contracted with a non-affiliated entity.”**

## **8. *Definition of Insurance Agent***

We understand that PTE 84-24 is intended to be available for any insurance agent that sells a fixed annuity to a plan or an IRA holder regardless of whether the insurance agent is also a registered representative of a broker-dealer or a registered investment advisor who might otherwise rely on BICE for the sale of investment products that are securities. While depending on the final language adopted in BICE this may present some practical issues (see our comments under BICE below), we urge that the scope of the PTE be clarified.

**We suggest that Section VI(e) be amended by adding at the end thereof the following new sentence:**

**“An “insurance agent or broker” shall mean any person licensed under state insurance law as an insurance agent or broker regardless of whether such person is also a registered representative of a broker-dealer or a registered investment advisor.”**

## **IV. *Best Interest Contract Exemption (BICE)***

**We offer the following suggested changes to the new proposed BICE PTE:**

### **1. *Timing of Contract***

As described above, while a majority of fixed annuity products are sold through independent and career insurance agents that will be able to receive commissions by complying with the conditions of PTE 84-24, a sizable part of the market is sold through broker-dealers and registered investment advisors (collectively, securities advisors). It is highly likely that absent any modifications to BICE, as a compliance matter, securities advisors will require implementation of the BICE conditions for all consumers because securities advisors also have the ability to offer investment products covered by BICE. The BICE conditions, as described above, do not reflect the nature of a fixed annuity product, and may cause many securities advisors to refrain from offering fixed annuities to consumers. Such a result would not serve the best interests of plan participants or IRA owners.

We believe that clarifying the timing of when BICE requires the Adviser and Financial Institution to enter into the contract described in the PTE can mitigate these concerns. As drafted the PTE states that the contract must be entered into before any recommendation of any purchase or sale of assets. Given the other investment products that could be recommended, the securities advisors may not initially know if the recommendation will only be for a fixed annuity that would allow for reliance on PTE 84-24. Therefore, the required contract will be necessary and the benefits of PTE 84-24 will be lost. If however, the contract envisioned under BICE was required only before any purchase or sale of an asset this would offer an opportunity for the Adviser to determine if a fixed annuity is in the best interest of the plan participant or IRA owner and allow the Adviser to rely on PTE 84-24.

We understand that other stakeholders are concerned about the timing of the contract requirement for other operational reasons. However, for purposes of preserving securities

advisors as part of the distribution channel for fixed annuities we believe that a modification of the timing of the contract under BICE is extremely important.

**Specifically we recommend that Section II(a) be amended to read as follows:**

**“Prior to the execution of the purchase of an Asset by the Plan, participant or beneficiary account, or IRA or the sale of an Asset of the Plan, participant or beneficiary account, or IRA, the Adviser and Financial Institution enter into a written contract with the Retirement Investor that incorporates the terms required by Section II(b)-(e).”**

## ***2. Definition of Financial Institution***

The definition of “Financial Institution” includes a broker-dealer, a registered investment adviser, and an insurance company who employs the Advisor or retains such person as an independent contractor or agent. In the case of a recommendation to purchase a fixed annuity by a licensed insurance agent that is employed by a broker-dealer or registered investment adviser the definition would make both the insurance company and the broker-dealer or the insurance company and the registered investment adviser jointly subject to the provisions of BICE. However, only the broker-dealer or registered investment adviser actually supervises the recommendation regarding financial products that is being made. The BICE structure does not lend itself to designating two entities as Financial Institutions for the identical transaction, and doing so would offer no additional consumer protections.

**We suggest modifying Section VIII(e) by adding at the end thereof the following:**

**“However, paragraph (3) shall not apply with respect to an Advisor that is an employee, independent contractor, agent or registered representative of an entity described in paragraphs (1), (2) or (4).”**

## ***3. Fiduciary***

Section II(b) requires the written contract to state that the Advisor and Financial Institution are fiduciaries with respect to “any” investment recommendation. When a registered representative of a broker-dealer or registered investment adviser is also an insurance agent it is unclear if this requirement is limited to the particular product that is being recommended.

**We believe it would be more precise to modify the language to read as follows:**

**“(b) Fiduciary. The written contract affirmatively states that the Adviser and Financial Institution are fiduciaries under ERISA or the Code, or both, to the extent of any investment recommendations to the Retirement Investor.”**

## **V. Effective Dates**

The preamble to the regulation indicates that the general rule is intended to become effective eight months after publication of a final rule. The regulation and the PTEs (both new and modified) will require numerous operational and procedural changes by insurance companies, insurance agents, IMOs, broker-dealers, and registered investment advisers. These changes include but are not

limited to creating and implementing new procedures, reviewing written materials and policies, retraining staff, and restructuring contracts with persons involved in the distribution channels. Until a final rule and final PTEs are published, it is hard to determine the extent of the effort that will be required. It certainly would not be unreasonable to assume that even given best efforts and considerable resource expenditures, that an 18 to 24 month period may be required at a minimum to enable impacted companies and individuals to become compliant.

## **VI. Conclusion**

Again, we appreciate the tremendous effort that the Department has invested in developing the proposed regulation and the accompanying PTEs. We believe that with some modifications as discussed above the interests of employee benefit plan participants and IRA owners can be better protected while not impairing their opportunity to purchase fixed annuities when appropriate to meet their retirement needs.

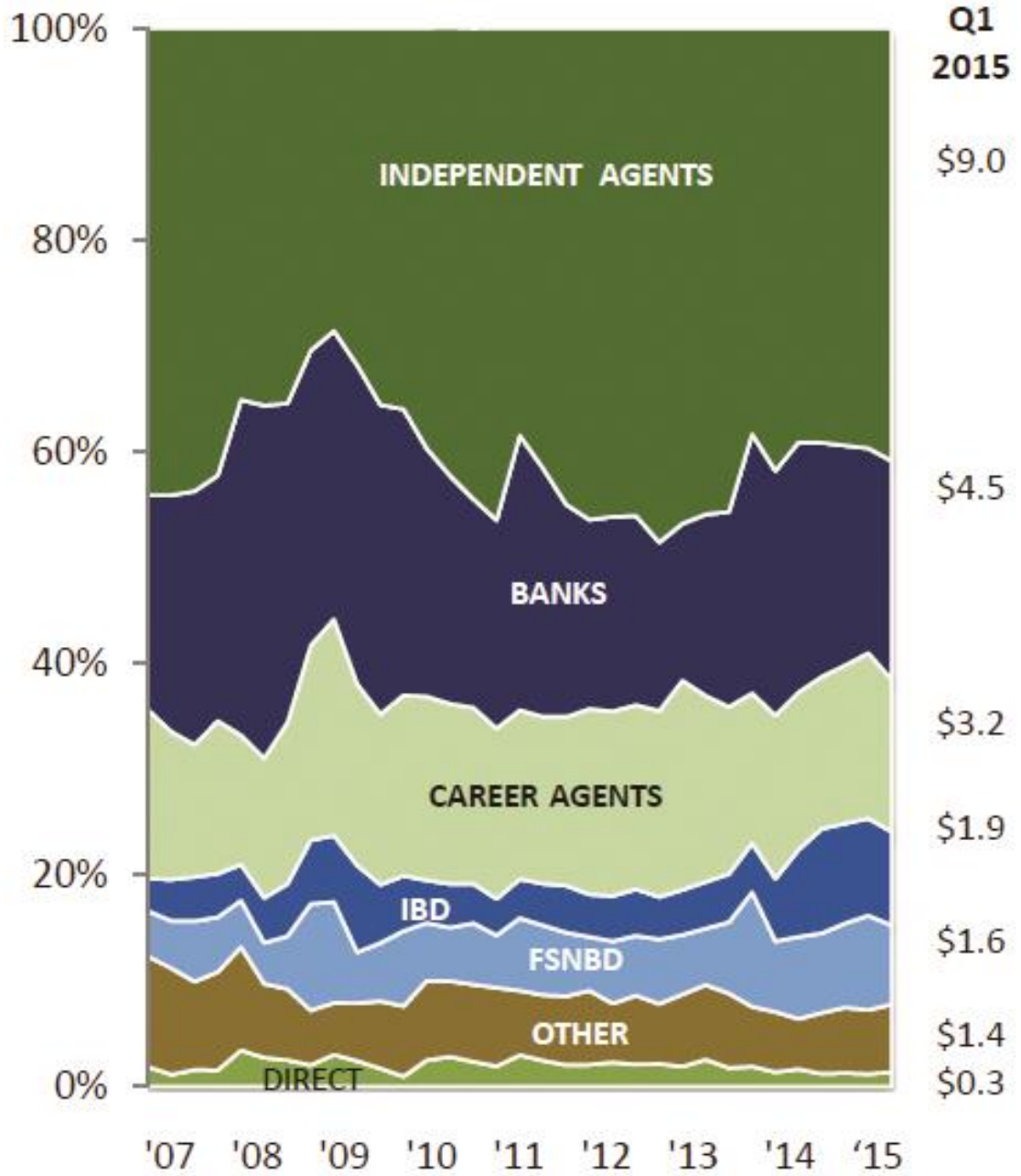
Sincerely,

A handwritten signature in cursive script that reads "Jim Poolman". The signature is written in black ink and is positioned below the word "Sincerely,".

Jim Poolman, Executive Director  
[JimPoolman@indexedannuityinsights.com](mailto:JimPoolman@indexedannuityinsights.com)

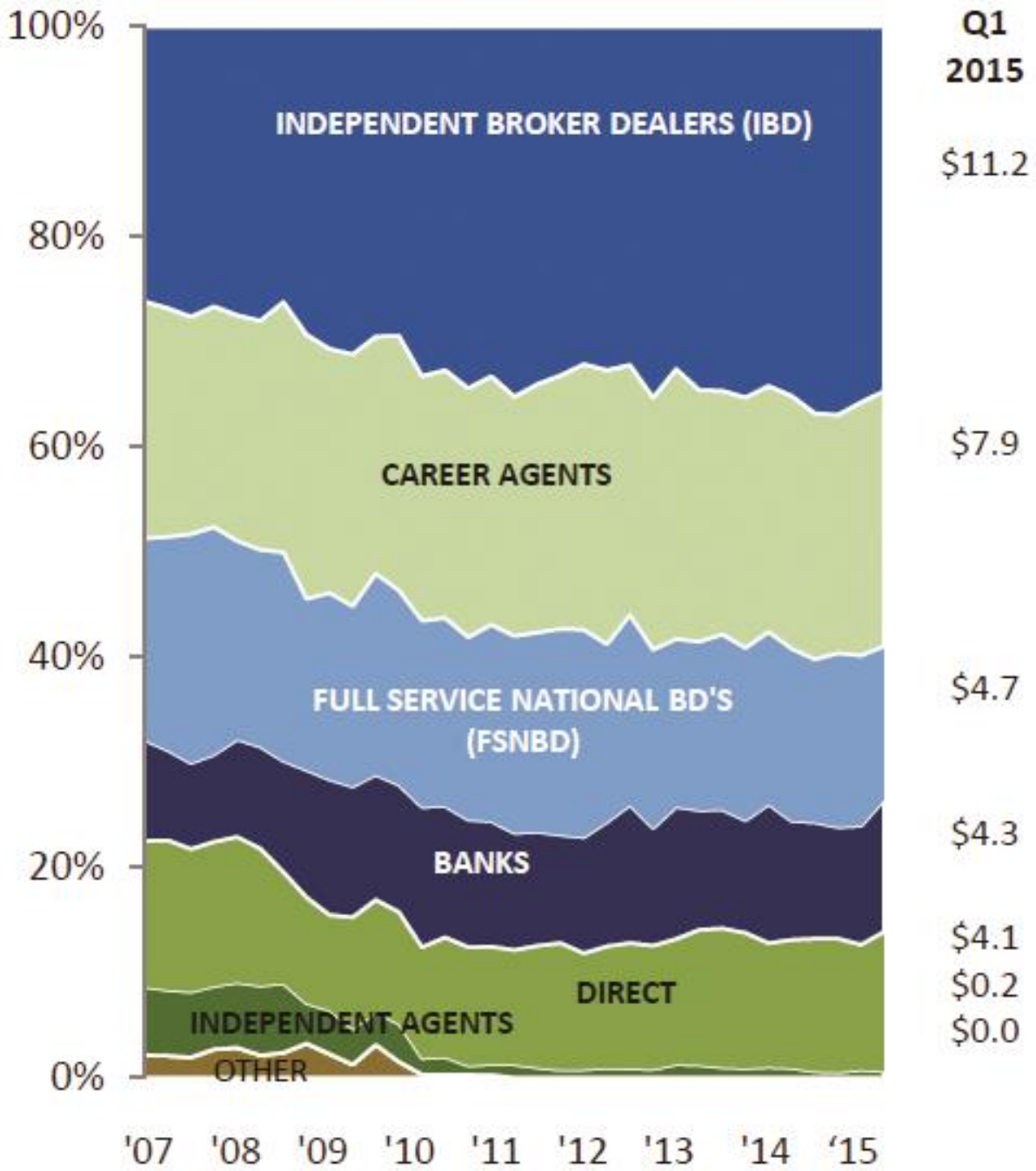
**EXHIBIT 1**

**FIXED ANNUITY SALES BY CHANNEL**



**EXHIBIT 2**

**VARIABLE ANNUITY SALES BY CHANNEL**





# EXHIBIT 3



4350 Westown Parkway  
West Des Moines, IA 50266

Personalized Hypothetical Illustration

## **MNL RetireVantage<sup>SM</sup> 14**

Flexible Premium Deferred Annuity  
Non-Qualified Contract

**Prepared for:**

Valued Annuitant  
Issue State: IA

**Agent/Representative:**

Valued Agent  
Date Prepared: 07/14/2015

This is a illustration only, not an offer or contract. It is not intended to predict future performance. Benefits are subject to the terms and conditions of the annuity contract.

This illustration is not valid unless all pages are present.  
Page 1 of 12

**FOR ILLUSTRATED VALUES, GO TO PAGE 6**

**GENERAL PRODUCT TERMS**

Listed below are some basic terms and their definitions. Please refer to the product brochure and disclosure for more information.

**PREMIUM**

The amount paid into the annuity contract.

**ACCUMULATION VALUE**

The sum of premiums paid, Premium Bonus Amounts, and interest credited, if any, less withdrawals and any applicable rider costs.

**DEATH BENEFIT**

The Death Benefit is equal to the Accumulation Value, but will never be less than the minimum requirements set forth by state laws, at the time of issue.

**MARKET VALUE ADJUSTMENT**

May be applied during the Surrender Charge period. See the Market Value Adjustment section at the end of this illustration for more information.

**SURRENDER VALUE**

The amount that is available at the time of surrender. The Surrender Value is equal to the Accumulation Value, subject to the Market Value Adjustment, if any, less applicable surrender charges, Premium Bonus Recapture, and applicable state premium taxes. The Surrender Value will never be less than the minimum requirements set forth by state laws, at the time of issue, in the state where the contract is delivered.

**SURRENDER CHARGES**

A Surrender Charge is assessed on any amount withdrawn, whether as a partial or full surrender, that exceeds the Penalty-Free Withdrawal amount.

**Surrender Charge Schedule Years 1 to 14**

10%, 10%, 10%, 10%, 10%, 9%, 8%, 7%, 6%, 5%, 4%, 3%, 2%, 1%

**PREMIUM BONUS RECAPTURE**

A Premium Bonus Recapture is assessed during the Surrender Charge Period on any amount withdrawn, whether as a partial or full surrender, that exceeds the Penalty-Free Withdrawal amount.

**Premium Bonus Recapture Schedule Years 1 to 14**

100%, 95%, 90%, 85%, 80%, 75%, 70%, 65%, 60%, 50%, 40%, 30%, 20%, 10%

**PENALTY-FREE WITHDRAWALS**

Once per year after the first contract anniversary, you may take a Penalty-Free Withdrawal (also known as a Penalty-Free Partial Surrender), without Surrender Charges, Premium Bonus Recapture or Market Value Adjustment, of up to 10% of your Accumulation Value.

**ILLUSTRATION SNAPSHOT**

Annuitant & Age: Valued Annuitant (59)  
Premium: \$75,000.00  
Premium Bonus: 3.00%  
Agent Name: Valued Agent  
State: IA

Illustration Date: 07/14/2015

This illustration is not valid unless all pages are present.  
Page 2 of 12

**GENERAL PRODUCT TERMS (Continued)**

**ANNUITY PAYOUT OPTIONS**

On your Maturity Date (the contract anniversary when the Annuitant is age 115), the Pay-Out Options available include: Life options, Joint and Survivor options and Period Certain options. By current Company practice, additional options may be available prior to the Maturity Date based on your Accumulation Value at the time the Pay-Out Option is elected. An example of a 10 year Period Certain based on Guaranteed Values as shown below.

	Accumulation Value at Maturity	Monthly Factors/\$1000	Monthly Annuity Income
Guaranteed	\$77,250.00	8.96	\$692.16

**INDEX ACCOUNT**

Some or all of your premium may be allocated to the Index Account which offers several different indexes and crediting methods.

**FIXED ACCOUNT**

Premium allocated to the Fixed Account will earn the current interest rate which is credited daily.

**CREDITED INTEREST RATE (INTEREST CREDIT)**

The rate of interest credited from the Fixed Account and Index Account(s) to the Accumulation Value.

**DAILY AVERAGE WITH INDEX MARGIN**

This method for determining any Interest Credit uses a Daily Average calculation to determine a percentage gain or loss in the index during your Contract Year. This is done by comparing the difference between the index on the first day of the Contract Year and the Index Daily Average during the year (usually 252 trading days), less an Index Margin. The Interest Credit will never be less than zero.

**MONTHLY AVERAGING WITH PARTICIPATION RATE**

This method for determining any Interest Credit uses a Monthly Average calculation to determine a percentage gain or loss in the index during your contract year. This is based on comparing the difference between the index on the first day of the contract year and the average of the twelve subsequent monthly index values over the contract year. On each contract anniversary this change, multiplied by the Participation Rate, is used to determine the Interest Credit for that year. The annual Interest Credit will never be less than zero.

**MONTHLY POINT-TO-POINT WITH INDEX CAP**

This method uses the monthly changes in the index, subject to a monthly Index Cap Rate and is based on the sum of all the monthly percentage changes in the index—which could be positive or negative. On each contract anniversary, these monthly changes, each not to exceed the monthly Index Cap Rate, are added together to determine the Interest Credit for that year. Negative monthly returns have no downside limit and will reduce the Interest Credit, but the Interest Credit will never be less than zero.

**ANNUAL POINT-TO-POINT WITH INDEX MARGIN**

This method measures index growth using two points in time; the beginning index value and the ending index value. Index-linked gains are calculated based on the difference between these two values less an Index Margin. The annual Interest Credit will never be less than zero.

**ANNUAL POINT-TO-POINT WITH INDEX CAP**

This method measures index growth using two points in time; the beginning index value and the ending index value. Index-linked gains are calculated based on the difference between these two values. The index growth, if any, and is then subject to an Index Cap Rate. The annual Interest Credit will never be less than zero.

**INVERSE PERFORMANCE TRIGGER WITH DECLARED PERFORMANCE RATE**

The Inverse Performance Trigger (or Annual Declared Rate Negative Performance Option) credits a Declared Performance Rate of interest when the index stays the same or goes down throughout the year. The applied rate will never be less than zero, and will never be more than the Declared Performance Rate.

**ILLUSTRATION SNAPSHOT**

Annuitant & Age: Valued Annuitant (59)  
 Premium: \$75,000.00  
 Premium Bonus: 3.00%  
 Agent Name: Valued Agent  
 State: IA

Illustration Date: 07/14/2015

This illustration is not valid unless all pages are present.  
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### PROJECTED ILLUSTRATED VALUES

This illustration assumes the index will repeat historical performance and that the annuity's current non-guaranteed elements, such as Index Caps, Index Margins, 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 disclosure document provided with your illustration and Buyer's Guide for more detailed information. All rates are effective as of the date of this illustration and are subject to change at any time.

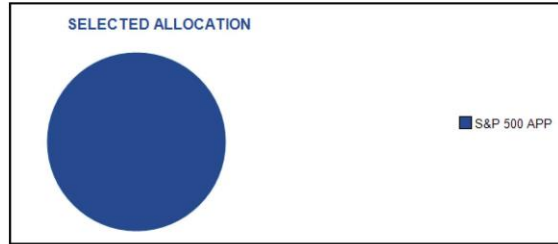
#### ILLUSTRATION SNAPSHOT

Annuitant & Age: Valued Annuitant (59)  
Premium: \$75,000.00  
Premium Bonus: 3.00%  
Agent Name: Valued Agent  
State: IA

Illustration Date: 07/14/2015  
This illustration is not valid unless all pages are present.  
Page 4 of 12

**ALLOCATION SELECTION INFORMATION**

Allocation Option	Current Declared Rate	Allocation Percentage
S&P 500 Annual Point-to-Point (APP)	3.50% Annual Index Cap Rate	100%



**ILLUSTRATION SNAPSHOT**  
 Annuitant & Age: Valued Annuitant (59)  
 Premium: \$75,000.00  
 Premium Bonus: 3.00%  
 Agent Name: Valued Agent  
 State: IA

Illustration Date: 07/14/2015  
 This illustration is not valid unless all pages are present.  
 Page 5 of 12

**GUARANTEED ANNUITY CONTRACT VALUES**

**Annual Effective Rate: 0.00%<sup>+</sup>**

This chart illustrates values based on 0% growth, selected withdrawals and the initial allocation.

END OF YEAR	Youngest Annuitant Start Age/End Age	Premium	Annual Withdrawals (Beginning of Year)	Accumulation Value / Death Benefit	Surrender Value <sup>a</sup>	Credited Interest Rate <sup>*</sup>
1	59 / 60	\$75,000	\$0	\$77,250	\$66,281	0.00%
2	60 / 61	\$0	\$0	\$77,250	\$66,944	0.00%
3	61 / 62	\$0	\$0	\$77,250	\$67,614	0.00%
4	62 / 63	\$0	\$0	\$77,250	\$68,290	0.00%
5	63 / 64	\$0	\$0	\$77,250	\$68,973	0.00%
6	64 / 65	\$0	\$0	\$77,250	\$69,662	0.00%
7	65 / 66	\$0	\$0	\$77,250	\$70,359	0.00%
8	66 / 67	\$0	\$0	\$77,250	\$71,062	0.00%
9	67 / 68	\$0	\$0	\$77,250	\$71,773	0.00%
10	68 / 69	\$0	\$0	\$77,250	\$72,491	0.00%
11	69 / 70	\$0	\$0	\$77,250	\$73,216	0.00%
12	70 / 71	\$0	\$0	\$77,250	\$73,948	0.00%
13	71 / 72	\$0	\$0	\$77,250	\$74,687	0.00%
14	72 / 73	\$0	\$0	\$77,250	\$77,250	0.00%
15	73 / 74	\$0	\$0	\$77,250	\$77,250	0.00%
16	74 / 75	\$0	\$0	\$77,250	\$77,250	0.00%
17	75 / 76	\$0	\$0	\$77,250	\$77,720	0.00%
18	76 / 77	\$0	\$0	\$77,250	\$78,497	0.00%
19	77 / 78	\$0	\$0	\$77,250	\$79,282	0.00%
20	78 / 79	\$0	\$0	\$77,250	\$80,075	0.00%
30	88 / 89	\$0	\$0	\$77,250	\$88,453	0.00%
56	114 / 115	\$0	\$0	\$77,250	\$114,569	0.00%
<b>Total Withdrawals:</b>			<b>\$0</b>			<b>0.00%<sup>*</sup></b>

- + Annual Effective Rate over first ten years.
- <sup>a</sup> Reflects the maximum MVA.
- \* Credited Interest Rate does not reflect the rider charge.

**ILLUSTRATION SNAPSHOT**

Annuitant & Age: Valued Annuitant (59)  
 Premium: \$75,000.00  
 Premium Bonus: 3.00%  
 Agent Name: Valued Agent  
 State: IA

Illustration Date: 07/14/2015

This illustration is not valid unless all pages are present.  
 Page 6 of 12

**NON-GUARANTEED ANNUITY CONTRACT VALUES  
MOST RECENT PERIOD from 12/31/2004 to 12/31/2014**

**Annual Effective Rate: 2.74%<sup>+</sup>**

This chart illustrates values based on the ten most recent years of historical index performance, selected withdrawals, the initial allocation and current rates.

END OF YEAR	Youngest Annuitant Start Age/End Age	Premium	Annual Withdrawals (Beginning of Year)	Accumulation Value / Death Benefit	Surrender Value*	Credited Interest Rate*
1	59 / 60	\$75,000	\$0	\$79,568	\$66,281	3.00%
2	60 / 61	\$0	\$0	\$82,352	\$66,944	3.50%
3	61 / 62	\$0	\$0	\$85,235	\$67,614	3.50%
4	62 / 63	\$0	\$0	\$85,235	\$68,290	0.00%
5	63 / 64	\$0	\$0	\$88,218	\$68,973	3.50%
6	64 / 65	\$0	\$0	\$91,306	\$69,662	3.50%
7	65 / 66	\$0	\$0	\$91,306	\$70,359	0.00%
8	66 / 67	\$0	\$0	\$94,501	\$71,062	3.50%
9	67 / 68	\$0	\$0	\$97,809	\$71,773	3.50%
10	68 / 69	\$0	\$0	\$101,232	\$72,491	3.50%
11	69 / 70	\$0	\$0	\$104,006	\$73,216	2.74%
12	70 / 71	\$0	\$0	\$106,856	\$73,948	2.74%
13	71 / 72	\$0	\$0	\$109,783	\$74,687	2.74%
14	72 / 73	\$0	\$0	\$112,792	\$112,792	2.74%
15	73 / 74	\$0	\$0	\$115,882	\$115,882	2.74%
16	74 / 75	\$0	\$0	\$119,057	\$119,057	2.74%
17	75 / 76	\$0	\$0	\$122,319	\$122,319	2.74%
18	76 / 77	\$0	\$0	\$125,671	\$125,671	2.74%
19	77 / 78	\$0	\$0	\$129,114	\$129,114	2.74%
20	78 / 79	\$0	\$0	\$132,652	\$132,652	2.74%
30	88 / 89	\$0	\$0	\$173,824	\$173,824	2.74%
56	114 / 115	\$0	\$0	\$351,025	\$351,025	2.74%
<b>Total Withdrawals:</b>			<b>\$0</b>			<b>2.74%*</b>

- + Annual Effective Rate over first ten years.
- \* Reflects the maximum MVA.
- \* Credited Interest Rate does not reflect the rider charge.

**ILLUSTRATION SNAPSHOT**  
Annuitant & Age: Valued Annuitant (59)  
Premium: \$75,000.00  
Premium Bonus: 3.00%  
Agent Name: Valued Agent  
State: IA

Illustration Date: 07/14/2015  
This illustration is not valid unless all pages are present.  
Page 7 of 12

# MNL RetireVantage<sup>SM</sup> 14

Flexible Premium Deferred Annuity  
Non-Qualified Contract



## NON-GUARANTEED ANNUITY CONTRACT VALUES INDEX GROWTH PERIOD COMPARISON - MOST RECENT, HIGH, LOW

Annual Effective Rate Most Recent: 2.74%<sup>+</sup>

Annual Effective Rate Highest: 2.44%<sup>+</sup>

Annual Effective Rate Lowest: 2.04%<sup>+</sup>

This chart illustrates values based on the most recent, most favorable and least favorable ten year period out of the last twenty years of historical index performance, selected withdrawals, the initial allocation and current rates.

Contract Year	MOST RECENT			HIGHEST			LOWEST		
	Credited Interest Rate*	Accumulation Value	Lifetime Payment Amount	Credited Interest Rate*	Accumulation Value	Lifetime Payment Amount	Credited Interest Rate*	Accumulation Value	Lifetime Payment Amount
1	3.00%	\$79,568	\$0	3.50%	\$79,954	\$0	3.50%	\$79,954	\$0
2	3.50%	\$82,352	\$0	3.50%	\$82,752	\$0	0.00%	\$79,954	\$0
3	3.50%	\$85,235	\$0	3.50%	\$85,648	\$0	0.00%	\$79,954	\$0
4	0.00%	\$85,235	\$0	3.50%	\$88,646	\$0	0.00%	\$79,954	\$0
5	3.50%	\$88,218	\$0	3.50%	\$91,749	\$0	3.50%	\$82,752	\$0
6	3.50%	\$91,306	\$0	0.00%	\$91,749	\$0	3.50%	\$85,648	\$0
7	0.00%	\$91,306	\$0	0.00%	\$91,749	\$0	3.00%	\$88,218	\$0
8	3.50%	\$94,501	\$0	0.00%	\$91,749	\$0	3.50%	\$91,306	\$0
9	3.50%	\$97,809	\$0	3.50%	\$94,960	\$0	3.50%	\$94,501	\$0
10	3.50%	\$101,232	\$0	3.50%	\$98,284	\$0	0.00%	\$94,501	\$0
Annual Effective Rate	2.74% <sup>+</sup>			2.44% <sup>+</sup>			2.04% <sup>+</sup>		

Index	Highest Index Growth Period	Lowest Index Growth Period
S&P 500	12/31/1994 to 12/31/2004	12/31/1998 to 12/31/2008

<sup>+</sup> Annual Effective Rate over ten years.  
<sup>\*</sup> Credited Interest Rate does not reflect the rider charge.

### ILLUSTRATION SNAPSHOT

Annuitant & Age: Valued Annuitant (59)  
Premium: \$75,000.00  
Premium Bonus: 3.00%  
Agent Name: Valued Agent  
State: IA

Illustration Date: 07/14/2015

This illustration is not valid unless all pages are present.  
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**CREDITED INTEREST RATES BY INDEX - MOST RECENT, HIGH, LOW**

This chart shows the Interest Credited Rate for non-guaranteed contract values shown on the previous page.

Alloc. %	INDEX OPTION BASED INTEREST CREDIT		Total Credited Interest
	Index Return	S&P 500	
	S&P 500	APP	
		100%	
<b>YEAR</b>		<b>MOST RECENT</b>	
1	3.00%	3.00%	3.00%
2	13.62%	3.50%	3.50%
3	3.53%	3.50%	3.50%
4	-38.49%	0.00%	0.00%
5	23.45%	3.50%	3.50%
6	12.78%	3.50%	3.50%
7	0.00%	0.00%	0.00%
8	13.41%	3.50%	3.50%
9	29.60%	3.50%	3.50%
10	11.39%	3.50%	3.50%
<b>YEAR</b>		<b>HIGHEST</b>	
1	34.11%	3.50%	3.50%
2	20.26%	3.50%	3.50%
3	31.01%	3.50%	3.50%
4	26.67%	3.50%	3.50%
5	19.53%	3.50%	3.50%
6	-10.14%	0.00%	0.00%
7	-13.04%	0.00%	0.00%
8	-23.37%	0.00%	0.00%
9	26.38%	3.50%	3.50%
10	8.99%	3.50%	3.50%
<b>YEAR</b>		<b>LOWEST</b>	
1	19.53%	3.50%	3.50%
2	-10.14%	0.00%	0.00%
3	-13.04%	0.00%	0.00%
4	-23.37%	0.00%	0.00%
5	26.38%	3.50%	3.50%
6	8.99%	3.50%	3.50%
7	3.00%	3.00%	3.00%
8	13.62%	3.50%	3.50%
9	3.53%	3.50%	3.50%
10	-38.49%	0.00%	0.00%

Abbreviation	Definition
APP	Annual Point-to-Point

**ILLUSTRATION SNAPSHOT**

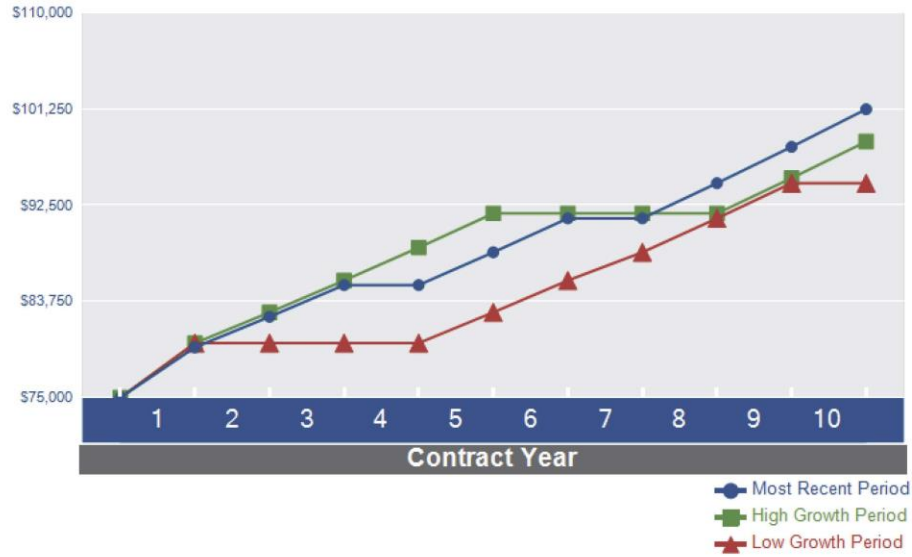
Annuitant & Age: Valued Annuitant (59)  
 Premium: \$75,000.00  
 Premium Bonus: 3.00%  
 Agent Name: Valued Agent  
 State: IA

Illustration Date: 07/14/2015

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**Projected Accumulation Value Based on Current Rates Over a 10 Year Period**

This graph shows the projected Accumulation Values based on historical index performance determined by the three historical indexing periods, the initial allocation, withdrawal selections and current rates shown on page 5 of the illustration.



**ILLUSTRATION SNAPSHOT**  
 Annuitant & Age: Valued Annuitant (59)  
 Premium: \$75,000.00  
 Premium Bonus: 3.00%  
 Agent Name: Valued Agent  
 State: IA

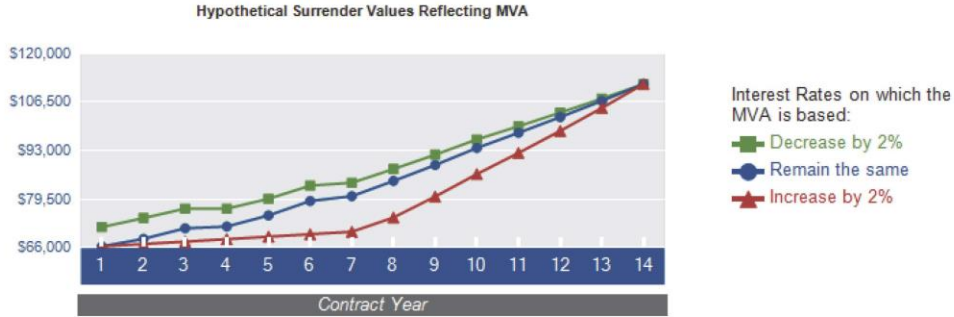
Illustration Date: 07/14/2015  
 This illustration is not valid unless all pages are present.  
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**MARKET VALUE ADJUSTMENT (MVA)**

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

A Market Value Adjustment is applied only during the surrender charge period to full surrenders and any partial surrenders in excess of the Penalty-Free Partial Surrender Allowance. Changes in the Accumulation Value due to Market Value Adjustment are not quoted in this illustration.

The graph below shows the Projected Surrender Value under sample MVA scenarios as described below during the surrender charge period of the Contract based on the initial premium amount and the assumption that there are no partial withdrawals.



**ILLUSTRATION SNAPSHOT**  
 Annuitant & Age: Valued Annuitant (59)  
 Premium: \$75,000.00  
 Premium Bonus: 3.00%  
 Agent Name: Valued Agent  
 State: IA

Illustration Date: 07/14/2015  
 This illustration is not valid unless all pages are present.  
 Page 11 of 12

## MNL RetireVantage<sup>SM</sup> 14

Flexible Premium Deferred Annuity  
Non-Qualified Contract



Products that have premium bonuses may offer lower credited interest rates, Index Cap Rates, Participation Rates, and/or higher Index Margins than products that don't offer a premium bonus. Over time and under certain scenarios the amount of the premium bonus may be offset by the lower interest rates, Index Cap Rates, Participation Rates and higher Index Margins.

Premium taxes: Accumulation Value will be reduced for premium taxes as required by the state of residence. These taxes are not reflected in the illustrated values.

\*The "S&P 500<sup>®</sup>", "S&P 500 Low Volatility Daily Risk Control 5%<sup>®</sup>", "S&P MidCap 400<sup>®</sup>", and "DJIA<sup>®</sup>", Indices ("Indices") are products of S&P Dow Jones Indices LLC or its affiliates ("SPDJI") and have been licensed for use by Midland National<sup>®</sup> Life Insurance Company ("the Company"). Standard & Poor's<sup>®</sup> and S&P<sup>®</sup> are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"); Dow Jones<sup>®</sup> is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"); and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by the Company. MNL RetireVantage<sup>SM</sup> is not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, or their respective affiliates and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of the Indices.

The Gold Price Index Option credits interest based on the change in the price of gold per troy ounce in US Dollars as established by the Afternoon (PM) London Gold Market Fixing Price. The Afternoon (PM) London Gold Market Fixing Price is available at the website [www.goldfixing.com], and also can be found at Bloomberg.com under the symbol [GOLDLNPM:IND]. We reserve the right to add, remove or revise availability of the Gold Price Index Option, or to substitute a different widely published benchmark for the price of gold for the use in the Gold Price Index Option should the Company in its discretion determine that the use of the Afternoon (PM) London Gold Market Fixing Price is no longer commercially reasonable. The Gold Price Index Option does not constitute a purchase of or direct investment in gold.

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### ILLUSTRATION SNAPSHOT

Annuitant & Age: Valued Annuitant (59)  
Premium: \$75,000.00  
Premium Bonus: 3.00%  
Agent Name: Valued Agent  
State: IA

Illustration Date: 07/14/2015

This illustration is not valid unless all pages are present.  
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GMWB Calculator for the

## **MNL RetireVantage<sup>SM</sup> 14**

Flexible Premium Deferred Annuity  
Non-Qualified Contract

**Prepared for:**

Valued Annuitant  
Issue State: IA

**Agent/Representative:**

Valued Agent  
Date Prepared: 07/10/2015

This is a calculator only, not an offer or contract. It is not intended to predict future performance. Benefits are subject to the terms and conditions of the annuity contract.

This calculator is not valid unless all pages are present.  
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**GMWB Calculator Summary**

		Retire X-Cel					
END OF YEAR	Age	Premium	Annual Roll-Up Percentage	GLWB Value	Lifetime Payment Percentage	Lifetime Payment Amount <sup>#</sup>	Withdrawals
1	60	\$75,000	6.25%	\$86,063	4.60%	\$3,959	-
2	61	\$0	6.25%	\$91,441	4.60%	\$4,206	-
3	62	\$0	6.25%	\$97,156	4.60%	\$4,469	-
4	63	\$0	6.25%	\$103,229	4.60%	\$4,749	-
5	64	\$0	6.25%	\$109,681	4.60%	\$5,045	-
6	65	\$0	6.25%	\$116,536	5.10%	\$5,943	-
7	66	\$0	6.25%	\$123,819	5.10%	\$6,315	-
8	67	\$0	6.25%	\$131,558	5.10%	\$6,709	-
9	68	\$0	6.25%	\$139,780	5.10%	\$7,129	-
10	69	\$0	6.25%	\$148,516	5.10%	\$7,574	-
11	70	\$0	6.25%	\$157,799	5.60%	\$8,837	-
12	71	\$0	6.25%	\$167,661	5.60%	\$9,389	-
13	72	\$0	6.25%	\$178,140	5.60%	\$9,976	-
14	73	\$0	6.25%	\$189,274	5.60%	\$10,599	-
15	74	\$0	6.25%	\$201,103	5.60%	\$11,262	-
16	75	\$0	6.25%	\$213,672	6.10%	\$13,034	-
17	76	\$0	6.25%	\$227,027	6.10%	\$13,849	-
18	77	\$0	6.25%	\$241,216	6.10%	\$14,714	-
19	78	\$0	6.25%	\$256,292	6.10%	\$15,634	-
20	79	\$0	6.25%	\$272,310	6.10%	\$16,611	-
30	89	\$0	0.00%	\$272,310	6.60%	\$17,972	-
56	115	\$0	0.00%	\$272,310	6.60%	\$17,972	-
						<b>Total Withdrawals:</b>	<b>\$0</b>

The values in this calculation show what you could expect from your annuity when you elect the Retire X-Cel rider. The values assume no interest has been credited to the accumulation value of the contract. Please review the disclosure document and Buyer's Guide for more detailed information. All rates are effective as of the date of this calculation and are subject to change at any time.

#At the start of lifetime income, annual payments are reflected in the Annual Withdrawals column.

**CALCULATOR SNAPSHOT**

Covered Person & Age: Valued Annuitant (59)  
Premium: \$75,000.00  
Premium Bonus: 8.00%  
Agent Name: Valued Agent  
State: IA

**OPTIONAL RIDER DETAILS**

Retire X-Cel : 6.25% up to 20 years  
Additional Benefit Rider Cost: 0.60% Annually

Calculator Date: 07/10/2015

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**RETIRE X-CEL (OPTIONAL)**

This optional Guaranteed Minimum Withdrawal Benefit (GMWB) rider is designed as a way to generate income payments for life (called Lifetime Payment Amounts (LPA)) without incurring a surrender charge, Market Value Adjustment (MVA), or premium bonus recapture, even if the Accumulation Value is reduced to zero.

**GMWB VALUE:**

The GMWB Value initially equals 100% of your premium and any premium bonus. The GMWB Value is used as the basis for calculating the annual Lifetime Payment Amounts. This value is not the basis for calculating the Accumulation Value, Death Benefit or penalty-free withdrawals and cannot be withdrawn as a lump sum. This value can increase based on the GMWB Bonus Credits or GMWB Step-ups (when Accumulation Value exceeds the GMWB Value on the contract anniversary).

**BONUS CREDITS:**

The Bonus Credit equals the GMWB Value times the Bonus Credit Percentage. The Bonus Credit is added to the GMWB Value on the contract anniversary: prior to the Lifetime Payment Election Date, when no withdrawal is taken during the contract year, and only during the Bonus Credit period.

**GMWB RIDER COST:**

The cost is calculated by multiplying the GMWB Charge by the available GMWB Value on the contract anniversary. This cost will be taken from your Contract's Accumulation Value on each contract anniversary as long as the rider is in effect.

**LIFETIME PAYMENT AMOUNT (LPA):**

When you first elect lifetime income payments, your payments will be based on your current GMWB Value multiplied by the Lifetime Payment Percentage (LPP). Future payments will not decrease so long as you don't withdraw more than the LPA in any Contract Year.

**LIFETIME PAYMENT PERCENTAGE (LPP):**

The LPP is based on the youngest Covered Person and is shown below.

Lifetime Payment Percentage		
Attained Age	Single	Joint
50	4.10%	3.60%
51	4.10%	3.60%
52	4.10%	3.60%
53	4.10%	3.60%
54	4.10%	3.60%
55	4.10%	3.60%
56	4.10%	3.60%
57	4.10%	3.60%
58	4.10%	3.60%
59	4.10%	3.60%
60	4.60%	4.10%
61	4.60%	4.10%
62	4.60%	4.10%
63	4.60%	4.10%
64	4.60%	4.10%

Lifetime Payment Percentage		
Attained Age	Single	Joint
65	5.10%	4.60%
66	5.10%	4.60%
67	5.10%	4.60%
68	5.10%	4.60%
69	5.10%	4.60%
70	5.60%	5.10%
71	5.60%	5.10%
72	5.60%	5.10%
73	5.60%	5.10%
74	5.60%	5.10%
75	6.10%	5.60%
76	6.10%	5.60%
77	6.10%	5.60%
78	6.10%	5.60%
79	6.10%	5.60%
80+	6.60%	6.10%

**CALCULATOR SNAPSHOT**

Covered Person & Age: Valued Annuitant (59)  
Premium: \$75,000.00  
Premium Bonus: 8.00%  
Agent Name: Valued Agent  
State: IA

**OPTIONAL RIDER DETAILS**

Retire X-Cel : 6.25% up to 20 years  
Additional Benefit Rider Cost: 0.60% Annually

Calculator Date: 07/10/2015

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# MNL RetireVantage<sup>SM</sup> 14

Flexible Premium Deferred Annuity  
Non-Qualified Contract



The following rider and charge are included in this calculator:

Rider	Current Charge	Maximum Charge
Retire X-Cel	0.95 %	1.50 %
Additional Benefit Rider	0.60 %	0.60 %

Products that have premium bonuses may offer lower credited interest rates, Index Cap Rates, Participation Rates, and/or higher Index Margins than products that don't offer a premium bonus. Over time and under certain scenarios the amount of the premium bonus may be offset by the lower interest rates, Index Cap Rates, Participation Rates and higher Index Margins.

Premium taxes: Accumulation Value will be reduced for premium taxes as required by the state of residence. These taxes are not reflected in the illustrated values.

#### CALCULATOR SNAPSHOT

Covered Person & Age: Valued Annuitant (59)  
Premium: \$75,000.00  
Premium Bonus: 8.00%  
Agent Name: Valued Agent  
State: IA

#### OPTIONAL RIDER DETAILS

Retire X-Cel : 6.25% up to 20 years  
Additional Benefit Rider Cost: 0.60% Annually

Calculator Date: 07/10/2015

This calculator is not valid unless all pages are present.  
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