Agenda

- The Changing U.S. Retirement Landscape
- Guaranteed Lifetime Income Products – Annuities
- Administration’s Initiative on Lifetime Income
- Regulation of Annuity Products
An Aging Population

Number of People Age 65 and Older in the U.S.

Source: LIMRA, 2011
## Assets in Private DB vs. DC Plans

<table>
<thead>
<tr>
<th>Year</th>
<th>Assets in Defined Benefit Plans</th>
<th>Assets in Defined Contribution Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>82.8%</td>
<td>17.2%</td>
</tr>
<tr>
<td>2013</td>
<td>37.9%</td>
<td>62.1%</td>
</tr>
</tbody>
</table>

From: U.S. Federal Reserve Flow of Funds.
Life Insurers Hold $4.3 Trillion in Long-term Savings

1 in every 6 dollars

- Life Insurers: $1.2 trillion (20% of DC plans)
- Life Insurers: $790 billion (1.2% of IRAs)
- Life and Individual Annuities ($2.3 trillion)
## Distribution of Life Insurer Premiums by Line of Business*

<table>
<thead>
<tr>
<th>Year</th>
<th>Life Insurance</th>
<th>Annuities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>85.4%</td>
<td>14.6%</td>
</tr>
<tr>
<td>2013</td>
<td>31.2%</td>
<td>68.8%</td>
</tr>
</tbody>
</table>

*Only annuities and life insurance are considered. Excludes accident and health.

ACLI tabulations of NAIC data.
“People always live for ever when there is an annuity to be paid them.”

--Jane Austen, Sense and Sensibility
Annuity Owners Are Middle Income

- 8 in 10 (80%) of annuity owners have income below $100,000
- 35% have income below $50,000
- only 7% have income greater than $200,000

Source: 2013 Gallup Organization Survey (conducted with Matthew Greenwald & Associates)
Annuity Owners Are Older

- 65% are retired
- the average age of an annuity owner is 70
- 51% of annuity owners are women

Source: 2013 Gallup Organization Survey (conducted with Matthew Greenwald & Associates)
Annuity Owners Feel Financially Prepared

- 82% say annuities are safe and an important source of retirement security
- 90% say an annuity is an effective way to save for retirement
- 84% say they intend to use the annuity for retirement income
- 87% say they intend to use the annuity as a financial cushion for living beyond life expectancy
- 79% say they intend to use the annuity to avoid being a financial burden on children

Source: 2013 Gallup Organization Survey (conducted with Matthew Greenwald & Associates)
Administration’s Lifetime Income Initiatives

Treasury
- Qualified Longevity Annuity Rule (July 2014)
- Target Date Funds with Lifetime Income Features (Notice 2014-66)

Department of Labor
- Lifetime Income Illustrations on Benefit Statements (Agenda July 2015)
- Annuity Selection Rule (Agenda October 2015)
Regulation of Annuity Products

State Insurance Departments

- Financial Regulation
- Statutory Accounting Principles
- Risk Based Capital Standards
- Exams and Audits

- Consumer Protection
- Senior Credentials
- Disclosure and Suitability
- Replacement Regulations

Company Licensing

Product Regulation

Market Conduct

National Association of Insurance Commissioners

Voluntary organization of state insurance Commissioners dedicated to coordination and collaboration across the state and with federal and international regulators -- No statutory authority for enforcement

Securities and Exchange Commission / FINRA

Variable Products are treated as Securities. Requires prospectus and can only be sold by agents/brokers with appropriate licenses
ACLI
Financial Security...for Life.