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June 12, 2007

HAND DELIVERED

Office of the Associate Chief Counsel  
(Financial Institutions & Products)  
Attention: Melissa S. Luxner (Notice 2007-15)  
Room 3552, CC:FIP:4  
Internal Revenue Service  
1111 Constitution Avenue, NW  
Washington, DC 20224

Re: Committee of Annuity Insurers Comments on Notice 2007-15

Dear Melissa:

Enclosed please find the comments we are filing on behalf of the Committee of Annuity Insurers with respect to Notice 2007-15. If you have any questions, please call either of us at 202-347-2230, or email us at [jfmckeever@davis-harman.com](mailto:jfmckeever@davis-harman.com) or [bwkeene@davis-harman.com](mailto:bwkeene@davis-harman.com), respectively.

Sincerely,



Joseph F. McKeever, III



Bryan W. Keene

Enclosure

cc: Mark Smith (Treasury Department)  
Sheryl Flum (Internal Revenue Service)

## COMMITTEE OF ANNUITY INSURERS COMMENTS ON IRS NOTICE 2007-15

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The Committee is a coalition of 31 life insurance companies representing more than half of the annuity business in the United States.<sup>1</sup> The Committee's member companies are among the nation's largest and most prominent issuers of annuity contracts, including variable annuity contracts. As a result, the Committee has taken a keen interest in issues under section 817(h) since its enactment, and has commented extensively on such issues through correspondence with the Treasury Department and Internal Revenue Service (the "Service") over the years, most recently in connection with two private letter rulings released in 2006 involving qualified plan investments in insurance-dedicated mutual funds.<sup>2</sup> We appreciate this opportunity to respond to the request in Notice 2007-15, 2007-7 I.R.B. 503, for comments on how the Service might improve the procedures for obtaining closing agreements to correct inadvertent failures of life insurance or annuity contracts to satisfy the requirements of section 817(h), 7702, or 7702A. The Committee's comments are limited to procedures for correcting failures of annuity contracts under section 817(h), although the same comments would largely apply to correcting failures of variable life insurance contracts under that section as well.

Annuity contracts serve an important role in helping millions of Americans achieve a financially secure retirement. This is true both of "qualified" annuity contracts, such as those purchased in connection with individual retirement arrangements and section 403(b) arrangements, as well as "non-qualified" annuity contracts, which are purchased with after-tax dollars, often to supplement savings under tax-qualified retirement arrangements.<sup>3</sup> Non-qualified *variable* annuity contracts, in particular, play a critical part in many Americans' retirement planning, allowing the accumulation of retirement savings at a rate that outperforms or keeps pace with inflation and guaranteeing retirement income for life – a feature unique to annuities. In this regard, as of 2006 there were over 22 million annuity contracts in force in the United States (both qualified and non-qualified), and over \$529 billion were invested in non-qualified variable annuity contracts.<sup>4</sup>

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<sup>1</sup> The Committee was formed in 1982 to address federal legislative and regulatory issues relevant to the annuity industry and to participate in the development of federal tax and securities law policy regarding annuities. A list of the member companies is attached.

<sup>2</sup> Unless otherwise indicated, all references to sections are to sections of the Internal Revenue Code of 1986, as amended. The Committee's 2006 comment letter was dated August 18, 2006, and was addressed to Donald J. Drees, Esq.

<sup>3</sup> Qualified annuity contracts are exempt from the investment diversification requirements of section 817(h) and, thus, are not directly affected by the proposals discussed in this comment letter. Unless indicated otherwise, references herein to annuities are to non-qualified annuities.

<sup>4</sup> See National Association for Variable Annuities, 2007 ANNUITY FACT BOOK: A GUIDE TO INFORMATION, TRENDS AND DATA IN THE ANNUITY INDUSTRY (6th ed. 2007). Based on the proportion of non-qualified annuity assets to total annuity assets (which is about 39%), we estimate that approximately 8.7 million non-qualified annuity contracts were in force in 2006.

## **Intent of Section 817(h) and Inadvertent Failures**

Section 817(h) was enacted “to discourage the use of tax-preferred variable annuities ... primarily as investment vehicles,”<sup>5</sup> and does so by denying “annuity ... treatment for investments that are publicly available to investors and investments which are made, in effect, at the direction of the investor.”<sup>6</sup> The regulations under section 817(h) implement this intent by requiring the assets of a segregated asset account to be invested at all times in a certain minimum number of investments that cannot exceed specified percentages of the total value of the segregated asset account.

Inadvertent failures to satisfy these requirements rarely, if ever, undercut the purpose of the requirements. That is, such failures do not result in an annuity contract owner being given a choice of “publicly available” investments from which to choose such as in Revenue Ruling 81-225 or to otherwise direct the decisions being made with respect to publicly available investments such as in Revenue Ruling 77-85. Rather, inadvertent failures typically occur as a result of a mistake by the insurance company or an investment manager in applying some technical aspect of the rules, completely outside of the purview of the contract owner. For example, such mistakes can occur for the following reasons:

- a mistake in valuing an asset;
- a mistaken conclusion, in the absence of guidance, regarding the treatment of a specific investment (such as who is the “issuer” of a derivative instrument and how it is valued); or
- a loss of “look-through” treatment for a regulated investment company, real estate investment trust, grantor trust, or partnership (hereinafter, an “insurance fund”) due to a mistake that allows beneficial interests in the insurance fund to be held directly by a person not permitted by Treasury Regulation section 1.817-5(f) or that allows public access to the insurance fund other than through the purchase of a variable contract.<sup>7</sup>

Diversification failures that result from these and similar mistakes do not undercut the intent of the diversification requirements. Moreover, there is no incentive for an insurer to be aggressive in interpreting or applying the diversification rules because there is no tax advantage or arbitrage

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<sup>5</sup> STAFF OF THE J. COMM. ON TAX’N, GENERAL EXPLANATION OF THE REVENUE PROVISIONS OF THE DEFICIT REDUCTION ACT OF 1984, at 607 (J. Comm. Print 1985).

<sup>6</sup> H.R. CONF. REP. NO. 98-861, at 1055 (1984).

<sup>7</sup> This could occur, for example, if the Service were to adopt a literal and strict interpretation of the regulations that look-through treatment is lost where a “disqualified” plan (*i.e.*, a plan that intended to be a “qualified pension or retirement plan” but is not) or a “failed” contract (*e.g.*, a life insurance contract that does not comply with section 7702) is inadvertently allowed to purchase a direct interest in the insurance fund.

to be obtained in doing so (*i.e.*, an insurer cannot obtain “extra” tax deferral for policyholders by being aggressive). Thus, the rules continue to “discourage the use of tax-preferred variable annuities ... primarily as investment vehicles,” even if inadvertent failures under the rules occasionally occur.

### **The Current Correction Procedures**

The Committee believes that the goal of any procedures to correct failures to satisfy the diversification rules should be to promote voluntary compliance and encourage prompt correction of problems. Indeed, Notice 2007-15 itself suggests that a correction program should strike an appropriate balance between “encouraging voluntary compliance ... once an error is discovered” and “making the government whole for the tax that otherwise would be due.” Unfortunately, the current procedures fall short of achieving these goals. This is largely because, under the current procedures, the only option available to correct diversification failures is for an insurance company to enter into a closing agreement with the Service and pay a toll charge approximately equal to the tax that would be owed by all of the contract owners whose contracts are based in whole or in part on the non-diversified segregated asset account.<sup>8</sup> The effect is that the current procedures are skewed towards only one goal – making the government “whole” – and in doing so they lose sight of promoting voluntary compliance once an error is discovered.<sup>9</sup> Moreover, the current procedures impose a disproportionate financial sanction, especially in cases where errors are insignificant or reasonable and occur despite good-faith efforts to comply. This is illustrated by the two examples below.

Both of the examples are based on the following general assumptions: A life insurance company (“Company 1”) establishes a segregated asset account that pursues a “government bond” investment strategy and invests all of its assets in shares of a single insurance fund that Company 1 also establishes. Company 1 issues 10,000 annuity contracts that are supported in whole or in part by the insurance fund. The insurance fund also sells shares to the separate accounts of 10 unaffiliated life insurance companies (“Companies 2-11”) in support of variable annuity contracts that they issue, and as a result each such company issues 5,000 contracts that are supported in whole or in part by the insurance fund. In support of these contracts, the insurance fund holds \$50 million in assets. The insurance fund represents the only asset of each segregated asset account investing therein, and each account relies on the “look-through” rule applying to the insurance fund in order to satisfy the diversification requirements.

*Example 1 – mistaken valuation.* Assume that, at the opening of business on the last day of the calendar quarter, the insurance fund’s assets are comprised of the following investments:

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<sup>8</sup> See section 4 of Rev. Proc. 92-25, 1992-1 C.B. 741. See also Treas. Reg. section 1.817-5(a)(1).

<sup>9</sup> In fact, under the current procedures the government may be made *more than* whole. For example, the current toll charge calculation completely ignores the statute of limitations, which the Service otherwise would be required to recognize in appropriate circumstances if collecting the tax from individual policyholders.

Investment	Value	% of Total Assets
Treasury Securities	\$25 million	50%
GNMA Securities	\$10 million	20%
FNMA Securities	\$6 million	12%
18 Other Securities	\$500,000 each	1% each
Total	\$50 million	100%

A preliminary check shows that the largest three investments comprise 82% of the insurance fund's total value, which exceeds the maximum of 80% permitted by the regulations.<sup>10</sup> As a result, the investment manager decides to reduce the insurance fund's FNMA holdings before the close of business on this diversification testing date to 10% of the fund's total value, thereby reducing the three largest investments to a permissible level of 80%. To do this, the investment manager enters into a transaction that is intended to reduce the fund's FNMA holdings to \$5 million and to reinvest the proceeds in other securities. However, due to a clerical error, the transaction only reduces the account's FNMA holdings to \$5.5 million, making the three largest investments of the segregated asset account total 81% of the account's total value. These percentage values remain the same throughout the 30 days following the last day of the calendar quarter, and the error is not discovered until after such 30 days.<sup>11</sup> As a result of this error, all variable contracts that are supported in whole or in part by the fund fail to meet the diversification requirements.

*Example 2 – loss of look-through treatment.* Assume that, in addition to segregated asset accounts, the insurance fund sells shares to a number of “qualified pension or retirement plans” within the meaning of Treasury Regulation section 1.817-5(f)(3)(iii). Despite established procedures to the contrary, the fund's investment manager inadvertently allows a type of plan that is not a qualified pension or retirement plan to purchase a \$10,000 interest in the fund, which comprises two-hundredths of one percent (0.02%) of the fund's total assets. If the Service were to adopt a literal and strict interpretation of the regulations under which look-through treatment is deemed lost in cases where such a “disqualified” plan is inadvertently allowed to purchase a direct interest in an insurance fund, the fund would no longer be eligible for look-through treatment as a result of the investment manager's error. This, in turn, would cause a failure of the diversification requirements with respect to all variable contracts that are supported in whole or in part by the fund.

In each of the foregoing examples, if Company 1 (whose inadvertent mistake – through the investment manager – caused the diversification failure) wished to restore the tax status of the 10,000 annuity contracts it issued, it would need to pay the Service a “toll charge” equal to the “income on the contract” during the period of non-diversification for all 10,000 contracts, including any income earned on amounts allocated to other, diversified segregated asset accounts. In addition, Companies 2-11 (or, more realistically, Company 1 on their behalf) would need to pay a similar toll charge for the 50,000 contracts that they collectively issued and which were supported in whole or in part by the non-diversified fund in order to restore the tax status of those contracts. This could easily result in a toll charge in the multi-million dollar

<sup>10</sup> See Treas. Reg. section 1.817-5(b)(1)(i).

<sup>11</sup> See Treas. Reg. section 1.817-5(c)(1).

range, merely because the investment manager made an inadvertent mistake with respect to 1% of the insurance fund's assets in example 1 and 0.02% of the insurance fund's assets in example 2.

Disproportionate remediation costs such as those highlighted by the foregoing examples discourage taxpayers from approaching the Service to address diversification problems. Instead, the costs result in pressures to find some basis to support a position that a diversification failure has not actually occurred. This clearly does not serve the goal of promoting voluntary compliance and encouraging prompt correction of problems. Moreover, the current procedures – which require the Service to review and process complex filings – divert the Service's valuable resources from other important projects, such as published guidance. As a result, the Committee believes that significant changes to the current procedures are needed.

### **Improving the Correction Procedures**

The Committee believes that the best way to improve upon the current correction procedures under section 817(h) is to look to other instances in which the Service has implemented correction procedures that have been shown to work well. In that regard, the Committee believes that the Employee Plans Compliance Resolution System (or "EPCRS"),<sup>12</sup> which is available to correct a variety of compliance failures relating to qualified retirement plans, provides an excellent model for how to structure and administer a successful voluntary compliance and correction program. We understand that this suggestion has been made before, and we appreciate the fact that there are some differences in context between qualified retirement plans, on the one hand, and non-qualified annuities and life insurance contracts, on the other, based on the somewhat different federal income tax policies reflected in their respective treatments.<sup>13</sup> However, we believe that many of the principles and concepts of EPCRS are equally appropriate in the context of section 817(h) and, thus, provide a strong foundation for developing a correction program in that context. For example, EPCRS is based, in relevant part, on the following general principles:

- taxpayers should be encouraged to establish administrative practices and procedures that ensure compliance;

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<sup>12</sup> The EPCRS procedures are currently set forth in Rev. Proc. 2006-27, 2006-22 I.R.B. 945.

<sup>13</sup> Although somewhat different tax policies might be reflected in the respective treatment of qualified plans and non-qualified annuities, it is clear that both are used for retirement purposes. In that regard, a 2005 Gallup poll asked owners of non-qualified annuity contracts whether they intended to use their annuity savings in one of five specified ways. Approximately eight out of 10 stated that they intend to use their annuity savings for retirement purposes. In addition, the Gallup poll indicates that two-thirds of non-qualified annuity owners have total annual household incomes of less than \$75,000, demonstrating that non-qualified annuities are used by middle-income Americans. The Committee of Annuity Insurers, *Survey of Owners of Non-Qualified Annuity Contracts* (The Gallup Organization and Mathew Greenwald & Associates, 2005).

- voluntary compliance is promoted by providing for limited fees for voluntary corrections;
- fees and sanctions should be graduated in a series of steps so that there is always an incentive to correct promptly; and
- sanctions should be reasonable in light of the nature, extent, and severity of the violation.<sup>14</sup>

With these general principles in mind, EPCRS sets forth a system of correction procedures for qualified retirement plans that include “self correction” in limited circumstances, “voluntary correction with Service approval” for a wider range of errors, and “correction on audit” for failures not voluntarily disclosed and identified on audit. It is difficult to imagine why these same general principles should not also be applied to section 817(h). And, if these principles are applicable to section 817(h), we believe that, as described below, section 817(h) correction procedures could be generally modeled on the EPCRS procedures, with such modifications as the Service found necessary or appropriate. The principles and procedures of EPCRS have been highly successful in striking a balance between making the government whole for lost tax and encouraging voluntary compliance after errors are discovered. We have every reason to expect that pattern would follow here.

### *Self Correction under Section 817(h)*

The “self correction” procedures under EPCRS are available in limited circumstances to correct certain types of non-egregious “operational” compliance failures.<sup>15</sup> “Operational failures” generally include failures to implement the written terms of a plan or the requirements of the Code, and, as such, they are similar to a failure to comply with the diversification requirements of section 817(h). If available, the EPCRS self correction procedures do not require the payment of any fee or sanction (including any “user fee” that otherwise might apply under Revenue Procedures 2007-4 or 2007-8) and do not require any notice to the Service. As a general matter, eligibility is conditioned on the existence of (and history of following) established practices and procedures (formal or informal) that are reasonably designed to promote and facilitate compliance. In addition, correction of the failure must occur within a certain time.

The Committee believes that, like EPCRS for qualified plans, a self correction procedure should be available to correct diversification failures under section 817(h).<sup>16</sup> Such a procedure could be conditioned on the following eligibility requirements:

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<sup>14</sup> Section 1.02 of Rev. Proc. 2006-27.

<sup>15</sup> See sections 1.03, 4.04, 8, and 9 of Rev. Proc. 2006-27.

<sup>16</sup> We note that the regulations under section 817(h) already reflect a limited “self correction” concept in that a segregated asset account must be adequately diversified on the last day of the calendar quarter *or within 30 days thereafter*. Although this is an important and necessary component of the diversification rules, it is of limited utility in addressing diversification failures because such a failure might not be discovered until after the 30-day

- The insurance company (or its designee) would be required to establish practices and procedures (formal or informal) that are reasonably designed to promote and facilitate overall compliance with section 817(h). As is the case under EPCRS, the correction program would not dictate the specific practices and procedures that would need to be established; rather, those decisions would be left to the insurance companies themselves. In that regard, the Committee believes that it is critical that insurers retain flexibility to develop their own compliance procedures based on their own particular situations, including their computer systems, personnel, separate account structures, *etc.* Thus, for example, in the context of qualified pension or retirement plans that purchase shares of an insurance fund, the compliance procedures outlined in PLR 200613028 (Dec. 15, 2005) or PLR 200607011 (Nov. 14, 2005) might be deemed more than adequate to provide eligibility for the self correction procedures, but funds should not be *required* to implement those same procedures as a condition of such eligibility.
- The insurance company (or its designee) must have a history of routinely following its established procedures and practices, and the failure must have occurred (1) through an oversight or mistake in applying the procedures, or (2) because the procedures, while reasonable, were not sufficient to prevent the failure from occurring.
- The failure must be non-egregious. For example, self correction would not be available in situations involving bad faith or where there is a history of non-compliance.
- Correction must be made within a certain time of discovery. EPCRS generally allows self correction at any time for certain “insignificant” failures, and imposes a time limit (generally two years after the failure occurs) for other “significant” failures. This approach could be followed in the context of section 817(h) as well, or a time limit (*e.g.*, one calendar quarter after a failure is discovered) could be imposed in all cases.

If these conditions are met, self correction would be available with respect to diversification failures under section 817(h), without the payment of any fee or sanction and without notice to the Service (although, if the Service found it necessary or helpful, it could impose some type of notice requirement as an initial step to monitor how the new procedures are working).

### ***Correction with Service Approval***

The “voluntary correction with Service approval” procedures under EPCRS are available to correct compliance failures that are not eligible for self correction (*e.g.*, because the time period for making the correction has expired).<sup>17</sup> The plan or plan sponsor must make a

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period has expired (*e.g.*, in the case of an ineligible investor in the fund or an incorrect conclusion regarding the treatment of a derivative instrument).

<sup>17</sup> See sections 1.03 and 10-12 of Rev. Proc. 2006-27.

submission to the Service prior to audit, identify the compliance failure, and correct it. Although no “user fee” is required, the plan or plan sponsor must pay a “compliance fee,” which for non-egregious failures is a flat dollar amount that is determined using objective criteria and subject to a cap (generally \$25,000 or \$50,000, depending on the type of submission).

The Committee believes that, like EPCRS, a procedure for voluntary correction with Service approval should be available to correct diversification failures under section 817(h). Such a procedure would be available for situations in which self correction is unavailable, and would require a submission to the Service and the payment of a limited fee. As is the case under EPCRS, for non-egregious failures the fee would be based on a sliding scale and capped at a specified dollar amount. For example, the fee could be based on the increase in the net asset value of the non-diversified segregated asset account during the period of non-diversification, with a reasonable minimum and maximum fee specified in the procedure. This minimum and maximum could be set at a level (*e.g.*, a maximum fee of \$250,000) that recognizes the historical differences between the tax treatment of qualified plans and non-qualified annuities, but comes closer to striking the desired balance between encouraging voluntary compliance once an error is discovered and making the government whole for the tax that otherwise would be due.

### ***Egregious Failures and Failures not Voluntarily Disclosed***

EPCRS also addresses situations involving “egregious” compliance failures, compliance failures that the Service discovers on audit prior to voluntary disclosure by the taxpayer, and compliance failures involving abusive tax avoidance transactions. Specifically:

- Egregious compliance failures can be corrected under the “voluntary correction with Service approval” procedures, but a higher dollar cap on the compliance fee applies. The fee is capped at 40% of the approximate amount of tax that the Service could collect as a result of the failure (the “Maximum Payment Amount”), taking into account the statute of limitations.<sup>18</sup>
- Failures that a plan or plan sponsor does not voluntarily disclose and the Service discovers on audit can be corrected under the “correction on audit” procedures, but the compliance payment is capped at a negotiated percentage of the Maximum Payment Amount. In such case, the procedures state that the sanction will not be excessive and will bear a reasonable relationship to the nature, extent, and severity of the failures.<sup>19</sup>
- In certain cases involving “abusive tax avoidance transactions,” EPCRS states that the correction procedures may be unavailable.

The Committee believes that a similarly graduated approach would be appropriate in the context of section 817(h) to address these types of situations.

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<sup>18</sup> Section 12.06 of Rev. Proc. 2006-27.

<sup>19</sup> Section 14 of Rev. Proc. 2006-27.

### *Special Situations*

Finally, we would like to comment on the question raised in Notice 2007-15 whether the Service should retain the discretion to negotiate different terms and conditions for failures that otherwise would be covered by the procedures (and model closing agreements) the Service develops. We believe that retaining such discretion would be important for circumstances in which applying the correction procedures would result in a manifest injustice or similarly inappropriate result. For example, in Notice 2000-9, 2000-1 C.B. 449, the Service provided special relief for variable annuity contracts that were based on non-diversified segregated asset accounts that were erroneously relying upon the special rule for variable life insurance contracts that permits a higher concentration of investments in Treasury securities. Other, similar situations could arise in the future in which the Service may deem it appropriate to provide special relief. As a result, the Committee believes that the Service should retain discretion to provide such relief, either through a negotiated agreement or additional published guidance, outside of the context of any new voluntary correction procedures.

Similarly, with regard to any model closing agreement that the Service develops to address section 817(h) diversification failures, the Committee appreciates and certainly favors the various efficiencies that a uniform agreement would facilitate. However, the Committee believes that the Service should retain discretion to deviate from the model closing agreement in unusual circumstances where the taxpayer makes a sufficient showing of the need to do so. Retaining some flexibility to address facts and circumstances that might not be contemplated at the time the model closing agreement is developed will help maximize the utility of the voluntary correction program to the Service and taxpayers.

### **Conclusion**

As indicated above, the Committee believes that correction procedures under section 817(h) should (1) encourage taxpayers to establish compliance practices and procedures, (2) promote compliance by providing limited fees for voluntary corrections, (3) provide for fees and sanctions in graduated steps to ensure that there is always an incentive for prompt correction, and (4) provide for sanctions that are reasonable in light of the nature, extent, and severity of the violation. The current procedures for correcting diversification failures under section 817(h) do not achieve these important goals, and, instead, discourage taxpayers from approaching the Service to address diversification problems. As a result, we encourage the Service and the Treasury Department to consider an approach based on the principles of EPCRS, which has proven to be an effective and successful mechanism for achieving these goals in similar contexts.

\* \* \* \* \*

If you have any questions regarding these comments, please contact Joseph F. McKeever or Bryan W. Keene, both with Davis & Harman LLP. They can be reached *via* telephone at 202-347-2230 or *via* electronic mail at [jfmckeever@davis-harman.com](mailto:jfmckeever@davis-harman.com) or [bwkeene@davis-harman.com](mailto:bwkeene@davis-harman.com), respectively.

Attachment

**The Committee of Annuity Insurers**

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AEGON USA, Inc., Cedar Rapids, IA  
AIG American General, Wilmington, DE  
Allstate Financial, Northbrook, IL  
AmerUs Annuity Group Co., Topeka, KS  
AXA Equitable Life Insurance Company, New York, NY  
Commonwealth Annuity and Life Insurance Co.  
(a Goldman Sachs Company), Southborough, MA  
Conseco, Inc., Carmel, IN  
Fidelity Investments Life Insurance Company, Boston, MA  
Genworth Financial, Richmond, VA  
Great American Life Insurance Co., Cincinnati, OH  
Guardian Insurance & Annuity Co., Inc, New York, NY  
Hartford Life Insurance Company, Hartford, CT  
ING North America Insurance Corporation, Atlanta, GA  
Jackson National Life Insurance Company, Lansing, MI  
John Hancock Life Insurance Company, Boston, MA  
Life Insurance Company of the Southwest, Dallas, TX  
Lincoln Financial Group, Fort Wayne, IN  
Merrill Lynch Life Insurance Company, Princeton, NJ  
Metropolitan Life Insurance Company, New York, NY  
Nationwide Life Insurance Companies, Columbus, OH  
New York Life Insurance Company, New York, NY  
Northwestern Mutual Life Insurance Company, Milwaukee, WI  
Ohio National Financial Services, Cincinnati, OH  
OM Financial Life Insurance Company, Baltimore, MD  
Pacific Life Insurance Company, Newport Beach, CA  
The Phoenix Life Insurance Company, Hartford, CT  
Protective Life Insurance Company, Birmingham, AL  
Prudential Insurance Company of America, Newark, NJ  
RiverSource Life Insurance Company (an  
Ameriprise Financial Company), Minneapolis, MN  
Sun Life of Canada, Wellesley Hills, MA  
USAA Life Insurance Company, San Antonio, TX

The Committee of Annuity Insurers was formed in 1982 to participate in the development of federal tax and securities law policies with respect to annuities. The member companies of the Committee represent over half of the annuity business in the United States.