



December 19, 2008

Sean Dilweg, Commissioner and Chair, NAIC Suitability of Annuity Sales (A) Working Group  
State of Wisconsin, Office of the Commissioner of Insurance  
125 South Webster Street  
GEF III – 2nd Floor  
Madison, Wisconsin 53702

Dear Commissioner Dilweg:

NAVA, Inc.,<sup>1</sup> the Association for Insured Retirement Solutions, respectfully submits these additional comments on the Discussion Draft proposing modifications to the NAIC Suitability in Annuity Transactions Model Regulation (the “Suitability Model Regulation”). We submitted some preliminary comments by letter dated December 3.

*General Comments*

As we stated in our earlier comments, the Discussion Draft, if fully adopted, would result in a dramatic restructuring of the current regulatory framework that governs annuity sales and necessitate large scale changes in existing systems and procedures for both insurers and distributors. The Draft is overly detailed and prescriptive, would require costly and unnecessary duplication of systems and processes, result in a decrease in efficiency and effectiveness in ensuring suitable annuity recommendations, and likely undo the uniformity that has been achieved by widespread adoption of the current Suitability Model Regulation.

To the extent that modifications to the current Suitability Model Regulation may be needed, we strongly suggest that the best way to achieve meaningful and effective changes is for the Working

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<sup>1</sup> NAVA is a not-for-profit organization dedicated to the growth and understanding of annuity and variable life insurance products. NAVA represents all segments of the annuity and variable life industry with over 300 member organizations, including insurance companies, distribution firms, banks, investment management firms, and industry service providers.

Group, the annuity industry and other interested parties to work together at a full or half day interim meeting, as proposed in the joint letter filed by ACLI, IMSA, NAIFA and NAVA on December 4. This type of collaboration has worked well in the past. The industry supported the development of the original Senior Protection in Annuity Transactions Model Regulation and its subsequent expansion to provide protections to all annuity purchasers, and continues to support the uniform adoption of the expanded Model in all fifty states and the District of Columbia. The industry would welcome the opportunity to work with the Working Group on potential revisions.

We have major concerns regarding two aspects of the Discussion Draft – the new suitability standard, and the elimination of the ability of insurers to delegate suitability and supervision to third party distributors. We will address each of these concerns in detail, and also provide brief comments on several other proposed provisions.

#### I. Suitability Standard

Proposed Section 6A would modify the suitability standard in the current Suitability Model Regulation by adding the term “objective” so that it would now require an insurance producer, or insurer where no producer is involved, to have an objective reasonable basis for believing that a recommendation is suitable for the consumer. The term “objective” is not required by FINRA suitability Rule 2310 on which the Model’s standard was based and is confusing and problematic.

Reasonableness is used in drafting to provide an objective standard for action that involves a measure of judgment. In other words, for an action to be reasonable requires something more than just the actor’s good faith or subjective belief. Adding the term objective will cause confusion as parties will not know what more is intended in addition to reasonable conduct. In addition, we note that determining the suitability of an investment depends on the particular circumstances of the customer as they exist at the time of the recommendation. The use of the term objective would suggest that a transaction could be reviewed with hindsight years later and a recommendation that was suitable at the time it was made might be determined to not be suitable in light of subsequent changes in circumstances.

Section 6B places an absolute obligation on the part of the insurance producer or insurer to obtain all of the suitability information listed in Section 5M prior to execution of an annuity transaction. Further, Section 7B(4)(c)(iv) would require an insurer to disapprove any annuity sale if any suitability information is not submitted with the application. The current Suitability Model Regulation requires the producer or insurer to make reasonable efforts to obtain certain specified customer information, which is consistent with the requirements of FINRA suitability Rules 2310 and 2821. For privacy reasons or otherwise, a customer may not wish to divulge all of the enumerated information. For example, a customer may reasonably not want to disclose each and every asset and investment he or she owns or all current living expenses. The proposed language would absolutely prevent a customer

from purchasing an entirely suitable annuity if the customer wanted to protect the privacy of his/her personal financial information. The current language requiring a reasonable effort to obtain the information should be retained.

If the Working Group determines that the suitability standard needs to be changed, we suggest that an appropriate model could be NASD Rule 2821. Although Rule 2821 was designed for recommendations of deferred variable annuities, modifications could be made so that sales of other annuity contracts that are not subject to the rule would nevertheless comply with its principles in order to achieve uniform standards for all types of annuities. This would have to be phased in over a period of time.

As we have previously advised, the NAVA Straight-through Processing (STP) Standards initiative incorporate the requirements of NASD Rule 2821 in its suitability standards. The STP suitability standards are based on the premise that the insurer would delegate to the distributor the day-to-day oversight of the suitability of annuity transactions, which is permitted under the current Suitability Model Regulation. However, the insurer could so delegate only if the distributor adopted and implemented written policies and procedures in accordance with the standards which would include, among other things, conformance with the principles of NASD Rule 2821 for all annuity transactions. The industry is in the process of a phased implementation of the standards and our intent is for the standards to be utilized by all distribution channels.

## II. Elimination of Delegation

We are particularly concerned that the Discussion Draft would eliminate the ability of insurers to delegate suitability and supervision to third party distributors which is permitted by Section 6D of the current Suitability Model Regulation. This would be a dramatic departure from current requirements.

The current Suitability Model Regulation imposes appropriate responsibilities on both distributors and insurers. Section 6D(2) requires general agents and independent agencies to either adopt a system established by an insurer to supervise recommendations of its insurance producers that is reasonably designed to achieve compliance with the regulation, or establish and maintain such a system, including written procedures and conducting periodic reviews of records that are reasonably designed to assist in detecting and preventing violations of the regulation.

On the federal level, distributors of variable annuities are also required to comply with rules promulgated by FINRA which impose a suitability obligation on producers recommending the purchase or exchange of a variable annuity and require broker-dealers to establish and maintain a system to supervise the activities of their registered representatives, registered principals and other associated persons that is reasonably designed to achieve compliance with applicable securities laws

and regulations, and with other FINRA rules. The supervision system must include written procedures and provide for the review and endorsement by a registered principal, in writing, of all transactions.

Section 6D(1) of the current Suitability Model Regulation specifies that an insurer either must assure that a system to supervise recommendations that is reasonably designed to achieve compliance with the regulation is established and maintained, or establish and maintain such as system itself. Section 6D(3) and (4) permit insurers to satisfy this obligation by contracting with a third party to establish and maintain a system of supervision with respect to producers under contract or employed by the third party. In so doing, the insurer must, among other things, “make reasonable inquiry to assure that the third party is performing the functions required”, including “based on reasonable selection criteria, periodically select third parties ...for a review to determine whether the third parties are performing the required functions.”

As required by the Suitability Model Regulation, many insurers have developed supervision systems and procedures to monitor the effectiveness of their distributors’ procedures and systems. If the Working Group believes that the monitoring systems being utilized today have not been effective in identifying and correcting improper sales activities by insurance producers and insurance agencies, we believe the proper course of action is to strengthen the requirements for insurer monitoring, rather than completely eliminate delegation as the Discussion Draft would do.

We suggest that one way to improve the usefulness of insurer monitoring practices would be to follow the approach NAVA has developed as part of our (STP) Standards initiative. As we have previously explained, NAVA has developed comprehensive insurer compliance reports that help insurers monitor the effectiveness of their distributors’ supervision systems and help both the insurers and distributors identify unsuitable sales patterns.

The reports utilize trend analysis and provide detailed information of each distributor’s business with that insurer regarding a number of factors such as the age of the purchaser, share class, benefit election, subaccount allocation, replacements and surrenders. When insurers provide the reports to distributors, they will highlight any activities that are outside of their anticipated normal ranges for that particular item. In turn, the distributors are expected to investigate the variance and either provide an acceptable explanation or undertake remedial steps. Distributors will also use such reports to monitor the sales practices of their producers in conformance with both state and federal laws.

While these reports were created as a component of STP, the data that is collected and analyzed includes all third party distributor sales, whether completed electronically or in paper. In addition, the NAVA insurer compliance reports were shared with the ACLI which has prepared comparable suitability monitoring guidelines for use by member insurers.

Sample insurer compliance reports and the NAVA STP Insurer Compliance Reports Specifications, Principles and Guidelines explaining the purposes, goals and uses of the reports are attached to this comment letter. We continue to be available to provide a demonstration of the reports to the Working Group.

Section 6C(2)(a) of the Discussion Draft states that that Section 7 does not require an insurer to review, or provide for review of, all insurance producer solicited transactions. However, Section 7 would impose obligations on insurers that would almost certainly require them to review all transactions.

For example, Section B(4)(c)(i)(I) requires insurers to mail to each customer a statement clearly describing the customer's Suitability Information as collected by the producer and a request that the customer respond and identify any information that is incorrect. This requirement is inconsistent with the statement in Section 6C(2)(a) that Section 7 does not require an insurer to review all insurance producer solicited transactions. How can the insurer be expected to summarize the customer Suitability Information for each transaction without reviewing each transaction?

Section B(4)(c)(iii) would require insurers to attempt to call, prior to acceptance of an application, all customers age 70 or older, to interview them to verify their liquidity related to suitability information and their understanding of the liquidity related to features of the annuity. A transactional review would be required to determine the age of each applicant.

Section B(4)(c)(iv) would require the insurer to disapprove any annuity sale if any suitability information or transaction monitoring elements is not submitted with the application. This too appears to be inconsistent with Section 6C(2)(a) since, again, the insurer would have to review each transaction in order to know if all required information is included.

#### *Other Specific Comments*

I. Section 5. Definitions – the Discussion Draft introduces many new terms which are poorly defined, vague, or raise other questions as to their meaning.

D. *High risk factor* – requires insurers to speculate as to what may be likely to create materially higher risk of unsuitable sales. Further, we do not understand how the features of a product, which were filed with and approved by state insurance departments, should be deemed to create a higher risk of a violation.

I. *NAIC Life Insurance Committee* – this future committee would have significant authority to promulgate guidelines that would be binding on insurers, insurance agencies and insurance producers, and would appear to infringe on the authority of state insurance departments to determine what should be required in their jurisdiction.

M. *Suitability information* – the list of required customer information includes several items that are not required by NASD Rule 2821 and are of questionable value, such as monthly income and expenses, or duplicative, such as liquid assets and liquid net worth. Subsection (17) would require collection of information regarding costs and benefits of any replaced financial product. In many instances, the producer may have very limited access to or ability to obtain this type of detailed information about other products owned by the customer. Subsection (19) raises many questions. What is the time horizon over which a “reasonably” anticipated change in living circumstances should be considered? Are health questionnaires or medical underwriting going to be required to determine such anticipated changes?

## II. Section 6. Duties of Insurers and of Insurance Producers to Recommend Suitable Products -

Section 6D states that compliance with FINRA Conduct Rules pertaining to suitability shall satisfy the requirements under this section for the recommendations of variable annuities. We agree completely with this “safe harbor” since, as noted earlier, sales of variable annuities by registered broker-dealers are subject to comprehensive suitability, principal review and supervision rules under Rules 2310 and 2821. However, the Drafting Note would seem to limit the safe harbor to only specific transactions that have been reviewed by FINRA. While FINRA examinations do include review of transactions, they primarily focus on the firm’s written supervisory procedures, licensing and registration status of its sales persons, exception reports and customer complaints, and its internal process for approving customer transactions and ensuring the suitability of recommendations made to customers. We request clarification that the intended safe harbor applies where the broker-dealer’s procedures and processes have been found by FINRA to comply with applicable rules.

Section 6E states that “no insurer or insurance producer may represent that an insurer’s suitability review standards is a standard to determine suitability.” We request clarification as to what this means.

## III. Section 7. Insurer Supervision System – Section 7 would impose a number of new obligations on insurers, including establishment and maintenance of a supervision system, creation of a supervision organization consisting of a senior executive, supervision officer, qualified supervision personnel and audit and special investigation units, training programs for insurance producers, and supervision standards and procedures. In many instances, these insurer obligations would duplicate systems, procedures, programs and personnel that already exist within annuity distributors.

The supervision organization requirements of Section 7B(2) would impose significant new structural and functional overhead expenses for insurers. At a time when insurance companies are decreasing staffing due to economic conditions this would be extremely burdensome.

Section 7B(3) would require all insurers to provide a training program for their insurance producers. Most annuity contracts today are sold through independent producers who may sell products for 15 to 25 different insurers. In such a circumstance, this provision would appear to require all 15 to 25 insurers to provide a training program to the same producer which would clearly be duplicative and overly time consuming.

As noted above, Section B(4)(c)(i)(I) requires insurers to mail to each customer a statement clearly describing the customer's Suitability Information as collected by the producer and a request that the customer respond and identify any information that is incorrect. The statement is to be mailed not later than 14 days after the effective date of the annuity sale. The provision is completely silent as to what, if anything, the insurer is expected to do with the customer's response, and the summary does not even have to be sent until after the contract has been issued. The statement in (c)(IV) that an insurer shall not use the statement and the customer's response as evidence of the accuracy of the suitability information makes no sense, particularly where the customer's response affirms that the information was accurate.

Section 7B(4)(k) requires insurers to have standards that prohibit the sale of an annuity if the source of the funding of the annuity, directly or indirectly, is a reverse mortgage. This blanket prohibition is inappropriate and would prevent customers from using part of the proceeds from a reverse mortgage to create a lifetime income stream through the use, for example, of an immediate or payout annuity, or a deferred annuity with a Guaranteed Lifetime Withdrawal Benefit (GLWB).

A vital and growing need of many older consumers is the use of reverse mortgages as a retirement income planning and security tool and consideration of particular types of annuities for legitimate purposes should not be precluded.

Thank you for the opportunity to offer these comments. If we can answer any questions or be of further assistance, please contact me, or Michael DeGeorge, General Counsel, at (703) 707-8830, extension 20

Sincerely,



Catherine J. Weatherford  
President & CEO

cc: Kim Shaul, Deputy Commissioner, Wisconsin  
All members of the Suitability of Annuity Sales Working Group  
Other Interested Parties



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## MEMORANDUM

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To: NAVA STP Executive Counsel  
From: STP Project Office  
Date: October 28, 2008  
Subject: Insurer Compliance Reports for Distributors

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There are federal and state laws that have jurisdiction over both the Distributor and the Insurer that are parties to the annuity transaction. NAVA STP Standard 15 – NAVA Insurer Compliance Reports Standards and the supporting documentation require Insurers to provide Distributors with reports which will show various data and information regarding the annuity business written through such Distributor. The Compliance Reports contemplated by these Standards are tools to assist both Insurers and Distributors in fulfilling their respective supervisory functions under both state and federal law.

Distributors – Distributors that are registered as broker-dealers are subject to both federal and state securities laws. Both the Securities and Exchange Commission (“SEC”) and the Financial Industry Regulatory Authority (“FINRA”) have jurisdiction over broker-dealers and their associated persons that sell variable annuity contracts. A number of state securities administrators are also exerting jurisdiction over the sales practices of broker-dealers with respect to sales of variable annuity contracts.

Insurers – State Insurance Departments have jurisdiction over Insurers and all persons and entities that sell insurance products. The NAIC Suitability in Annuity Transactions Model Regulation (“Model Regulation”) imposes supervision requirements on Insurers with respect to all annuity contracts. A significant number of states have adopted, in one form or another, the Model Regulation. Under the Model Regulation, Insurers may delegate supervision to Distributors, subject to various conditions. Insurance producers also have obligations under the Model Regulation.

The NAIC Suitability in Annuity Transactions Model Regulation imposes certain supervisory obligations on Insurers with respect to recommendations for the purchase or exchange of an annuity. The Model permits Insurers to contract with a third party to establish and maintain a

system of supervision with respect to producers under contract with or employed by the third party. In so doing, the Insurer must, among other things, reasonably monitor the third party's performance of its suitability and supervision requirements.

The Compliance Reports to be provided to Distributors by Insurers are intended to provide both parties with trend analysis. When Insurers provide their reports to Distributors, they will point out any activities that are outside of their anticipated normal ranges for that particular item. In turn, the Distributor is expected to provide an explanation of the variance or undertake remedial steps. This process is intended to fulfill, at least in part, Insurers' obligations with respect to compliance with the state suitability laws. Distributors would use such reports to monitor the sales practices of their producers in conformance with both state and federal laws.

Attached is the latest draft of the Specification, Principles and Guidelines for the Compliance Reports (Specification) that was updated in October 2008. The industry believes that adherence to the Specifications is important to achieve a normalization of the data constituting the Insurer Compliance Reports, thus enabling the Distributor to integrate the data from multiple Insurers, and to provide a consistency across the industry with respect to the construction and use of the Insurer Compliance Reports so as to evidence to state insurance departments compliance with the Model Regulation. To assist our member companies, NAVA developed sample reports that will be included as Appendix A when the Specification is published in final. The sample reports were developed in conformance with the Specifications.

NAVA STP Standard 15, and the supporting documentation, sets out the required data and information that should be provided to the Distributor. The Specifications and the Sample Reports combine the various pieces of data into Reports that are useful to both Insurers and Distributors.

The Specifications require that the following Reports be prepared and provided to the Distributor:

1. Compliance Review Report
2. Summary Report
3. Age Report
4. New Business Report
5. Benefit Election Report
6. Replacement Report
7. Surrenders Report
8. Free-Look Exercised Report
9. Orphaned Policy Report
10. Subaccount Allocation Report
11. Subsequent Premium Activity Report
12. Complete Order Detail Report

NAVA Standard 15 requires that the Reports be provided to the Distributor monthly. As part of the Reports, the Insurer is required to identify for the Distributor activities outside the anticipated normal range for the product type and similarly situated Distributors. Insurers will make an inquiry of a Distributor when it determines that the Compliance Reports indicate activities outside of the normal range.

Distributors are then to respond to any inquiry within a reasonable time period and may be requested to do so in writing, at the request of the Insurer. If a reasonable basis cannot be ascertained for the deviation, then the Distributor is required to initiate corrective action to address the deviation. The Distributors are to report the results, including any remedial action(s) it may have taken, within a reasonable time period agreed to by the parties.



# NAVA STP INSURER COMPLIANCE REPORTS TO DISTRIBUTORS SPECIFICATIONS, PRINCIPLES AND GUIDELINES

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DRAFT –  
SUBJECT TO FURTHER EDITS AND APPROVAL  
BY SUITABILITY TASK FORCE

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## CHAPTER ONE - INTRODUCTION

NAVA STP Standard 15 – NAVA Insurer Compliance Reports Standards and the supporting documentation require Insurers to provide Distributors with reports which will show various data and information regarding the annuity business written through such Distributor. The Compliance Reports contemplated by these Standards are tools to assist both Insurers and Distributors in fulfilling their respective supervisory functions under both state and federal law.

Distributors that are registered as broker-dealers are subject to both federal and state securities laws. Both the Securities and Exchange Commission (“SEC”) and the Financial Industry Regulatory Authority (“FINRA”) have jurisdiction over broker-dealers and their associated persons that sell variable annuity contracts. A number of state securities administrators are also exerting jurisdiction over the sales practices of broker-dealers with respect to sales of variable annuity contracts.

State Insurance Departments have jurisdiction over Insurers and all persons and entities that sell insurance products. The NAIC Suitability in Annuity Transactions Model Regulation (“Model Regulation”) imposes supervision requirements on Insurers with respect to all annuity contracts. A significant number of states have adopted, in one form or another, the Model Regulation. Under the Model Regulation, Insurers may delegate supervision to Distributors, subject to various conditions. If the Insurer does so delegate, it must:

. . . make reasonable inquiry to assure that the [Distributor] is performing the functions required . . . and shall take such action as is reasonable under the circumstances to enforce the contractual obligations to perform the functions. An [I]nsurer may comply with its obligations to make reasonable inquiry by doing all of the following:

(a) \* \* \*

(b) The [I]nsurer, based on reasonable selection criteria, periodically selects [Distributors] . . . for a review to determine whether the [Distributors] are performing the required functions. The Insurer shall perform those procedures to conduct the review that are reasonable under the circumstances.<sup>1</sup>

Insurance producers also have obligations under the Model Regulation.

In recommending to a consumer the purchase of an annuity or the exchange of an annuity that results in another insurance transaction or series of insurance transactions, the insurance producer . . . shall have reasonable grounds for believing that the recommendation is suitable for the consumer. . . <sup>2</sup>

The Compliance Reports to be provided to Distributors by Insurers are intended to provide both parties with trend analysis. When Insurers provide their reports to Distributors, they will point out any activities that are outside of their anticipated normal ranges for that particular item. In turn, the Distributor is expected to provide an explanation of the variance or undertake remedial steps. This process is intended to fulfill, at least in part, Insurers’ obligations with respect to compliance with the state suitability laws. Distributors would use such reports to monitor the sales practices of their producers in conformance with both state and federal laws.

<sup>1</sup> NAIC Suitability in Annuity Transactions Model Regulation, Section 6.D.4.

<sup>2</sup> *Ibid* at Section 6.A.

## CHAPTER TWO – OBJECTIVES, PRINCIPLES AND GUIDELINES

### OBJECTIVES

1. To set forth the specifications for the construction of the Insurer Compliance Reports to Distributors.
2. To provide guidance to both Insurers and Distributors on the purposes, goals and uses of the Insurer Compliance Reports.
3. To develop documentation in support of the Insurer Compliance Reports that can be provided to state insurance departments as evidence of compliance with the Model Regulation.

### PRINCIPLES

1. To achieve a normalization of the data constituting the Insurer Compliance Reports, thus enabling the Distributor to integrate the data from multiple Insurers.
2. To provide a consistency across the industry with respect to the construction and use of the Insurer Compliance Reports so as to evidence to state insurance departments compliance with the Model Regulation.

### GUIDELINES

The following summarizes the requirements of NAVA Standard 15 – Insurer Compliance Reports to Distributors:

- Insurers are to provide Distributors the Compliance Reports described below on a monthly basis for the previous month.
- Distributors are to adopt and implement written policies and procedures with respect to the Compliance Reports. Distributors are to provide to Insurers, upon request, copies of their procedures.
- Distributors are required to make a representation to the Insurer stating that it has in place appropriate policies and procedures with respect to the Compliance Reports provided by Insurer and that it has a reasonable basis to believe that it is in compliance with such policies and procedures. This Standard is implemented through the self-certification process agreed to as part of the Addendum to the selling agreement between the Insurer and Distributor.
- As part of the Compliance Reports, the Insurer is required to identify for the Distributor activities outside the anticipated normal range for the product type and similarly situated Distributors. Insurer may make a reasonable inquiry of a Distributor when it determines that the Compliance Reports indicate activities outside of the normal range.
- Distributors are then to respond to any inquiry within a reasonable time period and may be requested to do so, in writing, at the request of the Insurer.
- If a reasonable basis cannot be ascertained for the deviation, then the Distributor is required to initiate corrective action to address the deviation. The Distributor should report the results, including any remedial action(s) it may have taken, within a reasonable time period agreed to by the parties.

## CHAPTER THREE– DATA TO BE INCLUDED IN INSURER COMPLIANCE REPORTS

The following items of data will be included in the Insurer Compliance Reports:

1. Average age of contract owners for new sales of the Distributor, as compared with other similar Distributors selling the same or similar products, showing the number of contracts with owners above stated ages and the percentage allocations (*Summary Report*)
2. All purchases over stated ages, sorted by type of contract, benefits selected and producer (*Age Report*)
3. New sales by aggregate premium and by number of new contracts for each product type sold by the Distributor and showing sales as compared with other similar Distributors selling the same or similar products (*Summary Report*) (*Order Detail Report*) (*New Business Report*)
4. Percentage of new business (based on premium) for each product type for the Distributor (*Summary Report*)
5. Number of new contracts sold by each producer, sorted by product type, and showing sales as compared with other producers selling the same or similar products (*New Business Report*)
6. Aggregate new premium, sorted by product type, and further sorted by producer and showing sales as compared with other producers selling the same or similar products (*New Business Report*)
7. All sales made on a tax qualified basis for the Distributor (*Order Detail Report*)
8. Benefit election by percentage of new business of the Distributor as compared with other Distributors selling the same or similar products (*Summary Report*)
9. Shows all new sales sorted by benefit election, for each Producer (*Benefit Election Report*)
10. Replacement (incoming) percentage for new contracts placed with the Insurer based on number of contracts and aggregate premium for the Distributor, as compared with other Distributors selling the same or similar products (*Summary Report*)
11. All new contracts considered to be a replacement sorted by producer (*Replacement Report*)
12. Percentage of new contracts considered to be a replacement (incoming), sorted by contract and premium for each producer (TBD)
13. Percentage of new contracts replaced (outgoing), as compared with other Distributors, and including destination Insurer for each replaced contract to the extent the information is readily available (TBD)
14. Percentage of surrenders based on amounts surrendered vs. total assets for the Distributor, as compared to other Distributors selling the same or similar products (TBD)
15. Percentage of surrenders based on number of contracts vs. total number of outstanding contracts sold by the Distributor and still in effect at the beginning of the period, as compared to other Distributors selling the same or similar products (*Summary Report*)
16. Percentage of surrenders based on amount surrendered vs. total assets sold by individual producer for surrenders within the last 3 years, as compared to other producers selling the same or similar products (TBD)

17. All surrendered contracts for the period, sorted by producer with CDSC and other applicable charges assessed (e.g., bonus recapture) (*Replacement Report*)
18. All aggregate amounts for the Distributor for which the free look was exercised, as compared with other Distributors selling the same or similar products (TBD)
19. All contracts for which the free look was exercised showing amounts surrendered, sorted by producer (*Free Look Exercised Report*)
20. All contracts still outstanding for the Distributor where there is no longer a producer appointed with the Insurer associated with that contract, sorted by original or last producer for that contract (*Orphaned Policy Report*)
21. Current subaccounts (including DCA Account) allocation percentages for all new contracts for the Distributor, as compared to other Distributors selling the same or similar products, sorted by producer (*Summary Report*)
22. Current subaccounts (including DCA Account), allocations for new contracts sorted by producer (*Subaccount Allocation Report*)
23. All subsequent or additional premiums by contract sorted by producer (*Subsequent Premium Activity Report*)
24. All cash and non-cash compensation, other than commissions, sorted by producer, for gift, entertainment and marketing expense reimbursements, but does not include any payments made directly to the Distributor (*Non-Commission Compensation Report*)

## CHAPTER FOUR – SUMMARY OF NAVA INSURER COMPLIANCE REPORTS

The following is a summary of the NAVA Insurer Compliance Reports. See Appendix A for NAVA Sample Reports.

1. **Compliance Review Report:**

- This report summarizes the activities of the Distributor that fall outside of the anticipated normal range and for which Insurer is requesting a response in return
- Unless indicated otherwise, all reported items are for the previous month's activities

2. **Summary Report:**

- This report summarizes the activities of the Distributor
- Unless indicated otherwise, all reported numbers are for the previous month's activities
- The Summary Report includes the data required to comply with the following data items noted in "Data to be Included in Insurer Compliance Reports" above:

1, 4, 5, 9, 12, 17, 23

3. **Complete Order Detail Report:**

- This report shows all new sales of the Distributor for the period with all categories present and sorted by producer
- The Complete Order Detail Report includes the data required to comply with the data items noted in "Data to be Included in Insurer Compliance Reports" above:

4, 8

4. **Age Report:**

- Shows all sales of the Distributor for the period sorted by producer, then age of the owner
- The Age Report includes the data required to comply with the data items noted in "Data to be Included in Insurer Compliance Reports" above:

2, 3

5. **New Business Report:**

- Shows all sales of the Distributor for the period sorted by producer, then product type, then share class, with an aggregate premium subtotal for the producer
- The New Business Report includes the data required to comply with the data items noted in "Data to be Included in Insurer Compliance Reports" above:

4, 7

6. **Benefit Election Report:**

- Shows all sales of the Distributor for the period sorted by producer and then by benefit election
- The Benefit Election Report includes the data required to comply with the data items noted in “Data to be Included in Insurer Compliance Reports” above:

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7. **Replacement Report:**

- Shows all sales of the Distributor resulting in an Exchange or Rollover for the period sorted by producers and then by product
- The Replacement Report includes the data required to comply with the data items noted in “Data to be Included in Insurer Compliance Reports” above:

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8. **Surrenders Report:**

- Shows all surrenders of the Distributor for the period sorted by producers
- The Surrenders Report includes the data required to comply with the data items noted in “Data to be Included in Insurer Compliance Reports” above:

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9. **Free Look Exercised Report:**

- Shows all contracts for which the Free Look was exercised, sorted by producer
- The Free Look Exercised Report includes the data required to comply with the data items noted in “Data to be Included in Insurer Compliance Reports” above:

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10. **Orphaned Policy Report:**

- Shows all policies with no current servicing agent(s) or agent(s) no longer appointed
- The Orphaned Policy Report includes the data required to comply with the data items noted in “Data to be Included in Insurer Compliance Reports” above:

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11. **Subaccount Allocation Report:**

- Shows all sales of the Distributor for the period sorted by producer and then by benefit election
- The Subaccount Allocation Report includes the data required to comply with the data items noted in “Data to be Included in Insurer Compliance Reports” above:

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12. **Subsequent Premium Activity Report:**

- Shows all subsequent or additional premiums sorted by producer
- The Subsequent Premium Activity Report includes the data required to comply with the data items noted in “Data to be Included in Insurer Compliance Reports” above:

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### GENERAL SPECIFICATIONS

The following specifications are applicable to all reports, unless otherwise indicated:

1. All reports are monthly and all data reported is for the previous month.
2. All data reported relates to new premium.
3. Owner refers to the natural person primarily related to the contract. When there is a non-natural person, Owner shall mean annuitant.
4. When there are joint owners, the age of the oldest is used.
5. "Total Asset under Management" is the sum of all contract values currently in force attributable to the Distributor as of the last day of the period.
6. Total number of policies and total premiums is the number and amount of new sales for the period.
7. Replacements (Incoming) reflect those new contracts that are deemed to be Section 1035 Exchanges or Qualified Rollovers. Replacements also include internal replacements.
8. There are two replacement percentages to be reported: one based upon the number of new contracts and the other total new premium. For those reports indicating the name of the Replaced Insurer, that information should be included to the extent known to the Insurer. The requirement to include the name of the Replaced Insurer was not intended to impose upon the new Insurer an obligation to seek out the name of the Replaced Insurer beyond what is already imposed.
9. Surrender percentages are calculated using the number of new contracts and total Assets under Management. Surrenders also include contracts (full or partial) that reflect IRC Section 1035 or Qualified Rollover transactions to other Insurers.
10. When constructing reports relating to benefits, reference should be made to NAVA PPfA specifications. The Rider Subtype (RST), as defined in the NAVA PPfA specifications, should be indicated, regardless of the name assigned to the benefit by the Insurer.
11. Diminimus Standard: Insurers, at their discretion, may choose not to report percentages when such percentages would inappropriately indicate values outside of anticipated ranges.
12. When computing comparative averages, the Insurer should only group together Distributors of similar type.
13. When constructing reports that refer to share classes, reference should be made to NAVA PPfA specifications. Such reports should include the number assigned to such share class, regardless of the name assigned to share class by the Insurer.
14. If multiple products are offered that are combined with benefits or share classes, information should also be sorted by product and then sorted by benefit or share class as appropriate for the report.
15. Surrenders do not include death claims.

## SPECIFICATIONS FOR COMPLIANCE REVIEW REPORT

The following specifications are applicable to the Compliance Review Report:

1. The report will function as the cover page for all the other reports.
2. The Insurer's compliance team will prepare this report after review of the other reports.
3. Only items for which a response is expected are to be included.
4. Items that have previously been reported and for which there was a satisfactory response are not to be reported.
5. Insurer should develop standards for when the diminimus requirement is to be relied upon so as to only report on meaningful items.

## SPECIFICATIONS FOR SUMMARY REPORT

In addition to the General Specifications, the following specifications are applicable to the Summary Report:

- Presents data, in summary format, that is found in subsequent reports.
- There are two columns of data: Distributor and Average Distributor
- The data for Distributor is for the specific Distributor for which the report has been prepared. The data for the Average Distributor represents the results for similar Distributors. All data for such similar Distributors, including the Distributor for which the report has been prepared.
- "Average Age of Owners" is for new sales for the period reported. Ages should be banded every five years starting with age 50, and for ages 0-49 a single number can be used to report this age group.
- Share classes represent those offered by the Insurer and sold by the Distributor. The share classes should be numbered using the NAVA PPfA numbers list. Share classes are shown for each product type.
- Benefits (both living and death benefits) represent those offered by the Insurer and sold by the Distributor. The list of benefits should reference the Rider Subtype (RST), as defined in the NAVA PPfA specifications.
- Replacement data is shown for all new premium that is considered a Section 1035 Exchange or Qualified Rollover.
- Surrender data is shown for the number of contracts surrendered during the period as compared to new contracts sold during the period and to the total policies remaining in force as of the end of the period.
- The number of contracts and amounts surrendered for which the contract owner exercised his or her free look right. The number and amounts shown is for the period reported.
- Subaccount percentage allocations should be presented showing the actual allocation of subaccounts offered by the Insurer and sold by the Distributor. Insurer should use common names to identify the subaccounts, but may include, at its discretion, its internal identifier.
- The section relating to producers should include the producer's name and producer number, or other internal identifier, the total premium attributable to the producer for the period, number of contracts sold during the period, total dollar amount of premium considered a replacement (incoming from a IRC Section

1035 Exchange or Qualified Rollover) and the percentage that the replacement business is of the total premium.

## **SPECIFICATIONS FOR NEW BUSINESS REPORT**

In addition to the General Specifications, the following specifications are applicable to the New Business Report:

- This report sets out all of the new business sold during the period, sorted by producer.
- The report should show the producer number or other internal identifier.
- The following are the items (columns in a spread sheet format):
  - Producer Number
  - Producer Name
  - Policy Number
  - Policy Issue Date
  - Product Type (Fixed vs Variable)
  - Product Code
  - Product Name
  - Premium
  - Share Class
  - Issue Age
  - Replacement (Y or N)
  - Replaced Insurer
  - Qualified Plan Type (Non-Qual, IRA, TSA, etc.)

## **SPECIFICATIONS FOR AGE REPORT**

In addition to the General Specifications, the following specifications are applicable to the Age Report:

- This report sets out all of the new business sold during the period, sorted by producer, and focuses on the age of the owner at the time of sale.
- The report should show the producer number or other internal identifier.
- The following are the items (columns in a spread sheet format):
  - Producer Number
  - Producer Name
  - Policy Number
  - Product Code
  - Product Name
  - Premium
  - Share Class
  - Owner Age
  - Qualified Plan Type (Non-Qual, IRA, etc.)
  - The next group of columns list the benefits elected by contract

## **SPECIFICATIONS FOR QUALIFIED PLAN REPORT**

In addition to the General Specifications, the following specifications are applicable to the Qualified Plan Report:

- The report sets out contracts sold during the period, sorted by producer, that are considered to be qualified under the Internal Revenue Code.
- The report should show the producer number or other internal identifier.
- The following are the items (columns in a spread sheet format) that should be presented:
  - Producer Number
  - Producer Name
  - Policy Number
  - Policy Effective Date
  - Product Type (Fixed or Variable)
  - Product Code
  - Product Name
  - Premium
  - Share Class
  - Issue Age
  - Replacement (Y or N)
  - Qualified Plan Type (IRA, 403b, etc.)
  - The next group of columns list the benefits elected by contract

## **SPECIFICATIONS FOR BENEFIT ELECTION REPORT**

In addition to the General Specifications, the following specifications are applicable to the Benefit Election Report:

- This report sets out all new business sold during the period, sorted by producer, with a focus on the benefits elected.
- The report should show the producer number or other internal identifier.
- The following are the items (columns in a spread sheet format) that should be presented:
  - Producer Name
  - Producer Number
  - Policy Number
  - Product Type (Fixed or Variable)
  - Product Code
  - Product Name
  - Premium
  - Share Class
  - Issue Age
  - Replacement (Y or N)
  - Replaced Insurer
  - Qualified Plan Type
  - The next group of columns list the benefits elected by contract

## **SPECIFICATIONS FOR SUBACCOUNT ALLOCATION REPORT**

In addition to the General Specifications, the following specifications are applicable to the Subaccount Allocation Report:

- This report sets out account allocations, by percentage, sorted by producer, for new contracts sold during the period.
- The report should show the producer number or other internal identifier.

- The following are the items (columns in a spread sheet format) that should be presented:
  - Producer Number
  - Producer Name
  - Policy Number
  - Product Type
  - Product Code
  - Product Name
  - Premium
  - Share Class
  - Issue Date
  - Qualified Plan Type
  - The next group of columns list the subaccounts and the percentage allocations
  
- The allocation of subsequent or additional premiums is reported on in the Subsequent Premium Report.

## SPECIFICATIONS FOR REPLACEMENT REPORT

In addition to the General Specifications, the following specifications are applicable to the Replacement Report:

- This report sets out information relative to contracts that are considered replacement contracts (*i.e.*, incoming IRC Section 1035 and Qualified Rollover transactions), sorted by producer.
- The report should show the producer number or other internal identifier.
- The following are the items (columns in a spread sheet format) that should be presented:
  - Producer Number
  - Producer Name
  - Policy Number
  - Product Type
  - Product Code
  - Product Name
  - Premium
  - Share Class
  - Issue Age
  - Replacement (Y or N)
  - Replaced Insurer
  - Qualified Plan Type
  - The next group of columns list the benefits elected by contract

## SPECIFICATIONS FOR SURRENDER REPORT

In addition to the General Specifications, the following specifications are applicable to the Surrender Report:

- This report sets out information relative to contracts that were surrendered during the period, sorted by producer.
- Surrenders will also include contracts (or partial contracts) that were the subject of an IRC Section 1035 Exchange or a Qualified Plan Rollover.
- The report does not provide information on contracts that were surrendered on the basis of the exercise of the contract owner's free look right or a death claim.

➤ The following are the items (columns in a spread sheet format) that should be presented:

- Producer Number
- Producer Name
- Policy Number
- Product Type
- Product Code
- Product Name
- Share Class
- Issue Age
- Qualified Plan Type
- Aggregate Premium
- Account Value
- Returned Amount
- Surrender Charge Amount
- Other Charges

### **SPECIFICATIONS FOR FREE LOOK EXERCISE REPORT**

In addition to the General Specifications, the following specifications are applicable to the Free Look Exercise Report:

- This report sets out information relative to contracts for which the contract owner exercised his or her free look right, sorted by producer.
- The report should show the producer number or other internal identifier.
- The following are the items (columns in a spread sheet format) that should be presented:

- Producer Number
- Producer Name
- Policy Number
- Product Type
- Issue Date
- Date of Free Look
- Product Code
- Product Name
- Premium
- Account Value
- Returned Amount
- Share Class
- Issue Age
- Qualified Plan Type

### **SPECIFICATIONS FOR ORPHAN POLICY REPORT**

In addition to the General Specifications, the following specifications are applicable to the Orphaned Policy Report:

- This report sets out information relative to contracts where there is no longer a producer appointed with the Insurer. It is sorted by last active agent of record.
- The report should show the name of the last agent of record and the agent number or other internal identifier.

- The following are the items (columns in a spread sheet format) that should be presented:
  - Last Active Agent of Record Number
  - Last Agent of Record Name
  - Policy Number
  - Policy Type
  - Product Name
  - Owner Name
  - Account Value
  - Issue Date
  - Orphan Date (if known)

## SPECIFICATIONS FOR SUBSEQUENT PREMIUM REPORT

In addition to the General Specifications, the following specifications are applicable to the Subsequent Premium Producer:

- This report sets out information relative to subsequent or additional premiums, sorted by producer.
- It does not currently require that the allocations for the subaccounts be shown, but could in future iterations.
- The report should show the producer number or other internal identifier.
- The following are the types (columns in a spread sheet format) that should be presented:
  - Producer Number
  - Producer Name
  - Policy Number
  - Policy Type
  - Product Name
  - Issue Date
  - Date of Deposit
  - Deposit Amount
  - Account Balance
- A Deposit Amount is the new premium received during the period for each affected contract.
- The Account Balance is the contract value as of the beginning of the period.

## SPECIFICATIONS FOR ORDER DETAIL REPORT

In addition to the General Specifications, the following specifications are applicable to the Order Detail Report:

- This report sets out all of the detail of the activity for the period from which all other reports are generated, sorted by producer.
- The report should show the producer number or other internal identifier.
- The following are the items (columns in a spread sheet format) that should be presented:
  - Producer Number
  - Producer Name
  - Policy Number
  - Brokerage Account Number

- Type
- Issue Date
- Product Type
- Product Code
- Product Name
- Premium
- Account Balance
- Share Class
- Issue Age
- Replacement (Y or N)
- Replaced Insurer
- Surrender Charge Amount (in the case of surrenders)
- Qualified Plan Type
- Benefit Elections
- Subaccount Allocations





## Variable Annuity Sales Compliance Review Report

**For:** ABC Distributor  
**From:** XYZ Carrier  
**Reporting period:** 1/1/2008 to 1/31/2008  
**Report Date:** 2/6/2008  
**For questions or comments about this report contact:** John Smith (800) 123-4567 x900 jsmith@lifeco.com

This report is being prepared for you in order to provide ongoing review of the sales activities of your firm. It is intended to be a proactive resources for both you, the distributor, and us as the annuity product provider.

### Compliance Observations:

Upon review of this report we found the following anomalies in respect to transactions conducted by your firm. Your response is appreciated.

Item	Report	Comment
1	Summary	Return of Account Value Rider does not appear to be sold.
2	Summary	Several Producers have Replacement Ratios greater than firm average.
3	Summary	

**Insurer to Distributor Compliance Report (IDCR)**

--- DRAFT EXAMPLE ---

**Carrier:** Sample Carrier  
**Distributor:** Sample Distributor  
**Report Date: Start** 1/1/2008  
**Report Date: End** 1/31/2008

	<u>Distributor</u>	<u>Average Distributor</u>
<b>Totals</b>		
Total Assets Under Management \$	834,565,745	\$ 245,345,345
Total Policies Inforce	4,571	1,378
Total Policies Replaced (Incoming) This Period	2	2
Total Policies Surrendered (Outgoing) This Period	2	2

**Premium/Sales Values this Period (Month)**

Total Number of Policies	25	12
Total New Premium \$	4,564,100	\$ 2,136,350
Average New Premium \$	182,564	\$ 178,029
Average Owner Age	52	51
# of Owners between:		
#0-49	13	44.0% 43.0%
# 50-55	2	8.0% 7.0%
# 56-60	3	12.0% 13.0%
# 61-65	3	12.0% 11.0%
# 66-70	1	4.0% 5.0%
#71-75	2	8.0% 7.0%
# 76-80	1	4.0% 5.0%
# 81- 85	2	8.0% 6.0%
# 86-90	0	0.0% 2.0%
# 90+	0	0.0% 1.0%

**Product Type Statistics**

Lupus FA	3	12.0%	11.0%
GRUS FA	1	4.0%	5.0%
Taurus VA	8	32.0%	30.0%
Corvus VA	6	24.0%	25.0%
Orion VA	3	12.0%	14.0%
Draco VA	4	16.0%	15.0%

**Share Class Statistics**

# A Share	4	16.0%	18.0%
# B Share	4	16.0%	12.0%
# C Share	10	40.0%	36.0%
# L Share	5	20.0%	28.0%
Bonus Share	2	8.0%	6.0%

**Lupus FA - Share Classes**

# A Share	1	20.0%	20.0%
# B Share	1	20.0%	20.0%
# C Share	1	20.0%	20.0%
# L Share	1	20.0%	20.0%
Bonus Share	1	20.0%	20.0%

**GRUS FA - Share Classes**

# A Share	1	20.0%	20.0%
# B Share	1	20.0%	20.0%
# C Share	1	20.0%	20.0%
# L Share	1	20.0%	20.0%
Bonus Share	1	20.0%	20.0%

**Taurus VA - Share Classes**

# A Share	1	20.0%	20.0%
# B Share	1	20.0%	20.0%
# C Share	1	20.0%	20.0%
# L Share	1	20.0%	20.0%
Bonus Share	1	20.0%	20.0%

**Corvus VA - Share Classes**

# A Share	1	20.0%	20.0%
# B Share	1	20.0%	20.0%
# C Share	1	20.0%	20.0%
# L Share	1	20.0%	20.0%
Bonus Share	1	20.0%	20.0%

**Orion VA - Share Classes**

# A Share	1	20.0%	20.0%
# B Share	1	20.0%	20.0%
# C Share	1	20.0%	20.0%
# L Share	1	20.0%	20.0%
Bonus Share	1	20.0%	20.0%

**Death Benefits (standard categories list): Distribution of all Policies Sold This Period**

Beneficiary Protection Rider (RST=1)	3	12.0%	8.0%
Spousal Protection Benefit (RST=2)	5	20.0%	15.0%
Growth (RST=3)	4	16.0%	22.0%
Stepped-Up (RST=4)	2	8.0%	9.0%
Return of premium (RST=5)	2	8.0%	6.0%
Return of account value (RST=6)	0	0.0%	2.0%

**Living Benefits (standard categories list): Distribution of all Policies Sold This Period**

**Guaranteed Minimum Accumulation Benefit (GMAB)**

Guaranteed Minimum Accumulation Benefit (RST=7) 7 28.0% 24.0%

**Guaranteed Minimum Income Benefit (GMIB)**

Standard Guaranteed Minimum Income Benefit (RST=8) 4 16.0% 18.0%

Guaranteed Payment Floor Step-Up (RST=9) 0 0.0% 2.0%

Automatic Annual Step-up (RST=33) 13 37.0% 36.0%

**Guaranteed Minimum Withdrawal Benefit (GMWB)**

Standard Guaranteed Minimum Withdrawal Benefit (RST=10) 5 20.0% 15.0%

Stepped Up GWB (RST=35) 2 8.0%

**Guaranteed Minimum Withdrawal for Life Benefit (GWLB)**

Standard Guaranteed Withdrawal for Life Benefit (RST=11) 6 24.0% 22.0%

Nursing Home Guaranteed Withdrawal for Life (RST=13) 1 4.0% 6.0%

Stepped Up GWB for Life (RST=34) 2 8.0% 11.0%

**Bonus Riders**

Premium Enhancement (RST=14) 4 16.0% 21.0%

**Replacements (Incoming to Insurer)**

Total Number / % of Total New Premium 7 28.0% 28.0%

Total Premium / % of Total New Premium \$ 1,551,600 34.0% 35.0%

**Surrenders (Outgoing from Insurer)**

Total Number / % of New Policies Sold this period 2 8.0% 16.7%

Surrenders in relation to total policies remaining inforce 0.044% 0.145%

**Free Look Exercised**

Total Number 2 8.0% 7.8%

## SubAccounts Percentage Allocation

1000	27%	26%
1010	35%	35%
1020	23%	22%
1030	56%	56%
2000	34%	27%
2010	12%	11%
2020	32%	32%
3000	15%	14%
3100	17%	17%
4000	21%	20%
4100	31%	31%
4200	38%	35%

## Producer Reports

	<b>Total Premium</b>	<b>#</b>	<b>Replacement</b>	<b>#</b>	<b>%</b>
<b>Producer</b> \$	864,250	5	\$ 178,340	1.2	24%
P100 - Sam Smith \$	706,300	4	\$ -	0	0%
P200 - George Merritt \$	837,500	5	\$ 49,500	2	40%
P300 - William Bonnett \$	988,500	5	\$ 563,700	2	40%
P400 - Jennifer Valans \$	1,426,800	9	\$ 278,500	2	22%
P500 - Julie Aries \$	605,000	2	\$ -	0	0%

**New Business Report - Policies ordered by Producer, Product, Share Class; Premium subtotal by Producer**

Producer		Policy Issue		Product	Product	Share	Issue	Replace	Replaced	Qual Plan			
Number	Producer Name	Policy Number	Date	Product Type	Code	Name	Premium	Class	Age	ment	Insurer	Type	
P100	Sam Smith	13891678498	1/2/2008	Fixed Annuity	FA100	GRUS FA	\$ 117,400	L	35	N		Non-Qual	
P100	Sam Smith	24346604814	1/4/2008	Variable Annuity	VA100	Corvus VA	\$ 188,400	A	82	N		Non-Qual	
P100	Sam Smith	33516089851	1/15/2008	Variable Annuity	VA200	Draco VA	\$ 133,700	B	28	N		Non-Qual	
P100	Sam Smith	53312247298	1/21/2008	Variable Annuity	VA100	Corvus VA	\$ 266,800	C	63	N		Non-Qual	
<b>P100 Total</b>							\$ 706,300						
P200	George Merritt	20591650683	1/4/2008	Variable Annuity	VA300	Taurus VA	\$ 229,600	A	71	Y	MNP Life	Non-Qual	
P200	George Merritt	40739274708	1/15/2008	Variable Annuity	VA400	Orion VA	\$ 265,600	A	71	Y	ABC Life	Non-Qual	
P200	George Merritt	47393651688	1/17/2008	Variable Annuity	VA100	Corvus VA	\$ 179,000	B	63	N		Non-Qual	
P200	George Merritt	26701480883	1/7/2008	Variable Annuity	VA400	Orion VA	\$ 23,600	C	63	N		Non-Qual	
P200	George Merritt	31329714455	1/11/2008	Variable Annuity	VA400	Orion VA	\$ 139,700	L	26	N		Non-Qual	
<b>P200 Total</b>							\$ 837,500						
P300	William Bonnett	52793933283	1/24/2008	Fixed Annuity	FA200	Lupus FA	\$ 286,900	L	83	Y	BCD Life	IRA	
P300	William Bonnett	27239873487	1/8/2008	Variable Annuity	VA300	Taurus VA	\$ 266,100	A	49	N		Non-Qual	
P300	William Bonnett	36043612087	1/9/2008	Variable Annuity	VA300	Taurus VA	\$ 43,900	B	57	N		Non-Qual	
P300	William Bonnett	29593447432	1/10/2008	Variable Annuity	VA300	Taurus VA	\$ 114,800	B	29	N		Non-Qual	
P300	William Bonnett	50769892284	1/21/2008	Variable Annuity	VA100	Corvus VA	\$ 276,800	C	52	Y	DBA Life	Non-Qual	
<b>P300 Total</b>							\$ 988,500						
P400	Jennifer Valans	12602718729	1/1/2008	Fixed Annuity	FA200	Lupus FA	\$ 106,000	C	35	Y	QRT Life	Non-Qual	
P400	Jennifer Valans	23037890330	1/2/2008	Fixed Annuity	FA200	Lupus FA	\$ 150,100	C	35	N		Non-Qual	
P400	Jennifer Valans	14336276755	1/3/2008	Variable Annuity	VA200	Draco VA	\$ 220,300	C	29	N		Non-Qual	
P400	Jennifer Valans	29592959083	1/9/2008	Variable Annuity	VA100	Corvus VA	\$ 201,400	C	37	N		Non-Qual	
P400	Jennifer Valans	48045664875	1/18/2008	Variable Annuity	VA200	Draco VA	\$ 180,800	C	54	N		Non-Qual	
P400	Jennifer Valans	63915937425	1/24/2008	Variable Annuity	VA200	Draco VA	\$ 146,600	C	40	N		Non-Qual	
P400	Jennifer Valans	85561349765	1/25/2008	Variable Annuity	VA300	Taurus VA	\$ 34,900	C	66	N		Non-Qual	
P400	Jennifer Valans	37067513313	1/14/2008	Variable Annuity	VA300	Taurus VA	\$ 172,500	L	40	Y	ABC Life	IRA	
P400	Jennifer Valans	44589896615	1/16/2008	Variable Annuity	VA100	Corvus VA	\$ 214,200	L	80	Y	ABC Life	Non-Qual	
<b>P400 Total</b>							\$ 1,426,800						
P500	Julie Aries	56878467969	1/22/2008	Variable Annuity	VA300	Taurus VA	\$ 350,000	C	56	N		Non-Qual	
P500	Julie Aries	56887794964	1/23/2008	Variable Annuity	VA300	Taurus VA	\$ 255,000	C	58	N		Non-Qual	
<b>P500 Total</b>							\$ 605,000						
<b>Grand Total</b>							\$ 4,564,100						
<b>P500 Count</b>													2
<b>Grand Count</b>													25



**Tax Qualified Sales Report - Policies ordered by Producer, Product, Share Class; Premium subtotal by Producer**

Producer Number	Producer Name	Policy Number	Policy Effective Date	Product Type	Product Code	Product Name	Premium	Share Class	Issue Age	Replacement	Qual Plan Type	DB Base	DB Std	DB Plus	GMIB	GMIB+	LWB Basic	LWB Plus	GWB	
P300	William Bonnett	52793933283	1/24/2008	Fixed Annuity	FA200	Lupus FA	\$ 286,900	L	83	Y	IRA	Y								Y
P400	Jennifer Valans	37067513313	1/14/2008	Variable Annuity	VA300	Taurus VA	\$ 172,500	L	40	Y	IRA				Y					Y

**Benefit Election Report - Ordered by Producer**

Producer		Product	Product	Share	Issue	Replacem	Replaced	Qual Plan	DB	DB	DB	GMI	GMI	LWB	LWB					
Number	Producer Name	Policy Number	Product Type	Code	Name	Premium	Class	Age	ent	Insurer	Type	Base	Std	Plus	B	B+	Basic	Plus	GWB	
P100	Sam Smith	33516089851	Variable Annuity	VA200	Draco VA	\$ 133,700	B	28	N		Non-Qual									Y
P100	Sam Smith	13891678498	Fixed Annuity	FA100	GRUS FA	\$ 117,400	L	35	N		Non-Qual		Y							Y
P100	Sam Smith	53312247298	Variable Annuity	VA100	Corvus VA	\$ 266,800	C	63	N		Non-Qual				Y					
P100	Sam Smith	24346604814	Variable Annuity	VA100	Corvus VA	\$ 188,400	A	82	N		Non-Qual	Y			Y					Y
P200	George Merritt	31329714455	Variable Annuity	VA400	Orion VA	\$ 139,700	L	26	N		Non-Qual		Y							Y
P200	George Merritt	47393651688	Variable Annuity	VA100	Corvus VA	\$ 179,000	B	63	N		Non-Qual									
P200	George Merritt	26701480883	Variable Annuity	VA400	Orion VA	\$ 23,600	C	63	N		Non-Qual				Y					Y
P200	George Merritt	40739274708	Variable Annuity	VA400	Orion VA	\$ 265,600	A	71	Y	ABC Life	Non-Qual									Y
P200	George Merritt	20591650683	Variable Annuity	VA300	Taurus VA	\$ 229,600	A	71	Y	MNP Life	Non-Qual									
P300	William Bonnett	29593447432	Variable Annuity	VA300	Taurus VA	\$ 114,800	B	29	N		Non-Qual									Y
P300	William Bonnett	27239873487	Variable Annuity	VA300	Taurus VA	\$ 266,100	A	49	N		Non-Qual									Y
P300	William Bonnett	50769892284	Variable Annuity	VA100	Corvus VA	\$ 276,800	C	52	Y	DBA Life	Non-Qual		Y			Y				Y
P300	William Bonnett	36043612087	Variable Annuity	VA300	Taurus VA	\$ 43,900	B	57	N		Non-Qual									Y
P300	William Bonnett	52793933283	Fixed Annuity	FA200	Lupus FA	\$ 286,900	L	83	Y	BCD Life	IRA	Y								Y
P400	Jennifer Valans	14336276755	Variable Annuity	VA200	Draco VA	\$ 220,300	C	29	N		Non-Qual									Y
P400	Jennifer Valans	23037890330	Fixed Annuity	FA200	Lupus FA	\$ 150,100	C	35	N		Non-Qual			Y	Y					Y
P400	Jennifer Valans	12602718729	Fixed Annuity	FA200	Lupus FA	\$ 106,000	C	35	Y	QRT Life	Non-Qual			Y						
P400	Jennifer Valans	29592959083	Variable Annuity	VA100	Corvus VA	\$ 201,400	C	37	N		Non-Qual	Y		Y		Y				
P400	Jennifer Valans	63915937425	Variable Annuity	VA200	Draco VA	\$ 146,600	C	40	N		Non-Qual					Y				Y
P400	Jennifer Valans	37067513313	Variable Annuity	VA300	Taurus VA	\$ 172,500	L	40	Y	ABC Life	IRA				Y					Y
P400	Jennifer Valans	48045664875	Variable Annuity	VA200	Draco VA	\$ 180,800	C	54	N		Non-Qual		Y							Y
P400	Jennifer Valans	85561349765	Variable Annuity	VA300	Taurus VA	\$ 34,900	C	66	N		Non-Qual		Y			Y				Y
P400	Jennifer Valans	44589896615	Variable Annuity	VA100	Corvus VA	\$ 214,200	L	80	Y	ABC Life	Non-Qual			Y						Y
P500	Julie Aries	56878467969	Variable Annuity	VA300	Taurus VA	\$ 350,000	C	56	N		Non-Qual				Y					
P500	Julie Aries	56887794964	Variable Annuity	VA300	Taurus VA	\$ 255,000	C	58	N		Non-Qual				Y					

SubAccount Allocation Report - Ordered by Producer, Product Code

Producer		Policy Number	Product Type	Product Code	Product Name	Premium	Share Class	Issue Date	Qual Plan Type	Qual Plan													
Number	Producer Name									1000	1010	1020	1030	2000	2010	2020	3000	3100	4000	4100	4200		
P100	Sam Smith	13891678498	Fixed Annuity	FA100	GRUS FA	\$ 117,400	L	1/2/2008	Non-Qual	100													
P100	Sam Smith	53312247298	Variable Annuity	VA100	Corvus VA	\$ 266,800	C	1/4/2008	Non-Qual		100												
P100	Sam Smith	24346604814	Variable Annuity	VA100	Corvus VA	\$ 188,400	A	1/15/2008	Non-Qual		60				40								
P100	Sam Smith	33516089851	Variable Annuity	VA200	Draco VA	\$ 133,700	B	1/21/2008	Non-Qual		20				20		20		20				20
P200	George Merritt	47393651688	Variable Annuity	VA100	Corvus VA	\$ 179,000	B	1/7/2008	Non-Qual				50				50						
P200	George Merritt	20591650683	Variable Annuity	VA300	Taurus VA	\$ 229,600	A	1/11/2008	Non-Qual								100						
P200	George Merritt	31329714455	Variable Annuity	VA400	Orion VA	\$ 139,700	L	1/17/2008	Non-Qual			33			33						34		
P200	George Merritt	26701480883	Variable Annuity	VA400	Orion VA	\$ 23,600	C	1/4/2008	Non-Qual				40			40						20	
P200	George Merritt	40739274708	Variable Annuity	VA400	Orion VA	\$ 265,600	A	1/15/2008	Non-Qual		30			30				30			10		
P300	William Bonnett	52793933283	Fixed Annuity	FA200	Lupus FA	\$ 286,900	L	1/8/2008	IRA	100													
P300	William Bonnett	50769892284	Variable Annuity	VA100	Corvus VA	\$ 276,800	C	1/10/2008	Non-Qual														
P300	William Bonnett	29593447432	Variable Annuity	VA300	Taurus VA	\$ 114,800	B	1/9/2008	Non-Qual					50							50		
P300	William Bonnett	27239873487	Variable Annuity	VA300	Taurus VA	\$ 266,100	A	1/21/2008	Non-Qual		10	10	10		10	10	10	10	10	10	10	10	10
P300	William Bonnett	36043612087	Variable Annuity	VA300	Taurus VA	\$ 43,900	B	1/24/2008	Non-Qual						50			50					
P400	Jennifer Valans	23037890330	Fixed Annuity	FA200	Lupus FA	\$ 150,100	C	1/3/2008	Non-Qual	100													
P400	Jennifer Valans	12602718729	Fixed Annuity	FA200	Lupus FA	\$ 106,000	C	1/2/2008	Non-Qual	100													
P400	Jennifer Valans	29592959083	Variable Annuity	VA100	Corvus VA	\$ 201,400	C	1/9/2008	Non-Qual														
P400	Jennifer Valans	44589896615	Variable Annuity	VA100	Corvus VA	\$ 214,200	L	1/18/2008	Non-Qual				40			30						30	
P400	Jennifer Valans	14336276755	Variable Annuity	VA200	Draco VA	\$ 220,300	C	1/24/2008	Non-Qual				40			60							
P400	Jennifer Valans	63915937425	Variable Annuity	VA200	Draco VA	\$ 146,600	C	1/25/2008	Non-Qual					50				50					
P400	Jennifer Valans	48045664875	Variable Annuity	VA200	Draco VA	\$ 180,800	C	1/1/2008	Non-Qual				40			40						20	
P400	Jennifer Valans	37067513313	Variable Annuity	VA300	Taurus VA	\$ 172,500	L	1/14/2008	IRA				40			40						20	
P400	Jennifer Valans	85561349765	Variable Annuity	VA300	Taurus VA	\$ 34,900	C	1/16/2008	Non-Qual				40			40						20	
P500	Julie Aries	56878467969	Variable Annuity	VA300	Taurus VA	\$ 350,000	C	1/22/2008	Non-Qual			80				20							
P500	Julie Aries	56887794964	Variable Annuity	VA300	Taurus VA	\$ 255,000	C	1/23/2008	Non-Qual			80				20							

**Replacement Report - Ordered by Producer, Product**

<b>Producer</b>																			
<b>Number</b>	<b>Producer Name</b>	<b>Policy Number</b>	<b>Product Type</b>	<b>Product Code</b>	<b>Product Name</b>	<b>Premium</b>	<b>Share Class</b>	<b>Issue Age</b>	<b>Replacement</b>	<b>Replaced Insurer</b>	<b>Qual Plan Type</b>	<b>DB Base</b>	<b>DB Std</b>	<b>DB Plus</b>	<b>GMIB</b>	<b>GMIB+</b>	<b>LWB Basic</b>	<b>LWB Plus</b>	<b>GWB</b>
P400	Jennifer Valans	12602718729	Fixed Annuity	FA200	Lupus FA	\$ 106,000	C	35	Y	QRT Life	Non-Qual			Y					
P400	Jennifer Valans	37067513313	Variable Annuity	VA300	Taurus VA	\$ 172,500	L	40	Y	ABC Life	IRA				Y				Y
P300	William Bonnett	50769892284	Variable Annuity	VA100	Corvus VA	\$ 276,800	C	52	Y	DBA Life	Non-Qual		Y			Y		Y	
P200	George Merritt	40739274708	Variable Annuity	VA400	Orion VA	\$ 265,600	A	71	Y	ABC Life	Non-Qual							Y	
P200	George Merritt	20591650683	Variable Annuity	VA300	Taurus VA	\$ 229,600	A	71	Y	MNP Life	Non-Qual								
P400	Jennifer Valans	44589896615	Variable Annuity	VA100	Corvus VA	\$ 214,200	L	80	Y	ABC Life	Non-Qual			Y				Y	
P300	William Bonnett	52793933283	Fixed Annuity	FA200	Lupus FA	\$ 286,900	L	83	Y	BCD Life	IRA	Y							Y

**Surrendered - Ordered by Producer**

<b>Producer Number</b>	<b>Producer Name</b>	<b>Policy Number</b>	<b>Product Type</b>	<b>Product Code</b>	<b>Product Name</b>	<b>Share Class</b>	<b>Issue Age</b>	<b>Qual Plan Type</b>	<b>Aggregate Premiun</b>	<b>Account Value</b>	<b>Returned Amount</b>	<b>Surrender Charge Amt</b>	<b>Other Charges</b>
P100	Sam Smith	26827774954	Variable Annuity	VA300	Taurus VA	C	42	Non-Qual	\$ 325,400			\$ 13,016	
P400	Jennifer Valans	77323682682	Variable Annuity	VA100	Corvus VA	C	47	Non-Qual	\$ 64,000			\$ 640	
P200	Jennifer Valans	54736736732	Variable Annuity	VA100	Corvus VA	C	38	Non-Qual	\$ 72,000			\$ -	

**Free Look Exercised Report - Ordered by Producer**

Producer					Date of Free	Product	Product		Account	Returned	Share	Qual Plan
Number	Producer Name	Policy Number	Product Type	Issue Date	Look	Code	Name	Premium	Value	Amount	Class	Type
P200	George Merritt	59604859602	Variable Annuity	1/16/2008	1/21/2008	VA400	Orion VA	\$ 225,000	\$ 223,000	\$ 223,000	L	Non-Qual
P100	Sam Smith	39574851034	Variable Annuity	1/24/2008	1/30/2008	VA200	Draco VA	\$ 175,000	\$ 174,000	\$ 175,000	B	Non-Qual

**Orphaned Policy Report - List of ALL policies without current servicing agent or appointed agent**

<b>Last Active Agent</b>									
<b>Agent Number</b>	<b>Last Active Agent</b>	<b>Policy Number</b>	<b>Policy Type</b>	<b>Product Name</b>	<b>Owner Name</b>	<b>Account Value</b>	<b>Issue Date</b>	<b>Orphan Date</b>	
P001	George OldTimer	58874192704	VA100	Corvus VA	Don Smith	\$ 267,000	1/15/1960	1/15/2008	
P001	George OldTimer	54362962890	VA100	Corvus VA	Phil Williams	\$ 187,000	3/12/1962	1/15/2008	
P001	George OldTimer	91273039740	VA200	Draco VA	Donna Rogue	\$ 266,000	5/7/1964	1/15/2008	
P001	George OldTimer	93022473827	VA100	Corvus VA	Bill Edwards	\$ 249,000	7/3/1966	1/15/2008	
P001	George OldTimer	26273967787	VA100	Corvus VA	Phil Nichols	\$ 146,500	8/28/1968	1/15/2008	
P001	George OldTimer	32794777022	VA100	Corvus VA	Angelia Wundercova	\$ 171,500	10/24/1970	1/15/2008	
P001	George OldTimer	26135396443	VA200	Draco VA	Ed Milkons	\$ 216,500	12/19/1972	1/15/2008	
P006	Nancy Wasgreat	64608343216	VA200	Draco VA	Rick Mills	\$ 110,000	2/14/1975	1/2/2008	
P006	Nancy Wasgreat	48993485771	VA100	Corvus VA	Debbie Wilson	\$ 393,500	4/11/1977	1/2/2008	
P006	Nancy Wasgreat	62672260923	VA200	Draco VA	Frank Wilson	\$ 214,000	6/7/1979	1/2/2008	
P006	Nancy Wasgreat	59520811113	VA100	Corvus VA	Ed Wood	\$ 123,000	8/2/1981	1/2/2008	
P006	Nancy Wasgreat	47469846063	VA200	Draco VA	Edward Scissorhands	\$ 407,000	9/28/1983	1/2/2008	
P048	Chuck Hasbeen	94737605080	VA100	Corvus VA	Jack Sparrow	\$ 124,500	11/23/1985	1/31/2008	
P068	Valerie Nevermore	28157410623	VA100	Corvus VA	J.M. Barrie	\$ 208,000	1/19/1988	1/31/2008	
P091	Sue Suresale	61856716442	VA100	Corvus VA	Raoul Duke	\$ 109,000	3/16/1990	1/31/2008	

**Subsequent Premium Activity - Ordered by Producer**

Producer Number	Producer Name	Policy Number	Policy Type	Product Name	Issue Date	Date of Deposit	Deposit Amount	Account Balance
P100	Sam Smith	60355381989	VA100	Corvus VA	9/10/2001	1/3/2008	\$ 25,000	\$ 745,000
P200	George Merritt	49968986495	VA100	Corvus VA	3/2/2005	1/5/2008	\$ 250	\$ 49,250
P300	William Bonnett	94102046038	VA400	Orion VA	3/1/2008	1/25/2008	\$ 5,000	\$ 25,000
P400	Jennifer Valans	18693148907	VA400	Orion VA	3/15/2007	1/14/2008	\$ 250	\$ 50,750
P500	Julie Aries	42947898539	VA300	Taurus VA	7/16/2006	1/31/2008	\$ 500	\$ 45,500
P500	Julie Aries	40304986384	VA300	Taurus VA	7/18/2007	1/25/2008	\$ 7,500	\$ 225,000

**Order Detail Report - All orders for reporting period**

Producer		Brokerage			Product			
Number	Producer Name	Policy Number	Account #	Type	Issue Date	Product Type	Code	Product Name
P100	Sam Smith	13891678498	5207975	New	1/2/2008	Fixed Annuity	FA100	GRUS FA
P100	Sam Smith	24346604814	4054405	New	1/4/2008	Variable Annuity	VA100	Corvus VA
P100	Sam Smith	33516089851	7370975	New	1/15/2008	Variable Annuity	VA200	Draco VA
P100	Sam Smith	53312247298	7310193	New	1/21/2008	Variable Annuity	VA100	Corvus VA
P200	George Merritt	26701480883	5360585	New	1/7/2008	Variable Annuity	VA400	Orion VA
P200	George Merritt	31329714455	5336155	New	1/11/2008	Variable Annuity	VA400	Orion VA
P200	George Merritt	47393651688	8182145	New	1/17/2008	Variable Annuity	VA100	Corvus VA
P200	George Merritt	20591650683	7129058	New	1/4/2008	Variable Annuity	VA300	Taurus VA
P200	George Merritt	40739274708	7544916	New	1/15/2008	Variable Annuity	VA400	Orion VA
P300	William Bonnett	27239873487	3708183	New	1/8/2008	Variable Annuity	VA300	Taurus VA
P300	William Bonnett	29593447432	6786563	New	1/10/2008	Variable Annuity	VA300	Taurus VA
P300	William Bonnett	36043612087	8654821	New	1/9/2008	Variable Annuity	VA300	Taurus VA
P300	William Bonnett	50769892284	6663398	New	1/21/2008	Variable Annuity	VA100	Corvus VA
P300	William Bonnett	52793933283	5221460	New	1/24/2008	Fixed Annuity	FA200	Lupus FA
P400	Jennifer Valans	14336276755	8507280	New	1/3/2008	Variable Annuity	VA200	Draco VA
P400	Jennifer Valans	23037890330	5639753	New	1/2/2008	Fixed Annuity	FA200	Lupus FA
P400	Jennifer Valans	29592959083	4230547	New	1/9/2008	Variable Annuity	VA100	Corvus VA
P400	Jennifer Valans	48045664875	5809003	New	1/18/2008	Variable Annuity	VA200	Draco VA
P400	Jennifer Valans	63915937425	6690370	New	1/24/2008	Variable Annuity	VA200	Draco VA
P400	Jennifer Valans	85561349765	3129511	New	1/25/2008	Variable Annuity	VA300	Taurus VA
P400	Jennifer Valans	12602718729	3388708	New	1/1/2008	Fixed Annuity	FA200	Lupus FA
P400	Jennifer Valans	37067513313	8366018	New	1/14/2008	Variable Annuity	VA300	Taurus VA
P400	Jennifer Valans	44589896615	5308184	New	1/16/2008	Variable Annuity	VA100	Corvus VA
P500	Julie Aries	56878467969	2812755	New	1/22/2008	Variable Annuity	VA300	Taurus VA
P500	Julie Aries	56887794964	3252617	New	1/23/2008	Variable Annuity	VA300	Taurus VA
P100	Sam Smith	60355381989	4575678	Sub	9/10/2001	Variable Annuity	VA100	Corvus VA
P200	George Merritt	49968986495	2538475	Sub	3/2/2005	Variable Annuity	VA100	Corvus VA
P300	William Bonnett	94102046038	8575476	Sub	3/1/2008	Variable Annuity	VA400	Orion VA
P400	Jennifer Valans	18693148907	3667543	Sub	3/15/2007	Variable Annuity	VA400	Orion VA
P500	Julie Aries	42947898539	8486467	Sub	7/16/2006	Variable Annuity	VA300	Taurus VA
P500	Julie Aries	40304986384	4683754	Sub	7/18/2007	Variable Annuity	VA300	Taurus VA
P400	Jennifer Valans	54736736732	2563576	Surr	5/15/2006	Variable Annuity	VA100	Corvus VA



SubAccount Allocations (%) - Standing Allocation

LWB	Plus	GWB	DCA	1000	1010	1020	1030	2000	2010	2020	3000	3100	4000	4100	4200
Y				100											
Y					60			40							
	Y				20			20		20		20			20
					100										
Y						40			40						20
	Y				33			33					34		
						50				50					
										100					
Y					30		30				30		10		
Y					10	10	10	10	10	10	10	10	10	10	
Y							50					50			
Y								50			50				
Y															
	Y			100											
Y						40			60						
Y				100											
	Y					40			40						20
Y							50				50				
Y						40			40						20
				100											
	Y					40			40						20
Y						40			30						30
					80			20							
					80			20							