Model 245 Ideas

NAIC Life Insurance and Annuity Illustration Working Group

List of Potential Modifications to Model 245

#	Topic	Item	Party	Modification	Description	Academy	ACLI	CAI	Finseca	IALC	IRI	NY
1	Illustration Length	A	AAA, ACLI, CAI, IRI, Scott Stolz	Shorter Illustration Ledger	Do not require illustrations to maturity, such as only through the surrender charge period, 10 years, or longer if product features are focused on a longer time horizon	Possibly	✓	✓		✓	✓	Possibly
		B	ACLI, CAI, IRI	Fewer Redundancies	Eliminate redundancies between narrative summary and Section 5 of Model 245	✓	✓	✓		✓	✓	✓
		C	CAI	Combine Illustration Ledger	Side by side comparison of tabular illustrations, such as guaranteed rates, most-recent, etc., to reduce length	`	✓	✓		✓		✓
2	Illustrated Rate	A	AAA	Composite Indices	Clarify how to measure history or how to treat newer indices that are formulaic blends of older indices, e.g., new index that is 50% S&P / 50% Dow vs index that balances between indices	✓	Possibly	Possibly				
		B	ACLI, CAI, IRI	High/Low Scenarios	Base high/low scenarios on sampling from longer than a 20 year period if an index has existed longer, to increase the variability of both low and high scenarios for consumer understanding	Possibly	✓	✓		✓	✓	
		C	ACLI, CAI, IRI	Additional Data for Non-Illustrated Index Accounts	Consider adding data or other approaches in cases where the index can't be illustrated due to existing fewer than 10 years	`	✓	✓		✓	✓	
		D	CANNEX	Reduced Rate Scenario	Mandate a supplemental reduce rate scenario, in which non-guaranteed elements are reduced by a percentage specified by the commissioner	Possibly						
		E	LICAC	Crediting Rate	Single prescribed crediting rate for all carriers and also for RILAs, e.g., 5%	X	X	X	X	X	X	Possibly
		F	LICAC, Scott Stolz	Table of Non-Guaranteed History and Crediting Rates	When there is history, require a table of caps in each past calendar year, spreads/fees in each past calendar year, interest credited, and cash values (LICAC proposed five years of history)	X	X	X		X		
		G	Scott Stolz	Indices less than 10yrs - 1	Illustrated return equal to ten year US treasuries plus 1.5%-2.0%		X	X		X		Possibly
		H	Scott Stolz	Indices less than 10yrs - 2	Show a table that shows the hypothetical average, best, and worse performances over a selected timeframe, in addition to % of positive, negative, and zero returns							
		I	IALC	Cap at Multiple of Volatility (new)	Show annual historical/hypothetical returns, capped at 150% of the annual volatility			Possibly	✓	✓	✓	
		J	IALC	Replace "low" scenario with guarantee scenario	Show the guaranteed scenario as the low scenario, instead of a separate low scenario that may not cover the full range of adverse outcomes		✓	✓	✓	✓	✓	✓
		K	NYSDFS	Up/down & fixed account (new)	Up 20% scenario and down 20% scenario for a one-year illustration; any illustration beyond one year is capped at 110% of the general account fixed income earnings rate							✓
3	Disclosures	A	AAA	Not Projections	Adding disclosures to further emphasize that illustrations are not intended to be projections	✓	✓	✓		✓		✓
		B	ACLI, CAI, IRI, CANNEX	Anticipated Changes to Non-Guaranteed Elements	Adding disclosures and emphasizing requirements of reflecting anticipated changes to non-guaranteed elements	✓	✓	✓		✓	✓	Possibly
		C	CANNEX	Standardizing Language	Adding standardized Model language to promote consistency for consumers and provide insurers with regulatory clarity		✓					Possibly
		D	LICAC	Non-Guaranteed vs Guaranteed	Statement to distinguish guaranteed vs. non-guaranteed features		✓	✓		✓		Possibly
		E	LICAC	Financial Strength	Disclose financial strength of company as a differentiating factor between carriers		X	X		X		
4	Account-ability	A	AAA	Illustration Actuary or Officer	Create an officer or an illustration actuary role that is held accountable / responsible for the illustration (e.g., annual certifications)	✓	✓	✓		✓	✓	✓

Issue 1: Illustration Length

- Shorter Illustration Ledger
  - Do not require illustrations to maturity, such as only through the surrender charge period, 10 years, or longer if product features are focused on a longer time horizon
- Fewer Redundances
  - Do not require illustrations to maturity, such as only through the surrender charge period, 10 years, or longer if product features are focused on a longer time horizon
- Combine Illustration Ledger
  - Side by side comparison of tabular illustrations, such as guaranteed rates, most-recent, etc., to reduce length

Does the Working Group support each of these ideas?

Issue 2: Disclosures

1. Emphasizing illustrations are not projections *(only comments in support)*
2. More disclosures for anticipated changes to NGEs *(some in support, some opposed)*
3. Adding standardized language *(no comments)*
4. Statement further distinguishing NGEs vs guarantees *(some comments in support)*
5. Disclosure of company financial strength *(only comments in opposition)*

Does the Working Group support each of these ideas?

Issue 3: Accountability

Create an officer or an illustration actuary role that is held accountable / responsible for the illustration (e.g., annual certifications)?

- *Several comments in support*
- *Various parties expressed support for a responsible "company officer" rather than a responsible "actuary"*
- *Different ideas were offered for potential wording of an attestation that this responsible party would sign, regarding compliance with Model 245*

Does the Working Group support an attestation from a designated company officer regarding compliance with Model 245?

Issue 4: Illustrated Rates of Return

Several ideas related to illustrated returns:

- Clarification of how to measure indices made up of multiple other indices
- Longer than 20 years of history to determine the sample high and low scenarios
- Adding more data for indices created within the past 10 years
- Supplemental reduced rate scenarios, with percentage reduction to non-guaranteed elements
- Prescribed level illustrated return
- Table of historical changes to non-guaranteed elements
- Illustrated returns equal to the 10-year US Treasury + 1%-2%
- Table of percent positive vs. negative returns across a hypothetical distribution
- Hypothetical annual returns capped at 150% of annual volatility
- Replace "low" with "guaranteed" scenario
- Up and down 20% scenarios
- Cap at 110% of general account fixed income earnings

Issue 4: Illustrated Rates of Return

Bucket into the following categories:

Hypothetical Returns

(Illustrating historical years the index did not exist)

Non-Guaranteed Elements

(Illustrating historical years the index did exist)

Additional Scenarios

(scenarios and information not based on recent history)

Issue 4A: Should there be hypothetical index returns?

Illustrate returns for years in which index did not exist?

- **Key Concern:** Backfitted indices designed to perform great in historical years
- **Current non-Model 245 practice:** Illustrate hypothetical returns using current non-guaranteed elements
- **Current Model 245 requirements:** Cannot illustrate[1]
- **Options:**
  1. Permit hypothetical index returns based on history with a limit (e.g., 150% x volatility)
  2. Do not permit illustration of these years

(1) Note some companies interpret that hypothetical returns can be illustrated in compliance with Model 245 if components existed greater than 10 years and there is no active management

Issue 4B: How to Apply NGEs applied to historical returns

Is it appropriate to illustrate historical years assuming current NGE levels?

- **Primary Concern:** Not reflecting realistic levels of non-guaranteed elements (NGEs), such as caps or participation rates; backfitting non-guaranteed elements to increase illustrated return
- **Current non-Model 245 practice:** Illustrate historical index returns using current non-guaranteed elements
- **Current Model 245 requirements:** <u>If an index has existed for more than 10 years</u>, illustrate historical index returns using current non-guaranteed elements
- **Options:**
  1. Current Model 245 (apply current cap to history)
  2. Current Model 245 with haircut (X%) to non-guaranteed elements
  3. Apply NGEs that would have been afforded with the option budget

Issue 4C: Additional Scenarios & Supplemental Information

Illustrate additional scenarios or provide other information to present range of risk?

- **Primary Concern:** The past 20 years does not provide a full range of possible high & low scenarios that could occur; provide indication that non-guaranteed elements may change
- **Current non-Model 245 practice:** High & low scenarios based on best/worst 10-year period within the past 20 years of index history, using current non-guaranteed elements
- **Current Model 245 requirements:** <u>If index has existed for more than 10 years</u>, high & low scenarios based on best/worst 10-year period within the past 20 years of index history, using current non-guaranteed elements
- **Options** *(in this case, may select more than one)***:**

    1. Develop high and low scenarios based on index history beyond the past 20 years, if available
    2. Replace “low” scenario with “guaranteed” scenario
    3. Supplemental tables, visuals, or illustration scenarios based on percentage haircuts to NGEs
    4. Up and down X% index return scenarios (e.g., +/-20%)

Issue 4d: Additional Elements

(may depend on prior decisions for issues A, B, and C)

- Retain a 10-year historical index period cutoff in Model 245?
  1. Yes, retain 10 years
  2. Change to 5 years
  3. Remove historical index period cutoff
- Permit illustration of index strategies that combine multiple indices / depend on external variables, if the indices are older than cutoff period?
  1. Yes
  2. No
- Require a table of historical non-guaranteed elements (caps, participation rates, etc.), if available?
  1. Yes, show an average of a calendar year of NGE values
  2. No

Issue 5: Stop-Gap Solution

- The Working Group has already voted for an interim solution to be used until the revised Model is adopted by the legislature in each US state/territory
- What should be the format of the stop-gap solution (assuming the guidance is set to the updated Model 245 wording)?

    1. Actuarial Guideline
    2. Model Bulletin
    3. No stop-gap solution

July 17, 2026

Ben Slutsker
Chair, Life Insurance and Annuities Illustration (A) Working Group
National Association of Insurance Commissioners

Re: Exposure question

Dear Chair Slutsker:

On behalf of the Annuity Products Subcommittee (Subcommittee) of the American Academy of Actuaries,[1] we appreciate the opportunity to provide comments to the June 2, 2026, exposure of the Summary Guide and Flow Chart.

Before sharing our comments on the exposure, we do want to point out one thing related to the reference to a possible actuarial standard of practice (ASOP) related to annuity illustrations. As the Working Group is aware, ASOPs and state insurance laws and regulations serve fundamentally different purposes. ASOPs provide principles-based guidance to actuaries when performing *actuarial services,* as defined in the actuarial Code of Professional Conduct. Such actuarial services include the rendering of advice, recommendations, findings, or opinions *based on actuarial considerations* and using *professional judgment*. In contrast, state insurance laws and regulations establish specific, legally binding requirements that apply to all regulated entities, not just actuaries, in a much broader range of contexts (e.g., product, sales and marketing, consumer protection, solvency, etc.). ASOPs establish standards of actuarial practice and remind actuaries of their responsibility to simultaneously follow all applicable laws and regulations. However, it is very important to point out that ASOPs are not an appropriate substitute for laws and regulations.

As currently written, compliance with the NAIC's Annuity Illustration Model #245 does not require any actuarial considerations or professional judgment. This differs when considering compliance with the NAIC's Life Illustration Model #582, which requires testing and certification by an illustration actuary. Without rendering advice, recommendations, findings, or opinions based on actuarial considerations, an actuary supporting annuity illustrations would not be performing actuarial services as defined in the actuarial Code of Professional Conduct. Consequently, an ASOP could not provide supplemental actuarial guidance. The Subcommittee would be open to further discussion and would suggest including experts from the Actuarial Standards Board in the further conversation, if that would be helpful for the Working Group, particularly, if any actuarial considerations are identified for annuity illustrations.

Summary Guide

- *Please provide feedback on each idea included in the summary guide list of potential Model 245 modifications, including whether or not you support each idea, and any suitable alternatives as relevant.*

[1] The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

Regarding Illustration Length: The Subcommittee supports greater consumer understanding based on the proposed insured's motivation for the annuity. Shortening the illustration may not be appropriate if there is desire to illustrate withdrawal benefits or other features of the annuity that may appear after the surrender charge period or a predefined shorter amount of time. Longer illustrations may be needed and perhaps required through a supplemental illustration if a shorter amount of time is desired for all basic annuity illustrations. The Subcommittee also supports removing unnecessary redundancies that may exist in the illustration, as well as the Buyers Guide, to reduce the length of material provided to consumers, and recommend the disclosures be dealt with in tandem.

Regarding Illustrated Rate: The Subcommittee supports being explicit about what and how composite indices are illustrated. For such composite indices, the Subcommittee supports finding ways to illustrate indices that are a formulaic blend of older existing indices or components of existing indices that have the appropriate historical data of at least 10 years under Model 245. Indices that are more complex, with algorithms and volatility control features, will need to be addressed separately and with revised disclosures. This is an area that would benefit from providing additional clarity within Model 245. Language used in AG 49-A may be useful in addressing what constitutes an index with actual market history that can be illustrated.

Regarding Crediting Rates: The Subcommittee continues to emphasize the illustration's purpose is to show how the product works and should not be used to project future values or anticipate future outcomes. Crediting rates are highly unpredictable. Focusing on variability in the credited rates may be of most use to consumers rather than trying to set a more "realistic expectation". Options for reflecting credited rates could include evaluating product features and nonguaranteed elements through historical rates or a prescribed set of rates or scenarios that reflect variable market behavior.

We remain supportive of the principles stated in our May 18, 2026, letter pertaining to how illustrations may be set up. Our comments encourage the Working Group to consider the principles, creation of accountability, and the annual certification of illustrations.

Regarding a Table of Nonguaranteed History and Crediting Rates: The Subcommittee believes that it would be difficult to define the history of a specific annuity product genre, as annuity product features change. Nonguaranteed Elements for newly issued policies can change as often as the company sets rates, which may even be weekly. The annuity may be under the same policy form, which is filed with variability to allow product features to change for new issues creating a new genre.

Regarding Disclosures: The Subcommittee agrees that any products with enhanced initial credited rates need to be clearly disclosed, and renewal year illustrated rates need to reflect a lower rate in renewal contract years. These disclosures could be reviewed and updated.

Regarding applicability to RILAs: The Subcommittee would not recommend expanding Model 245's scope to include RILAs. RILAs should be excluded from any further discussions related to Model 245 changes. Given that RILAs are variable products and governed by other rules, we are concerned about conflicting requirements between governing organizations.

Flow Chart

- *Please provide feedback on whether you support using an actuarial guideline as a stopgap until states adopt an updated model. If you do not support this idea, please provide an alternative that can serve as an effective stopgap solution.*

Actuarial guidelines interpret actuarial issues within regulations to create uniformity across state insurance departments. We do not find any actuarial issue within Model 245, nor do we find any within Model 275 (Best Interest). As such, we have concerns about using an Actuarial Guideline or an ASOP when actuarial issues do not exist within the current Models.

We suggest exploring the creation of a NAIC Model Bulletin as a possible effective stopgap solution. A Model Bulletin provides regulatory guidance even if a corresponding NAIC Model Regulation has not been adopted. States that adopt the Model Bulletin could determine how desirable and necessary an update to Model 245 might be.

We appreciate the ongoing collaboration with the Working Group on this issue and look forward to continued discussions. If you have any questions or would like to discuss these comments further, please contact Fabienne Amisial, the Academy's life policy project manager (amisial@actuary.org).

Sincerely,

Beth Keith, MAAA, FSA
Chairperson Annuity Products Subcommittee
American Academy of Actuaries

Carrie Haughawout
Senior Vice President, Life Insurance & Regulatory Policy

James Szostek
Vice President & Deputy, Retirement Security

July 17, 2026

To: NAIC Life Insurance and Annuities Illustrations (A) Working Group

By email: jcook@naic.org

Re: June 1st Exposures on Annuity Illustrations

The American Council of Life Insurers (ACLI) appreciates the opportunity to comment on the Life and Annuity Illustrations Working Group's June 1st exposures regarding the comments the Group has received regarding its previous exposure as well as whether an actuarial guideline should be used as a short-term solution to address concerns regarding annuity illustrations.

ACLI and its members continue to share the regulators' objective that annuity illustrations provide consumers with reasonable expectations and a clear understanding of how products work, without creating the impression of predictive or guaranteed outcomes.

ACLI urges the Working Group to prioritize refinements to Model #245 before determining the need for, or form of, any interim approach. It is possible that once those updates are further developed—and with ACLI's active support in advancing adoption across the states — a separate short-term mechanism will not be necessary.

I. Exposure Regarding the "SUMMARY GRID"

Here are our responses on those ideas included in the summary grid list of potential Model 245 modifications which ACLI had not offered to the Working Group in our previous submission.

Item 1.C - Side by side comparison of tabular illustrations, such as guaranteed rates, most-recent, etc., to reduce length?

ACLI supports the goal of reducing the length of illustrations. Elements such as the illustration of the most recent 10 years, a 10-year high scenario and a 10-year low scenario that share a common theme could be grouped together in a side-by-side comparison. However, it should be noted that it may be difficult to fit more than two illustrations in a table on a page.

We suggest the Working Group consider modifying the rules by replacing the current requirement for a "low" scenario with an illustration of the minimum guaranteed scenario (contract minimum less fees). The minimum guaranteed scenario would depict the lowest return a consumer could receive. By substituting that for the current "low" scenario, we hope to avoid consumers mistakenly assuming that the "low" scenario shows the lowest possible return.

Item 2.A - Clarify how to measure history or how to treat newer indices that are formulaic blends of older indices, e.g., new index that is 50% S&P / 50% Dow vs index that balances between indices (volatility controlled).

There are a number of comments submitted that are focused on newer indices. ACLI encourages the Working Group to consider ways in which illustrations may be prepared for these products that meaningfully convey the manner in which these annuities operate. In particular, we stand ready to assist the Working Group with the development of a framework for the measurement and use of performance for newer indices. The working group may wish to consider when and how indices can rely on historical data and to what extent they should reflect static allocations versus dynamically rebalanced methodologies as well as addressing how to treat illustrations for indices with limited live track records. Appropriate labeling of these methods with a lens towards consumer understanding should avoid creating the impression that the illustration presents an actual historical experience of the product.

Item 2.D - Mandate a supplemental reduce rate scenario, in which non-guaranteed elements are reduced by a percentage specified by the commissioner.

As discussed above, the Working Group should consider replacing the "low" scenario with a minimum guaranteed scenario. We think that doing so would largely obviate the need for a supplemental reduced rate scenario.

Item 2.E - Single prescribed crediting rate for all carriers and also for RILAs, e.g., 5%.

RILAs are securities registered under the Securities Act of 1933 that are subject to oversight by the SEC and FINRA. ACLI members file illustrations for review by FINRA as RILA illustrations are considered communications with the public under Rule 2210 and other rules.   To minimize the potential for conflicting regulatory regimes or unnecessarily duplicative requirements, we recommend that illustrations for RILA (and variable annuities) remain exempt from Model #245.

We strongly recommend that the Working Group not require a single crediting rate for product illustrations. It is important that the consumer fully appreciate the variability and volatility inherent in the product. A single rate will fail to capture the inter-year performance variability that will be experienced by annuity owners and will not fully capture the mechanics of many annuity products.

Item 2.F - When there is history, require a table of caps in each past calendar year, spreads/fees in each past calendar year, interest credited, and cash values (LICAC proposed five years of history)

The Model currently requires that it be disclosed to consumers that rates will change and that the illustrations do not represent what the consumer will receive as that is not known by anyone at the time of sale. Requiring such a table could inappropriately lead consumers to focus on past performance, which is an outcome that the Model Regulation should seek to prevent. In addition, this proposal would increase the volume of what must be disclosed in an illustration, which similarly is at odds with our shared goal of streamlining or shortening the length of illustrations. For insurers, assembly of such tables would be very data-intensive.

Item 2.G - For newer indices, Illustrated return equal to ten-year US treasuries plus 1.5%-2.0%

As noted previously, ACLI encourages the Working Group to consider ways in which illustrations may be prepared that meaningfully convey the manner in which annuities with newer indices operate. As for this proposal, it likely would not fully capture the variability in crediting outcomes that can be experienced in fixed indexed annuities.

Item 3.A - Adding disclosures to further emphasize that illustrations are not intended to be projections

ACLI agrees that it should be emphasized that illustrations are not intended to be projections of product performance.

Item 3.D - Statement to distinguish guaranteed vs. non-guaranteed features

ACLI supports rules that would require disclosure that clearly distinguishes between guaranteed and non-guaranteed features.

Item 3.E - Disclose financial strength of company as a differentiating factor between carriers

ACLI opposes such a disclosure. It would not be in keeping with the focus of this effort as there is not a direct connection between financial strength and product illustrations.

There are multiple metrics of financial strength that are not uniform; to be meaningful, any effort here would require a significant, lengthy, and complex disclosure. Incorporating such information into illustrations would add complexity without improving consumer understanding of the product. We encourage the Working Group to forego this proposal.

Item 4.A - Create an officer or an illustration actuary role that is held accountable / responsible for the illustration (e.g., annual certifications)

ACLI supports a rule that seeks a certification by an officer of the insurer that the illustrations are made in conformance with the rules.

II. Exposure Regarding the "FLOW CHART"

ACLI appreciates the opportunity to provide feedback on whether an actuarial guideline should serve as a stopgap pending updates to annuity illustration standards. Actuarial guidelines can be useful when they clarify existing actuarial requirements or support implementation of established policy. They should not be used to create new policy. To the extent an actuarial guideline would establish new illustration standards, prescribe assumptions, or alter consumer-facing requirements, it would effectively create illustration policy. That work should instead be undertaken through revisions to Model #245.

ACLI and its members share regulators' objective that annuity illustrations provide consumers with reasonable expectations and a clear understanding of how products work, without implying predictive or guaranteed outcomes. We also recognize that current illustrations may be overly complex and that targeted improvements are appropriate. For these reasons, we support continued work to update Model #245 and are actively engaged with the Working Group to refine that framework.

With respect to whether an actuarial guideline is an appropriate stopgap, the Working Group's priority should be to finalize changes to Model #245 before determining the need for, or form of, any interim approach. It is possible that once those updates are further developed—and with ACLI's active support in advancing adoption across the states — a separate short-term mechanism will not be necessary. However, if regulators determine that an interim solution is needed as the Model #245 updates are finalized and awaiting adoption by the states, a regulatory bulletin would be a more appropriate approach than an actuarial guideline.

Model #275, by contrast, governs annuity sales practices, including suitability and best-interest obligations, producer conduct, and insurer supervision. Its central focus is whether a recommendation is appropriate for a particular consumer. Using that framework to establish or influence illustration standards would extend Model #275 beyond its intended purpose and risk conflating sales-practice regulation with product illustration requirements addressed under Model #245.

III. Conclusion

Thank you for the opportunity to comment. ACLI looks forward to continuing to work with the Working Group to advance updates to Model #245 as the appropriate path for addressing annuity illustration standards. If an interim approach is ultimately needed, a regulatory bulletin would provide a more suitable and effective framework than an actuarial guideline. We appreciate the opportunity to provide these comments and remain committed to continued engagement.

Respectfully,

Carrie Haughawout
carriehaughawout@acli.com
(202) 624-2049

James Szostek
jimszostek@acli.com
(202) 624-2378

EVERSHEDS SUTHERLAND

THE Committee OF Annuity Insurers
www.annuity-insurers.org

Via Email to jcook@naic.org

July 17, 2026

National Association of Insurance Commissioners Life Insurance and Annuities Illustrations (A) Working Group

Re: Potential Modifications to Model #245 and the Proposed Actuarial Guideline as a Short Term Solution "Starting Point" For Short-Term Solution Addressing Annuity Illustrations

On behalf of the Committee of Annuity Insurers ("CAI" or "Committee"),[1] we are pleased to submit this comment letter responding to the Life Insurance and Annuities Illustrations (A) Working Group's ("Working Group") request for comments on the Chair Exposure Questions related to the summary guide of comments to the NAIC Annuity Disclosure Model Regulation (Model #245) and the flowchart on adopting an actuarial guideline as stopgap measure. Set forth below is the request from the Working Group:

1. Summary Guide (available here: Summary Guide) - Please provide feedback on each idea included in the summary guide list of potential Model 245 modifications, including whether or not you support each idea, and any suitable alternatives as relevant.

2. Flow Chart (available here: AG Flow Chart) - Please provide feedback on whether you support using an actuarial guideline as a stopgap until states adopt an updated model. If you do not support this idea, please provide an alternative that can serve as an effective stopgap solution.

The Committee sets forth below its comments on the Summary Guide, and with respect to the Flow Chart on the possible use of an actuarial guideline as a stopgap. With regard to stopgap approaches or short-term solutions, we also identify some possible alternatives to an actuarial guideline as other potential stopgap approaches. However, the CAI believes that the best approach is to focus on amending and then seeking broad adoption of Model 245 as quickly as possible. In addition, the CAI:

- fully supports the American Council of Life Insurers comments on the Summary Guide and related possible revisions to Model 245 ("ACLI Comment Letter") which the Committee believes would provide practical and consumer-friendly ways to improve annuity illustrations while addressing the identified concerns of the Working Group; and
- also conceptually supports the approach proposed by the Indexed Annuity Leadership Council to revising Model 245, although it is continuing to review the specifics proposed in their redline to the Model.

Summary Guide Comments. The CAI concurs with the feedback on the list of ideas for proposed modifications to Model 245 in the Summary Guide set forth in the ACLI Comment

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[1] The Committee of Annuity Insurers is a coalition of life insurance companies that issue annuities. It was formed in 1981 to address legislative and regulatory issues relevant to the annuity industry and to participate in the development of public policy with respect to state regulatory, securities and tax issues affecting annuities. The CAI's current 33 member companies represent approximately 80% of the annuity business in the United States. More information is available at https://www.annuity-insurers.org/.

Letter. The Committee also offers the following observations on several of the ideas from other commenters appearing in the Summary Guide:

Item 2(E): [LICAC] supports a "Single prescribed crediting rate for all carriers and also for RILAs, e.g., 5%.

CAI Response: The CAI does not support allowing solely for a single prescribed hypothetical crediting rate. The Committee believes that the current ideas supported by the CAI in the Summary Grid and described in more detail in the ACLI Comment Letter provide more valuable information about both how the crediting features of the annuity work, and could also provide important information about how the applicable indexes have performed in different markets.

In addition, the CAI strongly rejects any revisions to Model 245 that would render it applicable to RILAs (or other annuities that are securities products). Illustrations for RILAs and variable annuities are comprehensively regulated by the SEC and by FINRA through its specialized Advertising Regulation Department ("Ad Reg"). All variable annuity illustrations (and other variable annuity advertising material) are required to be filed with and are reviewed by Ad Reg. RILA illustrations and advertisements are also filed with Ad Reg. Such FINRA filing and review is typically required under the selling agreements between retail firms selling the RILAs, the insurer and its distributing broker-dealer. Imposing the requirements of Model 245 on RILAs and variable annuities would lead to unnecessarily duplicative, or worse, conflicting regulatory regimes.

Item 2(F): [LICAC] recommends that "When there is history, require a table of caps in each past calendar year, spreads/fees in each past calendar year, interest credited, and cash values (LICAC proposed five years of history)."

CAI Response: The CAI believes that this level of detail will be overly complex and confusing to customers based on the number of different contract types and features, and the frequency with which rates are changed, and ultimately would be of little value to the customer.

Item 3(A): [AAA] recommends "Adding disclosures to further emphasize that illustrations are not intended to be projections."

CAI Response: *The* Committee agrees that enhanced disclosure could be provided to emphasize that illustrations are not projections. The Committee believes the Working Group should consider this enhanced disclosure in conjunction with the existing disclosure requirement under Section 6.G(4)(b) of Model 245, including the language that "[t]he values in this illustration are not guarantees or even estimates of the amounts you can expect from your annuity."

Flow Chart/Actuarial Guideline as a Stopgap. The Committee does not support the development of an actuarial guideline as a stopgap solution for a variety of reasons. Creating such a guideline for states that have not adopted Model 245 apparently in reliance on a drafting note under the NAIC's Suitability in Annuity Transactions (Model 275) referencing the Model seems like a circuitous and illogical path.[2] In addition, it is unclear precisely what the "actuarial" nature of the guideline would be. Actuarial guidelines should not be used to create new illustration policy, but rather are a useful mechanism to clarify existing actuarial requirements. The Committee believes a directed effort to adopt Model 245 (and any applicable amendments finalized by the Working Group) is the best approach to address any annuity illustration concerns.

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[2] We note that certain Working Group members voiced concerns about whether an actuarial guideline was a viable or even appropriate method for addressing the annuity illustration issues focused on by the Working Group.

The Committee supports an expedited and comprehensive effort to move forward with amendments to Model 245, and believes that this is the path the Working Group should take. An inherent problem/challenge with any stopgap measure is that it likely will create confusion and may turn out to be inconsistent with the revisions to Model 245 that the Working Group recommends. However, if the Working Group continues to believe a short-term stopgap approach is required as well, there are several possible other options the Working Group could consider, including:

- The adoption of a bulletin.[3] While states would then need to work through their individual, required processes to adopt any "annuity illustration" bulletin, on balance that process could be quicker than adopting a regulation or statute. It also would avoid a principal concern with an actuarial guideline insofar as noted above the basis for such a guideline in this context would be tenuous at best.

- The issuance of illustration "guidance" or "tools" that prescribe best practices for regulators when, for example, reviewing a filed illustration or conducting an exam related to annuity illustrations. Under this option, the Working Group could consider whether that guidance might be provided through the adoption of a standalone tool/guidance document.[4] The benefit of this option could be that the guidance/tool would have immediate effect nationwide once adopted by the NAIC – no state-level action would be required.

ACLI Comment Letter. The CAI supports the ACLI Comment Letter and the responses to the Summary Grid comments therein which are consistent with the Committee's comments in its May 18, 2026, letter to the Working Group. In particular, the Committee notes that it supports continued discussion and consideration of the manner in which Model 245 should address newly developed indexes with a focus on creating a structure that allows for consumers to understand the manner in which the annuities would operate with a newly developed index. In addition, the Committee agrees with the suggestion in Sections I(A) and I(C) of the ACLI Comment Letter that the Working Group consider modifying Model 245 by replacing the current requirement for illustrating a "low" scenario with an illustration of the minimum guaranteed scenario (contract minimum less fees).

We appreciate the Working Group's continued, thoughtful review of annuity illustrations, and we support and look forward to the continued dialogue on approaches that enhance consumer understanding while preserving the accuracy and usefulness of annuity illustrations.

Sincerely,

THE COMMITTEE OF ANNUITY INSURERS

Stephen E. Roth

Stephen E. Roth
Eversheds Sutherland (US) LLP

Eric A. Arnold
Eversheds Sutherland (US) LLP

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[3] See, e.g., the AI Model Bulletin.

[4] Examples of tools for other areas of NAIC input include the NAIC AI Systems Evaluation Tool, and the Cross Border Reinsurance Worksheet . The Market Regulation Handbook might also provide an avenue for guidance on annuity illustrations that would provide a stopgap measure.

Finseca™

July 17, 2026

TO: NAIC Life Insurance & Annuities Illustrations (A) Working Group
Electronically Submitted: jcook@naic.org
RE: LIAIWG COMMENTS DUE 7-17-26

Thank you for the opportunity to comment on the Life Insurance & Annuities Illustrations (A) Working Group's exposure pertaining to feedback on the proposed changes to Model Act 245 and whether an actuarial guideline should be used as a stopgap in the interim.

Finseca represents holistic financial security professionals, including advisors, agents, and firms who help families and businesses build retirement security, protect income, and manage financial risk. Our members are the individuals who sit directly with clients to explain annuity illustrations, discuss index choices, and help clients understand the tradeoffs between guaranteed and non-guaranteed elements at the point-of-sale.

We appreciate the Working Group's focus on fixed indexed annuity illustrations and agree that illustrations should provide reasonable expectations to consumers while not creating an impression of guaranteed returns.

Finseca does not believe that using an actuarial guideline under Model 275 is the appropriate path forward as we address these issues. Proceeding with such a guideline would blur the line between actuarial/valuation guidance and consumer-facing disclosure, creating uncertainty for producers about which standards govern the illustrations they use and see. Further, it would layer a "shadow" disclosure regime on top of existing best-interest and suitability rules, increasing complexity in the sales process without improving the clarity or realism of what consumers see at the point-of-sale.

We respectfully urge the Working Group to avoid relying on a Model 275 actuarial guideline as the mechanism for addressing illustration concerns, and instead to focus on strengthening and promoting a dedicated disclosure model that is designed around consumer understanding and producer usability.

Finseca is generally supportive of the IALC proposed changes to Model 245 and believes this direction offers a more effective and transparent way to address regulators' concerns. We would urge this working group to prioritize completion and adoption of an updated Model 245, grounded in the IALC proposal, as the primary mechanism for addressing indexed annuity illustration concerns.

Finseca appreciates the opportunity to comment and we look forward to continued dialogue as the Working Group refines these important consumer-facing standards.

Sincerely,
Melissa Bova

Melissa Bova
Senior Vice President, State Affairs & Policy
Finseca

July 17, 2026

To: NAIC Life Insurance and Annuities Illustrations (A) Working Group
Submitted via email to jcook@naic.org
Re: Potential Modifications to Model #245 and Actuarial Guideline as a Short Term Solution

Dear Members of the Life Insurance and Annuities Illustrations (A) Working Group:

The Indexed Annuity Leadership Council (IALC) appreciates the opportunity to comment on the Working Group's exposure regarding potential modifications to Model 245. The IALC is a consortium of life insurance companies that offer fixed indexed annuities (FIAs). Our mission is to help educate the public, including retirement savers, financial professionals, regulators, and the media about the benefits of fixed indexed annuities.

According to LIMRA, IALC member companies accounted for approximately 36% of U.S. individual fixed indexed annuity sales in 2025, including four of the top five sellers of the product. Given our members' significant presence in the marketplace, we welcome the opportunity to contribute to this important discussion. We commend the Working Group for undertaking this effort and for seeking stakeholder input as it considers potential revisions to Model 245.

With respect to the specific questions included in the exposure – which sought feedback on ideas included in the summary guide list of potential Model 245 modifications and regarding whether an actuarial guideline should be used as a stopgap measure – the IALC generally supports the positions and recommendations expressed by the American Council of Life Insurers (ACLI) in their comment letter.

Consistent with the ACLI's comments, the IALC encourages the Working Group to focus its efforts on revising Model 245 rather than pursuing a stopgap solution. Regulators have appropriately identified the need to modernize annuity illustration policies. Updating the model regulation is the best vehicle for accomplishing this objective.

IALC Proposed Drafting Language
In order to kick start the process, the IALC has prepared specific ideas and language intended to assist the Working Group as it considers revisions to Model 245. Along those lines, the IALC has attached proposed drafting language for Section 6 of Model 245. We offer these materials as a starting point for discussion as the Working Group considers revisions to the model.

Our proposal is intended to address three principal areas that have been identified during the Working Group's discussions:

Illustrated rates of return. The IALC believes it is important to allow consumers to see the benefits of diversification across indices, while also establishing strong guardrails on the use of back-tested index data to ensure illustrations create realistic expectations for consumers. To accomplish this, the IALC proposes allowing newer indices to be illustrated but subjecting all back-tested returns to a limitation that will constrain illustrated performance to an appropriate level.

Under the IALC proposal, all pre-inception, back-tested performance would be subject to a cap, applied to annual index returns, equal to 150% of an index's realized volatility (i.e. how much the index returns have fluctuated over time), rounded to the nearest 0.25%. Four examples demonstrating how this would work are attached.

This proposal would materially lower illustrated returns for indices using back-tested data while facilitating continued innovation in index strategies and product design and allowing consumers to see the benefits of diversification. Using realized volatility as the basis for the limitation also adjusts dynamically to the characteristics of each index and avoids unintentionally favoring certain index designs over others.

In addition, the IALC proposal would eliminate the requirement to illustrate the lowest period of performance for an index, and instead require illustration of the guaranteed minimum values of the fixed index annuity for the Scenario Period (defined as the greater of five years or the surrender charge period) alongside the Most Recent Scenario and the High Scenario. This is intended to prevent consumers from getting the impression that the lowest historical period of performance from an index would be the "worst case scenario" for the contract values they could see in the product.

Length of illustrations. A good starting point for reducing the length of illustrations is to allow for the time horizon in non-guaranteed illustrations to be shorter than the maturity date of the product. The IALC proposal provides the option to use a shorter illustration period where doing so better aligns with the product's primary use case, while preserving the flexibility to illustrate longer periods for products where longer-term values are central to the consumer's understanding, such as products with guaranteed lifetime withdrawal benefits.

Renewal rates. Existing provisions in Model 245 already require disclosures on this topic. The IALC proposes to supplement these provisions by requiring an officer to certify annually that illustrations adhere to Model 245, and that the non-guaranteed elements used in calculating illustrated values reflect their knowledge and understanding of how the non-guaranteed elements will be managed prospectively. The suggested certification language connects to the concept of planned changes to non-guaranteed elements in Section 6.F(8), and does not supersede or replace disclosures emphasizing the possibility that actual non-guaranteed elements will differ from those shown in the illustration.

The IALC believes the attached proposal provides a practical starting point for the Working Group as it considers potential revisions to Model 245. We look forward to continuing to work collaboratively with regulators and other interested parties to refine these concepts and update Model 245, and we hope to help facilitate timely adoption of a revised model regulation by the states.

Sincerely,

Jim Poolman
Indexed Annuity Leadership Council (IALC)

Examples of Volatility-based Limitation

Index A

live	2020
realized vol	5.00%
annual max	7.50% (150% realized vol rounded to nearest 0.25%)
1YR Par rate	175%

Most Recent 2016-2025

	Index Return		Crediting	
	History	w/ Vol Limit	History	w/ Vol Limit
2025	0.75%	0.75%	1.32%	1.32%
2024	0.40%	0.40%	0.70%	0.70%
2023	8.54%	8.54%	14.94%	14.94%
2022	-7.35%	-7.35%	0.00%	0.00%
2021	2.68%	2.68%	4.69%	4.69%
2020	15.23%	7.50%	26.65%	13.13%
2019	12.44%	7.50%	21.77%	13.13%
2018	2.86%	2.86%	5.00%	5.00%
2017	10.39%	7.50%	18.18%	13.13%
2016	2.51%	2.51%	4.40%	4.40%
		Annualized Return:	**9.39%**	**6.90%**
				-2.49%

High Period 2010-2019

	Index Return		Crediting	
	History	w/ Vol Limit	History	w/ Vol Limit
2019	12.44%	7.50%	21.77%	13.13%
2018	2.86%	2.86%	5.00%	5.00%
2017	10.39%	7.50%	18.18%	13.13%
2016	2.51%	2.51%	4.40%	4.40%
2015	3.31%	3.31%	5.80%	5.80%
2014	9.63%	7.50%	16.84%	13.13%
2013	8.77%	7.50%	15.34%	13.13%
2012	6.96%	6.96%	12.18%	12.18%
2011	8.19%	7.50%	14.34%	13.13%
2010	15.75%	7.50%	27.57%	13.13%
		Annualized Return:	**13.92%**	**10.55%**
				-3.37%

Index B

live	2023
realized vol	14.95%
annual max	22.50% (150% realized vol rounded to nearest 0.25%)
1Yr Par rate	60%

Most Recent 2016-2025

	Index Return		Crediting	
	History	w/ Vol Limit	History	w/ Vol Limit
2025	4.84%	4.84%	2.91%	2.91%
2024	14.00%	14.00%	8.40%	8.40%
2023	19.86%	19.86%	11.92%	11.92%
2022	-14.76%	-14.76%	0.00%	0.00%
2021	14.09%	14.09%	8.45%	8.45%
2020	18.41%	18.41%	11.05%	11.05%
2019	28.26%	22.50%	16.96%	13.50%
2018	-2.13%	-2.13%	0.00%	0.00%
2017	45.76%	22.50%	27.46%	13.50%
2016	8.75%	8.75%	5.25%	5.25%
		Annualized Return:	**8.96%**	**7.38%**
				-1.58%

High Period 2012-2021

	Index Return		Crediting	
	History	w/ Vol Limit	History	w/ Vol Limit
2021	14.09%	14.09%	8.45%	8.45%
2020	18.41%	18.41%	11.05%	11.05%
2019	28.26%	22.50%	16.96%	13.50%
2018	-2.13%	-2.13%	0.00%	0.00%
2017	45.76%	22.50%	27.46%	13.50%
2016	8.75%	8.75%	5.25%	5.25%
2015	-4.51%	-4.51%	0.00%	0.00%
2014	6.02%	6.02%	3.61%	3.61%
2013	36.97%	22.50%	22.18%	13.50%
2012	15.30%	15.30%	9.18%	9.18%
		Annualized Return:	**10.08%**	**7.68%**
				-2.39%

Index C

live	2025
realized vol	4.00%
annual max	6.00% (150% realized vol rounded to nearest 0.25%)
1YR Par rate	180%

Most Recent 2016-2025

	Index Return		Crediting	
	History	w/ Vol Limit	History	w/ Vol Limit
2025	-0.24%	-0.24%	0.00%	0.00%
2024	4.01%	4.01%	7.21%	7.21%
2023	3.32%	3.32%	5.98%	5.98%
2022	-3.56%	-3.56%	0.00%	0.00%
2021	-0.73%	-0.73%	0.00%	0.00%
2020	12.90%	6.00%	23.23%	10.80%
2019	8.68%	6.00%	15.62%	10.80%
2018	-3.51%	-3.51%	0.00%	0.00%
2017	9.81%	6.00%	17.65%	10.80%
2016	5.13%	5.13%	9.24%	9.24%
		Annualized Return:	**7.60%**	**5.38%**
				-2.22%

High Period 2011-2020

	Index Return		Crediting	
	History	w/ Vol Limit	History	w/ Vol Limit
2020	12.90%	6.00%	23.23%	10.80%
2019	8.68%	6.00%	15.62%	10.80%
2018	-3.51%	-3.51%	0.00%	0.00%
2017	9.81%	6.00%	17.65%	10.80%
2016	5.13%	5.13%	9.24%	9.24%
2015	4.23%	4.23%	7.62%	7.62%
2014	13.48%	6.00%	24.26%	10.80%
2013	8.91%	6.00%	16.04%	10.80%
2012	4.91%	4.91%	8.83%	8.83%
2011	10.25%	6.00%	18.46%	10.80%
		Annualized Return:	**13.86%**	**9.00%**
				-4.86%

Index D

live	2023
realized vol	12.48%
annual max	18.75% (150% realized vol rounded to nearest 0.25%)
1YR Par rate	70%

Most Recent 2016-2025

	Index Return		Crediting	
	History	w/ Vol Limit	History	w/ Vol Limit
2025	-5.34%	-5.34%	0.00%	0.00%
2024	2.35%	2.35%	1.65%	1.65%
2023	19.48%	18.75%	13.63%	13.13%
2022	-19.42%	-19.42%	0.00%	0.00%
2021	25.50%	18.75%	17.85%	13.13%
2020	28.84%	18.75%	20.18%	13.13%
2019	34.26%	18.75%	23.98%	13.13%
2018	-4.91%	-4.91%	0.00%	0.00%
2017	40.50%	18.75%	28.35%	13.13%
2016	8.19%	8.19%	5.73%	5.73%
		Annualized Return:	**10.66%**	**7.13%**
				-3.53%

High Period 2012-2021

	Index Return		Crediting	
	History	w/ Vol Limit	History	w/ Vol Limit
2021	25.50%	18.75%	17.85%	13.13%
2020	28.84%	18.75%	20.18%	13.13%
2019	34.26%	18.75%	23.98%	13.13%
2018	-4.91%	-4.91%	0.00%	0.00%
2017	40.50%	18.75%	28.35%	13.13%
2016	8.19%	8.19%	5.73%	5.73%
2015	-6.89%	-6.89%	0.00%	0.00%
2014	29.79%	18.75%	20.86%	13.13%
2013	20.94%	18.75%	14.66%	13.13%
2012	9.98%	9.98%	6.98%	6.98%
		Annualized Return:	**13.45%**	**9.02%**
				-4.44%

ANNUITY DISCLOSURE MODEL REGULATION

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D. "Determinable elements" means elements that are derived from processes or methods that are guaranteed at issue and not subject to company discretion, but where the values or amounts cannot be determined until some point after issue. These elements include the premiums, credited interest rates (including any bonus), benefits, values, non-interest based credits, charges or elements of formulas used to determine any of these. These elements may be described as guaranteed but not determined at issue. An element is considered determinable if it was calculated from underlying determinable elements only, or from both determinable and guaranteed elements.

G. "Guaranteed elements" means the premiums, credited interest rates (including any bonus), benefits, values, non-interest based credits, charges or elements of formulas used to determine any of these, that are guaranteed or have determinable elements at issue. An element is considered guaranteed if all of the underlying elements that go into its calculation are guaranteed.

H. "Illustration" means a personalized presentation or depiction prepared for and provided to an individual consumer that includes non-guaranteed elements of an annuity contract over a period of years.

I. "Market Value Adjustment" or "MVA" feature is a positive or negative adjustment that may be applied to the account value and/or cash value of the annuity upon withdrawal, surrender, contract annuitization or death benefit payment based on either the movement of an external index or on the company's current guaranteed interest rate being offered on new premiums or new rates for renewal periods, if that withdrawal, surrender, contract annuitization or death benefit payment occurs at a time other than on a specified guaranteed benefit date.

J. "Non-guaranteed elements" means the premiums, credited interest rates (including any bonus), benefits, values, dividends, non-interest based credits, charges or elements of formulas used to determine any of these, that are subject to company discretion and are not guaranteed at issue. An element is considered non-guaranteed if any of the underlying non-guaranteed elements are used in its calculation.

Section 6. Standards for Annuity Illustrations

A. An insurer or producer may elect to provide a consumer an illustration at any time, provided that the illustration is in compliance with this section and:

(1) Clearly labeled as an illustration;

(2) Includes a statement referring consumers to the disclosure document and Buyer's Guide provided to them at time of purchase for additional information about their annuity; and

(3) Is prepared by the insurer or third party using software that is authorized by the insurer prior to its use, provided that the insurer maintains a system of control over the use of illustrations.

B. An illustration furnished an applicant for a group annuity contract or contracts issued to a single applicant on multiple lives may be either an individual or composite illustration representative of the coverage on the lives of members of the group or the multiple lives covered.

C. The illustration shall not be provided unless accompanied by the disclosure document referenced in Section 5.

D. When using an illustration, the illustration shall not:

(1) Describe non-guaranteed elements in a manner that is misleading or has the capacity or tendency to mislead;

(2) State or imply that the payment or amount of non-guaranteed elements is guaranteed; or

(3) Be incomplete.

E. Costs and fees of any type shall be individually noted and explained.

F. An illustration shall conform to the following requirements:

(1) The illustration shall be labeled with the date on which it was prepared;

(2) Each page, including any explanatory notes or pages, shall be numbered and show its relationship to the total number of pages in the disclosure document (e.g., the fourth page of a seven-page disclosure document shall be labeled "page 4 of 7 pages");

(3) The assumed dates of premium receipt and benefit payout within a contract year shall be clearly identified;

(4) If the age of the proposed insured is shown as a component of the tabular detail, it shall be issue age plus the numbers of years the contract is assumed to have been in force;

(5) The assumed premium on which the illustrated benefits and values are based shall be clearly identified, including rider premium for any benefits being illustrated;

(6) Any charges for riders or other contract features assessed against the account value or the crediting rate shall be recognized in the illustrated values and shall be accompanied by a statement indicating the nature of the rider benefits or the contract features, and whether or not they are included in the illustration;

(7) Guaranteed death benefits and values available upon surrender, if any, for the illustrated contract premium shall be shown and clearly labeled guaranteed;

(8) Except as provided in Paragraph (22), the non-guaranteed elements underlying the non-guaranteed illustrated values shall be no more favorable than current non-guaranteed elements and shall not include any assumed future improvement of such elements. Additionally, non-guaranteed elements used in calculating non-guaranteed illustrated values at any future duration shall reflect any planned changes, including any planned changes that may occur after expiration of an initial guaranteed or bonus period;

(9) In determining the non-guaranteed illustrated values for a fixed indexed annuity, the index-based interest rate and account value shall be calculated for three different scenarios using a period equal to ten (10) continuous calendar years or, if the annuity's surrender charge period is shorter than ten (10) calendar years, an insurer may use a period equal to the greater of (i) five (5) continuous calendar years or (ii) the length of the fixed indexed annuity's surrender charge period (the "Scenario Period"). The scenarios: one to reflect historical performance of the index for the most recent Scenario Period (the "Most Recent Scenario") ~~ten (10) calendar years~~; ~~one to reflect the historical performance of the index for the continuous period of ten (10) calendar years out of the last twenty (20) calendar years that would result in the least index value growth (the "low scenario");~~ one to reflect the historical performance of the index for the ~~continuous~~ Scenario ~~p~~Period ~~of ten (10) calendar years~~ out of the last ~~twenty (20)~~thirty (30) calendar years that would result in the most index value growth (the "~~h~~High ~~s~~Scenario"); and one to reflect guaranteed minimum values of the fixed indexed annuity for the Scenario Period (the "Guaranteed Scenario") . The following requirements apply:

(a) The ~~most recent ten (10) calendar years~~ Scenario Period and the last ~~twenty (20)~~ thirty (30) calendar years are defined to end on the prior December 31, except for illustrations prepared during the first three (3) months of the year, for which the end date of the ~~calendar year~~applicable period may be the December 31 prior to the last full calendar year;

(b) ~~If any index utilized in determination of an account value has not been in existence for at least ten (10) calendar years, i~~Indexed returns for ~~that~~ any index ~~shall not~~may be illustrated; provided, such index has at least ten (10) calendar years of Combined History; and provided; further, that the index return used in the illustration for any annual period prior to the first full calendar year in which the index was in existence shall not exceed the Volatility-based Limitation, as defined below. ~~If the fixed indexed annuity provides an option to allocate account value to more than one indexed or fixed declared rate account, and one or more of those indexes has not been in existence for at least ten (10) calendar years, the allocation to such indexed account(s) shall be assumed to be zero;~~

An index is "in existence" when the index itself has been published and commercially available on a live basis. Pre-inception, back-tested index performance may not be used without application of the Volatility-based Limitation.

For purposes of this subsection:

(i) "Index Crediting Term" means the period over which index performance is measured for purposes of determining index-based interest under the contract.

(ii) "Combined History" means a combination of live index performance and pre-inception back-tested performance, up to 30 years.

(iii) "Volatility-based Limitation" means a rate determined as one hundred fifty percent (150%) of the average annualized realized volatility of the daily price changes of the index, calculated over the available Combined History, and rounded to the nearest 0.25%.

The Volatility-based Limitation shall be applied to each individual annual return within such term. The Volatility-based Limitation should be redetermined annually with any changes reflected in accordance with updates to the Scenario Period as defined in 9(a) above.

~~(a)~~ An insurer may use Combined History to determine the Scenario Periods for the Most Recent and High scenarios.

~~(b)~~(c) ~~If any index utilized in determination of an account value has been in existence for at least ten (10) calendar years but less than twenty (20)~~. For purposes of determining the Scenario Period for the Most Recent Scenario and the High Scenario, an insurer may use Combined History with pre-inception back-tested~~,~~ performance having the Volatility-based Limitation applied. If any such index has been in existence on a live basis for less than thirty (30) calendar years, the Scenario Period that defines the High Scenario shall be chosen from the available Combined History. If any such index has a Combined History of more than thirty (30) calendar years, the ~~ten (10) calendar year~~Scenario ~~p~~Periods that define the ~~low and h~~High ~~s~~Scenario~~s~~ shall be chosen from~~ the exact number of years the index has been in existence~~ most recent thirty (30) calendar years of the index's available Combined History.~~;~~

(d) (i) The non-guaranteed element(s), such as caps, spreads, participation rates or other interest crediting adjustments, used in calculating the non-guaranteed index-based interest rate shall be no more favorable than the corresponding current element(s); and

(ii) The illustration should contain a statement noting that the current economic conditions are reflected in determining the current non-guaranteed elements, that the illustration applies those non-guaranteed elements to historical index performance, and that the economic conditions that existed over the period of historical index performance may not have supported the level of current non-guaranteed elements.

~~(c)~~(e) If a fixed indexed annuity provides an option to allocate the account value to more than one indexed or fixed declared rate account:

(i) The allocation used in the illustration shall be the same for all three scenarios; and

(ii) The ~~ten (10) calendar year~~Scenario ~~p~~Period~~s~~ ~~resulting in the least and greatest index growth periods~~for the High Scenario shall be determined independently for each indexed account option. The determination of greatest index growth shall be based on the movement of the index value over the applicable Scenario Period, and not on the resulting account value growth.

~~(d)~~(f) The geometric mean annual effective rate of the account value growth (excluding any increased account value from a product-level bonus) over the ~~ten (10) calendar year~~ Scenario ~~p~~Period shall be shown for each scenario;

(g) If the ~~most recent ten (10) calendar year historical~~ Scenario ~~p~~Period experience of the index for the Most Recent Scenario is shorter than the number of years needed to fulfill the ~~requirement of~~ circumstances outlined in subsection H:~~,~~

(i) the available index history, including Combined History where permitted under subsection (9), beyond the Scenario Period for the Most Recent Scenario shall be used for ~~most recent ten (10) calendar year historical period experience of the index shall be used for each subsequent ten (10) calendar year period beyond the initial period for~~ the purpose of calculating the account value for the remaining years of the illustration, up to a maximum of thirty (30) continuous calendar years. If years remain in the illustration after exhausting the available Combined History as required to fulfill the requirement of subsection H, the full period of Combined History used in the initial extension shall be repeated in sequence; or

~~(e)~~(ii) alternatively, an insurer may use the geometric mean annual effective rate of account value growth from the Scenario Period for the Most Recent Scenario as a constant annual credited rate for years beyond the initial period. An illustration using the geometric mean method shall disclose that the method is being used and explain its basis;

~~(f)~~(h) The ~~low and h~~High ~~s~~Scenario and the Guaranteed Scenario~~s~~: ~~(i) need not show surrender values (if different than account values);~~ (~~i~~i) shall not extend beyond the length of the Scenario Period~~ten (10) calendar years~~ (and therefore are not subject to the requirements of subsection H beyond subsection H(1)(a)); and (~~i~~ii) may be shown on a separate page. The High and Guaranteed Scenarios need not show surrender values if different than account values. A graphical presentation shall also be included comparing the movement of the account value over the ~~ten (10) calendar year~~ Scenario ~~p~~Period for the ~~low scenario, the h~~High ~~s~~Scenario, ~~and~~ the ~~m~~Most ~~r~~Recent ~~ten (10) calendar year s~~Scenario and the Guaranteed Scenario; and

(i) The ~~low and h~~High ~~s~~Scenario~~s~~ should reflect the irregular nature of the index performance and should trigger every type of adjustment to the index-based interest rate under the contract. The effect of the adjustments should be clear; for example, additional columns showing how the adjustment applied may be included. If an adjustment to the index-based interest rate is not triggered in the illustration (because no historical values of the index in the required illustration range would have triggered it), the illustration shall so state;

(j) Where any portion of the index performance used in the illustration is derived from pre-inception back-tested data, including where such data forms part of Combined History, the illustration shall include disclosure that:

(i) Clearly identifies which portion of the index performance reflects live published index data and which portion reflects pre-inception back-tested data; and

~~(g)~~(ii) Notes that pre-inception back-tested data is constructed after the fact and may be based on economic conditions that differ from current and future economic conditions.

(10) The guaranteed elements, if any, shall be shown before corresponding non-guaranteed elements and shall be specifically referred to on any page of an illustration that shows or describes only the non-guaranteed elements (e.g., "see page 3 for guaranteed elements");

(11) The account or accumulation value of a contract, if shown, shall be identified by the name this value is given in the contract being illustrated and shown in close proximity to the corresponding value available upon surrender;

(12) The value available upon surrender shall be identified by the name this value is given in the contract being illustrated and shall be the amount available to the contract owner in a lump sum after deduction of surrender charges, bonus forfeitures, contract loans, contract loan interest and application of any market value adjustment, as applicable;

(13) Illustrations may show contract benefits and values in graphic or chart form in addition to the tabular form;

(14) Any illustration of non-guaranteed elements shall be accompanied by a statement indicating that:

(a) The benefits and values are not guaranteed;

(b) The assumptions on which they are based are subject to change by the insurer; and

(c) Actual results may be higher or lower;

(15) Illustrations based on non-guaranteed credited interest and non-guaranteed annuity income rates shall contain equally prominent comparisons to guaranteed credited interest and guaranteed annuity income rates, including any guaranteed and non-guaranteed participation rates, caps or spreads for fixed indexed annuities;

(16) The annuity income rate illustrated shall not be greater than the current annuity income rate unless the contract guarantees are in fact more favorable;

(17) Illustrations shall be concise and easy to read;

(18) Key terms shall be defined and then used consistently throughout the illustration;

(19) Illustrations shall not depict values beyond the maximum annuitization age or date;

(20) Annuitization benefits shall be based on contract values that reflect surrender charges or any other adjustments, if applicable; and

(21) Illustrations shall show both annuity income rates per $1000.00 and the dollar amounts of the periodic income payable.

(22) For participating immediate and deferred income annuities:

(a) Illustrations may not assume any future improvement in the applicable dividend scale (or scales, if more than one dividend scale applies, such as for a flexible premium annuity);

(b) Illustrations must reflect the equitable apportionment of dividends, whether performance meets, exceeds or falls short of expectations;

(c) If the dividend scale is based on a portfolio rate method, the portfolio rate underlying the illustrated dividend scale shall not be assumed to increase;

(d) If the dividend scale is based on an investment cohort method, the illustrated dividend scale should assume that reinvestment rates grade to long-term interest rates, subject to the following conditions:

(i) Any assumptions as to future investment performance in the dividend formula must be consistent with assumptions that are reflected in the marketplace within the normal range of analyst forecasts and investor behavior; these assumptions may not be changed arbitrarily, notwithstanding changes in markets or economic conditions, and must be consistent with assumptions that the issuer uses with respect to other lines of business; and

(ii) The illustrated dividend scale should assume that reinvestment rates grade to long-term interest rates, based on U.S Treasury bonds. For the purposes of this grading, the assumed long-term rates should not exceed the rates calculated using the formula in subparagraph iii, below, based on the time to maturity or reinvestment (the "Tenor") of the investments supporting the cohort of policies.

(iii) Maximum long-term interest rates should be calculated for tenors of 3 months (or less), 5 years, 10 years and 20 years (or more), using U.S. Treasury rates. For each tenor, the maximum long-term interest rate will vary over time, based on historical interest rates as they emerge. The formula for the maximum long-term interest rate is the average of the median bond rate over the last 600 months and the average bond rate over the last 120 months, rounded to the nearest quarter of one percent (0.25%).

(iv) The maximum long-term interest rate for a tenor should be recalculated once per year, in January, using historical rates as of December 31 of the calendar year two years prior to the calendar year of the calculation date.

The historical rate for each month is the rate reported for the last business day of the month.

(v) Grading to the maximum long-term interest rates should take place over:

(I) No less than 20 years from issue if U.S. Treasury rates as of the illustration date are below the long-term rates; or

(II) No more than 20 years from the issue if the U.S. Treasury rates as of the illustration date ate above the long-term rates.

(vi) When the 10-year U.S. Treasury rate is less than the 10-year maximum long-term interest rate, an additional illustrated dividend scale should be presented. This additional illustrated dividend scale shall satisfy the following conditions:

(I) Assume that reinvestment U.S. Treasury rates do not exceed the initial investment U.S. Treasury rates, and

(II) Illustrate dividends no less than half of the dividends illustrated under the current dividend scales.

(III) If (a) and (b) above are in conflict—i.e., if half of the current dividends are greater than would be permitted by Condition (a)—then the reinvestment U.S. Treasury rates should equal the initial investment U.S. Treasury rates.

(vii) The illustration should include a disclosure that is substantially similar to the following:

The illustrated current dividend scale is based on interest rates that are assumed to gradually [increase/decrease] from current interest rates to long-term interest rates, over a period of [twenty] years. By regulation, the long-term assumed interest rates cannot and do not exceed the rates listed in column (c) of the table below.

(viii) If the illustration contains an additional dividend scale pursuant to subparagraph (vi) above, then the illustration should also include a disclosure that is substantially similar to the following:

The additional illustrated dividend scale is based on interest rates that are assumed no to increase and do not exceed the interest rates in column (b) of the table below.

Tenor	**Current Interest Rate**	**Long Term**
	Treasury Rate as of 12/31/2016	**Mean Reversed Treasury Rate**
3 Month (or less)	0.51%	3.00%

5 Year	1.93%	4.50%
10 Year	2.45%	5.00%
20 Years (or more)	3.06%	5.50%

G. An annuity illustration shall include a narrative summary that includes the following unless provided at the same time in a disclosure document:

(1) A brief description of any contract features, riders or options, guaranteed and/or nonguaranteed, shown in the basic illustration and the impact they may have on the benefits and values of the contract;

(2) A brief description of any other optional benefits or features that are selected, but not shown in the illustration and the impact they have on the benefits and values of the contract;

(3) Identification and a brief definition of column headings and key terms used in the illustration;

(4) A statement containing in substance the following:

(a) For other than fixed indexed annuities:

This illustration assumes the annuity's current non-guaranteed elements will not change. It is likely that they **will** change and actual values will be higher or lower than those in this illustration but will not be less than the minimum guarantees.

The values in this illustration are **not** guarantees or even estimates of the amounts you can expect from your annuity. Please review the entire Disclosure Document and Buyer's Guide provided with your Annuity Contract for more detailed information;

(b) For fixed indexed annuities:

This illustration assumes the index will repeat historical performance and that the annuity's current non-guaranteed elements, such as caps, spreads, participation rates or other interest crediting adjustments, will not change. It is likely that the index **will not** repeat historical performance, the non-guaranteed elements **will** change, and actual values will be higher or lower than those in this illustration but will not be less than the minimum guarantees.

The values in this illustration are **not** guarantees or even estimates of the amounts you can expect from your annuity. Any historical index performance reflected in this illustration is not predictive of future results and should not be relied upon as an indication of future index performance. Please review the entire Disclosure Document and Buyer's Guide provided with your Annuity Contract for more detailed information; and

(5) Additional explanations as follows:

(a) Minimum guarantees shall be clearly explained;

(b) The effect on contract values of contract surrender prior to maturity shall be explained;

(c) Any conditions on the payment of bonuses shall be explained;

(d) For annuities sold as an IRA, qualified plan or in another arrangement subject to the required minimum distribution (RMD) requirements of the Internal Revenue Code, the effect of RMDs on the contract values shall be explained;

(e) For annuities with recurring surrender charge schedules, a clear and concise explanation of what circumstances will cause the surrender charge to recur; and

(f) A brief description of the types of annuity income options available shall be explained, including:

(i) The earliest or only maturity date for annuitization (as the term is defined in the contract);

(ii) For contracts with an optional maturity date, the periodic income amount for at least one of the annuity income options available based on the guaranteed rates in the contract, at the later of age seventy (70) or ten (10) years after issue, but in no case later than the maximum annuitization age or date in the contract;

(iii) For contracts with a fixed maturity date, the periodic income amount for at least one of the annuity income options available, based on the guaranteed rates in the contract at the fixed maturity date; and

(iv) The periodic income amount based on the currently available periodic income rates for the annuity income option in item (ii) or item (iii), if desired.

H. Following the narrative summary, an illustration shall include a numeric summary which shall include at minimum, numeric values at the following durations:

(1) ~~(a) First ten (10) contract years~~ For both guaranteed and non-guaranteed elements, numeric values shall be shown annually for the duration of the Scenario Period, plus any renewal surrender charge period; ~~or~~
~~(1)~~

~~(b) Surrender charge period if longer than ten (10) years, including any renewal surrender charge period(s);~~

(2) ~~Every~~ For guaranteed elements only, numeric values shall be shown for every tenth contract year up to the later of thirty (30) years or age seventy (70); ~~and~~

(3) For guaranteed elements only, numeric values shall be shown at:

~~(4)~~(a) ~~(a)~~ Required annuitization age; or

(b) ~~(b)~~ Required annuitization date; and~~.~~

(4) Numeric values for non-guaranteed elements shall not be required beyond the periods specified in Paragraph (1); however, an insurer may include such values for additional durations where necessary to illustrate the operation of contract features or benefits.

I. If the annuity contains a market value adjustment, hereafter MVA, the following provisions apply to the illustration:

(1) The MVA shall be referred to as such throughout the illustration;

(2) The narrative shall include an explanation, in simple terms, of the potential effect of the MVA on the value available upon surrender;

(3) The narrative shall include an explanation, in simple terms, of the potential effect of the MVA on the death benefit;

(4) A statement, containing in substance the following, shall be included:

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

(5) Illustrations shall describe both the upside and the downside aspects of the contract features relating to the market value adjustment;

(6) The illustrative effect of the MVA shall be shown under at least one positive and one negative scenario. This demonstration shall appear on a separate page and be clearly labeled that it is information demonstrating the potential impact of a MVA. A scenario in which the MVA produces no adjustment (i.e., a flat or zero MVA) shall not be treated as a positive scenario for purposes of this paragraph. The positive scenario shall show a circumstance in which the MVA produces an increase to the amount available upon surrender;

(7) Actual MVA floors and ceilings as listed in the contract shall be illustrated; and

(8) If the MVA has significant characteristics not addressed by Paragraphs (1) – (6), the effect of such characteristics shall be shown in the illustration.

Drafting Note: Appendix A provides an example of an illustration of an annuity containing an MVA that addresses Paragraphs (1) – (6) above.

J. A narrative summary for a fixed indexed annuity illustration also shall include the following unless provided at the same time in a disclosure document:

(1) An explanation, in simple terms, of the elements used to determine the index-based interest, including but not limited to, the following elements:

(a) The Index(es) which will be used to determine the index-based interest;

(b) The Indexing Method – such as point-to-point, daily averaging, monthly averaging;

(c) The Index Term – the period over which indexed-based interest is calculated;

(d) The Participation Rate, if applicable;

(e) The Cap, if applicable; and

(f) The Spread, if applicable;

(2) The narrative shall include an explanation, in simple terms, of how index-based interest is credited in the indexed annuity;

(3) The narrative shall include a brief description of the frequency with which the company can re-set the elements used to determine the index-based credits, including the participation rate, the cap, and the spread, if applicable; and

(4) If the product allows the contract holder to make allocations to declared-rate segment, then the narrative shall include a brief description of:

(a) Any options to make allocations to a declared-rate segment, both for new premiums and for transfers from the indexed-based segments; and

(b) Differences in guarantees applicable to the declared-rate segment and the indexed-based segments.

K. A numeric summary for a fixed indexed annuity illustration shall include, at a minimum, the following elements:

(1) The assumed growth rate of the index in accordance with Subsection F(9);

(2) The assumed values for the participation rate, cap and spread, if applicable; and

(3) The assumed allocation between indexed-based segments and declared-rate segment, if applicable, in accordance with Subsection F(9).

L. If the contract is issued other than as applied for, a revised illustration conforming to the contract as issued shall be sent with the contract, except that non-substantive changes, including, but not limited to changes in the amount of expected initial or additional premiums and any changes in amounts of exchanges pursuant to Section 1035 of the Internal Revenue Code, rollovers or transfers, which do not alter the key benefits and features of the annuity as applied for will not require a revised illustration unless requested by the applicant.

M. Fixed indexed annuity illustrations authorized by insurers shall be subject to the following certification requirements:

(1) The board of directors of each insurer shall designate a responsible officer of the insurer.

(2) The responsible officer shall certify annually to the commissioner that the methodology used for fixed index annuity illustrations authorized by the insurer adheres to the standards set forth in this Section 6, and that the non-guaranteed elements used in calculating illustrated non-guaranteed values reflect the responsible officer's knowledge and understanding at the time the illustration is produced of how the non-guaranteed elements will be managed prospectively. The annual certification shall be provided to the commissioner each year by a date determined by the insurer. If an insurer changes the responsible officer responsible for all or a portion of the company's fixed indexed annuities, the insurer shall notify the commissioner of that fact promptly and disclose the reason for the change.

(3) The responsible officer shall:

(a) Be familiar with the standard of practice regarding annuity illustrations for fixed indexed annuities;

(b) Not have been found by the commissioner, following appropriate notice and hearing, to have:

(i) Violated any provision of, or any obligation imposed by, the insurance law or other law in the course of his or her dealings as a responsible officer;

(ii) Been found guilty of fraudulent or dishonest practices;

(iii) Demonstrated incompetence, lack of cooperation, or untrustworthiness to act as a responsible officer; or

(iv) Resigned or been removed as a responsible officer within the past five (5) years as a result of acts or omissions indicated in any adverse report on examination; and

(c) Notify the commissioner of any action taken by a commissioner of another state similar to that described under Paragraph (b) above.

Section 10. [Optional] Recordkeeping

A. Insurers or insurance producers shall maintain or be able to make available to the commissioner records of the information collected from the consumer and other information provided in the disclosure statement (including illustrations) for [insert number] years after the contract is delivered by the insurer. An insurer is permitted, but shall not be required, to maintain documentation on behalf of an insurance producer.

B. Insurers shall maintain or be able to make available to the commissioner the certifications of the responsible officer of the insurer (including any notifications provided in connection with such certifications) for [insert number] years after each such certification is filed as provided in Section 6.M.

~~B.~~C. Records required to be maintained by this regulation may be maintained in paper, photographic, microprocess, magnetic, mechanical or electronic media or by any process that accurately reproduces the actual document.

INSURED RETIREMENT INSTITUTE

Electronically Submitted to jcook@naic.org

July 17, 2026

To: NAIC Life Insurance and Annuity Illustrations Working Group (the "Working Group")

Re: LIAIWG COMMENTS DUE 7-17-26 (Potential Modifications to Model #245 and the Proposed Actuarial Guideline as a Short Term Solution)

On behalf of our members, the Insured Retirement Institute (IRI)[1] appreciates the opportunity to comment on the materials exposed by the Life Insurance and Annuities Illustrations (A) Working Group (the "Working Group") on June 2, 2026: the list of potential modifications to the NAIC Annuity Disclosure Model Regulation (Model #245) and the proposal to use an actuarial guideline as a stopgap pending broader state adoption of an updated model.

As a general matter, IRI believes these concerns are best addressed by the Working Group focusing its efforts on updating Model #245 itself, rather than by creating a parallel compliance mechanism via an actuarial guideline. Additionally, as to scope, we note that the focus should remain on point-of-sale illustrations.

To that end, IRI supports the redline submitted to the Working Group by the Indexed Annuity Leadership Council ("IALC Redline"), which contains draft amendments to Model #245 that we believe workably address the concerns regulators have raised. The key concepts in the IALC Redline that IRI supports are as follows:

The IALC Redline addresses the three areas regulators have raised in a measured and workable way: illustrated rates of return (particularly for indices relying on back-tested history), illustration length, and renewal rates. IRI supports the following concepts reflected in the IALC Redline:

- *Illustrated rates of return.* We support allowing indices with fewer than 10 years of live history to be illustrated, while subjecting all pre-inception, back-tested performance to a defined limitation: a cap equal to 150% of the index's realized volatility, rounded to the nearest 0.25%. Because realized volatility is used as the basis for the limitation, it adjusts

[1] The Insured Retirement Institute (IRI) is the leading association for the entire supply chain of insured retirement strategies, including life insurers, asset managers, and distributors such as broker-dealers, banks and marketing organizations. IRI members account for more than 95 percent of annuity assets in the U.S., include the top 10 distributors of annuities ranked by assets under management, and are represented by financial professionals serving millions of Americans. IRI champions retirement security for all through leadership in advocacy, awareness, research, and the advancement of digital solutions within a collaborative industry community.

dynamically to the characteristics of each index, materially lowers illustrated returns for back-tested data, and avoids unintentionally favoring particular index designs. This still allows consumers to see the benefits of diversification and continued innovation in index strategies.

- *Illustration scenarios.* We support replacing the requirement to illustrate an index's lowest 10-year performance with an illustration of the contract's guaranteed minimum values, shown alongside the most recent 10-year and highest 10-year periods. This better reflects the actual downside protection of a fixed indexed annuity and avoids giving consumers the misimpression that an index's lowest historical period represents a "worst-case" outcome.
- *Length of illustrations.* We support providing the option to illustrate non-guaranteed values over a time horizon shorter than the product's maturity where doing so aligns with the product's primary use cases, while preserving the ability to illustrate to maturity where appropriate (for example, for products with guaranteed lifetime withdrawal benefit riders).
- *Renewal rates.* Existing Model #245 provisions, including Section 6.F(8), already address planned changes to non-guaranteed elements. We support supplementing those provisions with additional disclosure and an annual attestation from an officer of the insurer confirming that illustrations adhere to the standards in Section 6 and that non-guaranteed elements reflect the insurer's best estimate of how those elements will be managed prospectively. We believe this officer-attestation approach is preferable to creating a separate illustration actuary role, which we do not believe is warranted.

With respect to the proposed actuarial guideline, IRI does not support using an actuarial guideline as a short-term solution, and we would respectfully encourage the Working Group to reconsider whether a stopgap is needed at all. The case for a stopgap rests on an assumption that an updated Model #245 remains a distant prospect. As reflected above, IALC has developed a concrete set of amendments that directly addresses the concerns regulators have raised, which IRI supports. Many of those concerns are, moreover, already addressed by Model #245 as currently written, with the principal gap being that only a limited number of states have adopted the current Model. With a developed, supported proposal that has broad industry alignment already, advancing the Model itself can be a solution that we move towards in the short term.

We therefore urge the Working Group to put its energy behind moving the Model amendments forward and securing their adoption, rather than diverting time and attention to building a temporary mechanism alongside them. If regulators, industry, and other stakeholders focus on Model #245, this will be the most effective course towards a solution.

These practical considerations are reinforced by more fundamental concerns with the guideline approach itself. We do not view annuity illustrations as involving the kind of actuarial elements that would warrant an actuarial guideline, and relying on Model #275 authority to support one stretches the intended scope of that Model. Proceeding by guideline would also create a dual-track framework (a guideline in some states and Model #245 in others) that risks operational complexity and inconsistent consumer experiences across jurisdictions. Changes of this nature are more appropriately governed through state law.

Finally, we would like to note that registered index-linked annuities and other registered products are federally regulated securities, overseen by the Securities and Exchange Commission and the Financial Industry Regulatory Authority under a framework that already imposes extensive consumer disclosure obligations. Applying a separate state illustration standard on top of that existing federal oversight would risk duplicative and potentially conflicting requirements, along with the compliance burdens and legal uncertainty that would follow. These products should therefore remain outside the scope of Model #245.

IRI and its members appreciate the opportunity to provide these comments, and we look forward to continued engagement with the Working Group as this work progresses. Please do not hesitate to reach out with any questions or concerns, or if there is anything else with which we can assist.

Sincerely,

Sarah E. Wood

Sarah Wood
Director, State Policy & Regulatory Affairs
Insured Retirement Institute
swood@irionline.org

<u>New York State Department of Financial Services Comment Letter</u> *June 18, 2026*

We propose requiring a one year demo with +/- 20% return on the underlying index to show how the product works under both up and down scenarios. For any illustration beyond one year, limit the crediting rate to be essentially slightly higher than non-indexed deferred annuities by limiting the assumed derivatives' return to 1.1 times the general account fixed income earnings rate (so if the company is earning 5% on its fixed income assets they could assume 5.5% is earned on their derivatives).

Not sure at this point what we should do with crediting rates for RILAs but we have some disclosure requirements in our reg 47 right now that include highlighting the downside risk.