Draft date: 9/2/26

Virtual Meeting

LIFE INSURANCE AND ANNUITIES ILLUSTRATIONS (A) WORKING GROUP
Tuesday, Sept. 8, 2026 11:00 a.m. – 12:00 p.m. ET / 10:00 – 11:00 a.m. CT / 9:00 a.m. – 10:00 a.m. MT / 8:00 – 9:00 a.m. PT

ROLL CALL

Ben Slutsker, Chair	Minnesota	Michael Muldoon	Nebraska
Sanjeev Chaudhuri	Alabama	William B. Carmello	New York
Cody Tyler	California	Matt Elston	Ohio
Manny Hidalgo	Connecticut	Josh Blakely	Oregon
Matt Cheung	Illinois	Matthew Gendron	Rhode Island
Scott Shover	Indiana	Andreea Savu	South Carolina
Mike Yanacheak	Iowa	Kaleb Short	Tennessee
Nour Benchaaboun	Maryland	Maribel Castillo/Angela McNeal/ Mathew Roos	Texas
Danielle Torres	Michigan	Tomasz Serbinowski	Utah
		Craig Chupp/ Melissa Gerachis/ Jarod Mentzer	Virginia

NAIC Support Staff: Jennifer R. Cook/ Jennifer Frasier

AGENDA

1. Summarize Sept. 1 Working Group Meeting Discussions

2. Discuss Additional Scenarios & Supplemental Information (Issue 4C in materials)

3. Discuss Stopgap Solution (Issue 5 in materials)

4. Discuss Next Steps

5. Discuss Any Other Matters

7. Adjournment

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

- **Standardize and Reduce** ~~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, **through standardized requirements**
- Fewer Redundances
  - Eliminate redundancies between narrative summary and Section 5 of Model 245
- **Standardize and** Combine Illustration Ledger
  - Side by side comparison of tabular illustrations, such as guaranteed rates, most-recent, etc., to reduce length, **using a standardized requirements**

Conceptually, the Working Group recommends pursuing the above ideas to reduce illustration length, including requirements to standardize illustrations for these elements across different carriers and products

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)*

Conceptually, the Working Group does not currently support adding specific types of disclosures beyond current model requirements, but future proposals may still include recommended additions to disclosures and/or modifications to emphasize current disclosures

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*

Conceptually, the Working Group recommends pursuing a certification/attestation for a company officer to be held accountable.

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 <u>did not</u> exist)

Non-Guaranteed Elements

(Illustrating historical years the index <u>did</u> 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? No

- **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 ✓

Conceptually, the Working Group decided to not permit hypothetical index returns, even if component indices/inputs existed during the historical illustrated period.

(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 to historical returns

Continue to illustrate historical years assuming current NGE levels?

- **Primary Concern:** Reflecting current levels of non-guaranteed elements (NGEs) in historical periods, such as caps or participation rates, creates a potential mismatch
- **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) X
    2. Current Model 245 with adjustments or haircuts to non-guaranteed elements ✓
    3. Apply NGEs that would have been afforded with the option budget X

The Working Group has also expressed strong interest in receiving alternative ideas from the above, that do not rely on NGEs and/or historical index data

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 5: Stopgap 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 stopgap solution (assuming the guidance is set to the updated Model 245 wording)?

   1. Actuarial Guideline
   2. Model Bulletin
   3. No stopgap solution