

REQUEST FOR NAIC MODEL LAW DEVELOPMENT

This form is intended to gather information to support the development of a new model law or amendment to an existing model law. Prior to development of a new or amended model law, approval of the respective Parent Committee and the NAIC's Executive Committee is required. The NAIC's Executive Committee will consider whether the request fits the criteria for model law development. Please complete all questions and provide as much detail as necessary to help in this determination.

Please check whether this is: ☐ New Model Law or ☒ Amendment to Existing Model

1. Name of group to be responsible for drafting the model:

Life Insurance and Annuities Illustrations (A) Working Group

2. NAIC staff support contact information:

Jennifer Cook	Jennifer Frasier
jcook@naic.org	jfrasier@naic.org
202-471-3986	816-783-8834

3. Please provide a brief description of the proposed new model or the amendment(s) to the existing model. If you are proposing a new model, please also provide a proposed title. If an existing model law, please provide the title, attach a current version to this form and reference the section(s) proposed to be amended.

The Working Group would like to revise Model #245, including Section 6—Standards for Illustrations in the *Annuity Disclosure Model Regulation (#245)*, to address issues identified by the Working Group related to potentially misleading illustrations of annuity products currently in the marketplace that are not addressed or not adequately addressed in the current model's standards.

4. Does the model law meet the Model Law Criteria? ☒ Yes or ☐ No (Check one)

(If answering no to any of these questions, please reevaluate charge and proceed accordingly to address issues).

a. Does the subject of the model law necessitate a national standard and require uniformity amongst all states? ☒ Yes or ☐ No (Check one)

If yes, please explain why:

Consumers should receive understandable disclosures that explain the features of their annuity and how it works, without forming expectations that their annuity will perform better than a range of returns that would likely emerge in a future scenario.

b. Does Committee believe NAIC members should devote significant regulator and Association resources to educate, communicate and support this model law?

☒ Yes or ☐ No (Check one)

5. What is the likelihood that your Committee will be able to draft and adopt the model law within one year from the date of Executive Committee approval?

☐ 1 ☒ 2 ☐ 3 ☐ 4 ☐ 5 (Check one)

High Likelihood

Low Likelihood

Explanation, if necessary: There seems to be a strong willingness by regulators and interested parties to address the issues identified and discussed by the working group related to the shortcomings of current illustrations and potential harm to consumers.

6. What is the likelihood that a minimum two-thirds majority of NAIC members would ultimately vote to adopt the proposed model law?

☐ 1 ☒ 2 ☐ 3 ☐ 4 ☐ 5 (Check one)

High Likelihood

Low Likelihood

Explanation, if necessary: There appears to be consensus to revising Model #245 within the Working Group and interested parties to address issues with illustrations. This support reflects a shared commitment to improving transparency and protecting consumers from misleading information.

7. What is the likelihood that state legislatures will adopt the model law in a uniform manner within three years of adoption by the NAIC?

☐ 1 ☒ 2 ☐ 3 ☐ 4 ☐ 5 (Check one)

High Likelihood

Low Likelihood

Explanation, if necessary: While the existing model law has not been widely adopted, it is important to note that, in the jurisdictions where it has been implemented, there is evidence that it has contributed to reducing problematic practices. Specifically, the adoption of the model has led to a decrease in the frequency (but not the elimination) of unrealistically high illustrated annuity returns.

The inclusion of standards aimed at further clarifying illustrations as explanatory and educational disclosures rather than predictions, significantly strengthens the prospects for broader adoption. The likelihood of widespread adoption is further enhanced when improvements are supported by stakeholders as necessary to maintain fair competition and ensure a level playing field across annuity types in all states.

8. Is this model law referenced in the NAIC Accreditation Standards? If so, does the standard require the model law to be adopted in a substantially similar manner?

Not an accreditation standard.

9. Is this model law in response to or impacted by federal laws or regulations? If yes, please explain.

No.