AMERICAN ACADEMY of ACTUARIES

May 18, 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 Life Products Committee (Committee) of the American Academy of Actuaries,[1] I appreciate the opportunity to provide comments to the April 1, 2026, exposure questions:
What should be the starting point of a short-term solution: Model 245 language or something else (such as AG 49-A, other guidance, or starting anew)?

- *If language similar to Model 245 or other existing guidance, what types of modifications do you believe are necessary to address current regulatory concerns regarding illustrated rates and transparency (i.e., which sections/parts do you believe need to be added or modified)?*
- *If starting anew, then how can the scope be limited to ensure progress towards a short-term solution before a longer-term solution is developed?*

The Committee suggests exploring why Model 245 has not been adopted consistently across the states. Any recommended changes to Model 245 may prove ineffective if there has been, and continues to be, inconsistent appetite by all states to adopt the Model or if the illustration changes without understanding why they have not been adopted to date by the majority of states.

From our research, Model 245 exists in states in the following forms:

- Five states have adopted the 2021 version (which includes Sect. 6 on illustrations and most recent addition of Sect. 6(F)(22) on participating immediate and deferred income annuities dividend scale future investment options);
- Five states have adopted the 2015 version (which includes Sect. 6 without the recent addition of Sect. 6(F)(22));
- Eleven states have adopted a version of Model 245 that does not include section 6 on illustrations; and
- Thirty-five states/territories have not passed any version of Model 245.

Without adoption of Section 6 requirements for illustrations in the states, there is a clear lack of guidance on what should and should not be in an annuity illustration or what the format would need to be. We find the following language in Section 6.F.(8) may address some concerns with products designs that intend to decrease caps or other features of an index:

> 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

[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.

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;

The 2021 version of Model 245 may not fully and clearly define the difference and treatment of the component parts of an index and the strategy for which an index is formulated, which impacts what can constitute illustrated history. For example, although the S&P and Dow as separate indices have existed, there may not be enough guidance on how a fund that balances between the weight of the S&P and Dow can be considered for the historical period. If the index guaranteed a 50/50 blend, there is less question that the index can illustrate that history than if the blend changed over time due to an algorithm. This may be an area that could provide more 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.

It may be appealing to create a broad limitation on the illustrated credited rate for indexed products as a short-term fix similar to AG 49/AG 49-A. Our primary concern with this is that annuity illustrations do not have the same level of accountability that is required for life insurance illustrations under the widely adopted Model 582. The lack of an appointed illustration actuary and responsible officer do not provide a clear path for a specific level of accountability for the annuity illustration. We are not implying that disciplined current scale requirements from Model 582 also be required for Model 245, but rather that a clear framework for responsibility and accountability should be laid out in Model 245.

A medium- and longer-term solution would be to update Model 245 fully and encourage adoption so that a consistent application occurs in all states, with key adoptions to include Section 6 and perhaps some responsible party that ensures illustrations are conforming to the Model. We understand that the development and approval of a model regulation can be a lengthy process. Based on key concerns we have heard from previous working group meetings, we suggest the working group discuss principles that illustrations should follow, such as:

1. Products with different risks and features be treated differently. Uniform maximums across all index products likely won't help the consumer understand how the product works and what features may be to their advantage or disadvantage.
2. Ensuring illustrations are not considered projections or in any way indicative of future performance of the product. Illustrations were never meant to be best estimates or promises, and insurance companies are unable to predict or apply a level of confidence in future market performance.
3. Formula-based development of the maximum illustrated credited rate.
4. Ensure understanding of the guaranteed and nonguaranteed elements.
5. Create accountability and annual certification of product illustrations at time of sale and for inforce illustrations.
6. Ensure that the length of ledgers are commensurate with the duration of the product, meaning, if the illustration needs to show both an accumulation and a payout phase, the illustration be allowed to demonstrate those features. If the intent of the sale is not to move the product within 10-15 years to a payout phase, the illustration may be deemed adequate for the sale without showing more than 10-15 years.

If you have any questions or would like to discuss these comments further, please contact Fabienne Amisial (amisial@actuary.org) the Academy's life policy project manager.

Sincerely,

Donna Megregian, MAAA, FSA
Chairperson, Life Products Committee
American Academy of Actuaries