

May 18, 2026

Via Email to jcook@naic.org

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

Re: Questions on "Starting Point" For Short-Term Solution Addressing Annuity Illustrations

Greetings:

On behalf of the Committee of Annuity Insurers ("CAI"),¹ we are pleased to submit this comment letter responding to the Life and Annuity Illustrations (A) Working Group's ("Working Group") questions regarding potential short-term solutions that would address concerns regarding illustrated rates, consumer understanding and transparency in annuity illustrations.

Annuity illustrations are an important, indeed critical, component in the overall regulatory and disclosure framework that assist consumers in evaluating the particular annuity they are considering, without creating the impression of any predictive or guaranteed outcomes. The CAI supports the Working Group's evaluation of the regulatory regime related to annuity illustrations with the goal of improving the illustrations and disclosures, and/or the possible development of additional guidance, so that consumers receive clear and concise information that will assist them in their evaluation of annuities. As has been previously recommended, we continue to believe that appropriate consumer testing would better identify the nature and extent of any concerns with the current regulatory framework and current illustration practices.

The Working Group has asked for comments on the "starting point" for moving forward with its initiatives per the request below:

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 CAI fully supports the comments set forth in the letter submitted by the American Council of Life Insurers. In that regard, this letter provides the CAI's thoughts on the appropriate starting

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/>.

point, and some high-level suggestions for topics that the Working Group might consider in reviewing and revising Model 245.

Starting Point for Short-Term Solution. Consistent with the ACLI's recommendation, the CAI believes that the starting point for a short-term solution related to annuity illustrations should be the current Annuity Disclosure Model Regulation (#245) ("Model 245"). Model 245 sets forth a framework for annuity illustrations and accompanying disclosures that reflect the core principles that illustrations should explain the mechanics and interest crediting options that a particular annuity offers but not create the impression that illustrations are predicting or guaranteeing future values. Consistent with these core principles, Model 245 places meaningful conditions on annuity illustrations. Indeed, Model 245 in its current form already includes provisions that address several of the specific questions and concerns that have been raised by the Working Group and commenters. Therefore, Model 245 provides a workable chassis that can and should be used as the most efficient starting point for a short-term solution. However, as the ACLI notes in its comment letter, current illustrations may be overly lengthy and complex. Therefore, consumers could benefit from refinements and updates that address the length and complexity of illustrations under the relevant parts of Model 245.

Possible Updates/Revisions to Model 245. Given that Model 245 already establishes the principles that should govern annuity illustrations, the CAI agrees with the ACLI that the Working Group should focus on targeted areas for improvements within Model 245. The CAI also concurs with those targeted areas identified in the ACLI comment letter. Consistent with the themes set forth in the ACLI comment letter, we set forth below some possible revisions or refinements to Model 245's framework for annuity illustrations that the Working Group could consider:

Shorter, More Summary Based Illustrations. Members of the Working Group and certain commenters have raised concerns about the length and complexity of annuity illustrations under Model 245. The CAI fully supports potential changes to shorten and reduce the complexity of annuity illustrations to improve consumer understanding of the products.

One possible change that the Working Group could consider to address these concerns would be to reduce the time-period covered by the required illustrations. Model 245 currently requires that illustrations extend from the date of issuance to the annuity contract's maturity date. That period seems unnecessarily long in most circumstances. The time-period could be reduced to a different duration, such as the end of the surrender charge period, the surrender charge period plus a stated number of years, or the end of a period certain (e.g., 10 years provided such period of time exceeds the surrender period). In considering a reduction in the required time period, it may be worthwhile to consider whether a more limited time period (such as those just suggested) should be extended if the annuity product includes features that are focused on a longer time horizon (such as a death benefit rider or income rider).

Another change that the Working Group could consider, in addition to reducing the covered periods shown, relates to the current tabular presentation of the illustrations. For example, it might be possible to decrease the overall length of the illustration package by combining the tabular illustrations outputs so that multiple scenarios (e.g., guaranteed rates and most-recent 10-year period) could be shown on the same ledger.

Consumer Understanding of Renewal Rate Risks. Concerns have been raised that the illustrations do not adequately convey information about the impact that possible changes in non-guaranteed elements (caps, spreads, participation rates, etc.) would have on contract values. It has been suggested that illustrations may not meaningfully apprise consumers about the risks that renewal rates for these non-guaranteed elements will be lower than the rates used in the illustration based on those for the initial interest crediting period. However, we note that Model 245 already includes provisions that address this risk in a considered manner:

Obligation to Illustrate Consistently with Any Planned Changes: Section 6.F(8) of Model 245 requires that “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 on an initial guaranteed or bonus period.”

Other Disclosure Requirements: Under Section 6.F(14), any illustration of non-guaranteed elements must include disclosure that: the benefits and values are not guaranteed, the assumptions on which they are based are subject to change by the insurer, and actual results may be higher or lower. In addition, for fixed index annuities, Model 245 includes the following disclosure requirement that addresses renewal rate risk and the general functionality or value of an illustration in Section 6.G(4)(b):

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. (emphasis added).

If the Working Group is concerned that these provisions do not adequately address consumer understanding of renewal rate risks, new disclosures could be added, the requirements identified above could be modified, or the prominence of the disclosures could be enhanced to make clear to consumers the impact of renewal rate risk. For example, the Working Group could consider requiring additional specific disclosures, such as disclosure that rates for subsequent interest crediting periods could be significantly lower than the initial crediting period rates reflected in the illustration; disclosure of the contractually guaranteed minimum cap, spread or participation rates; and disclosure of the time periods for which the initial rates are guaranteed.

As an alternative, or in addition to these types of enhanced disclosures, the Working Group could consider whether to provide for supplemental illustrations that consumers could request. Such supplemental illustrations would be designed to provide consumers with additional insight about the impact on contract values of a change in the renewal rate(s). For example, upon renewal such illustrations could show either (a) lower rates (e.g., participation rate, cap) than the current rates that would demonstrate how contract values would be affected if the rates trended in a negative direction, and/or (b) the guaranteed minimum renewal rates for the particular fixed index annuity.

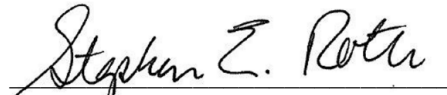
Indexes with Less Than Ten (10) Years of Performance. The CAI specifically calls out its support for the ACLI comment letter position on indexes with less than ten (10) years of performance and also supports collaboration with the Working Group on changes to Model 245 that enhance its consumer protection objectives while ensuring that consumers are provided with meaningful, transparent information about available product options that support informed allocation decisions and preserve consumer choice

Incorporating Elements of the Iowa Bulletin. The Iowa Insurance Department issued a bulletin addressing illustrations practices when it adopted its illustration regulations in 2013. (Iowa Insurance Division Bulletin 13-01 (April 3, 2013).) Certain of the elements of that Bulletin could be included as revisions to Model 245. For example, the guidance on the “Ten-Year Period” in Section IV(d) could be added to the Model.

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



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