

INDEX RESOURCE CENTER

National Association of Insurance Commissioners
Life and Annuities Illustrations (A) Working Group
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Re: Question Exposed for Comment Period Ending COB March 24, 2026

The Index Resource Center appreciates the opportunity to submit the following comments relating to the above-referenced question.

There are three issues with these illustrations. Two of them affect all carriers, one of them affects 95% of the carriers. These issues are related to index and crediting method performance, but they have a deeper problem that is not covered by “Past performance is not indicative of future results”. The problem is the method of calculation along with the lack of index price updating, and the omission of factoring in rate changes during the ten-year back testing timeframe.

Method of Calculation: Using today’s participation rate, cap rate, spread rate...ect along with a performance of an index in the past is not logical. If we are looking at a timeframe of the last ten years for our back test, today’s rates are irrelevant. They would not have existed when the back test started. This is the method currently being used. If a client buys a Fixed Indexed Annuity and expects it to perform like the illustration, they will have to hold the annuity for ten years until they discover what their rates would be. To solve this, we need to incorporate math. It is possible to calculate using our “Retro Pricing” formula, what the participation rates, cap rate, spread rates...ect would have been at the beginning of the back test timeframe. By using Retro Pricing, we can discover the correct starting rates and then get a far more realistic back test.

Lack of Index Price Updating: Most, not all, carriers use a price for an index based upon the price at the beginning of the year. There are a couple I have heard of that update the price monthly, and one that does it daily. Daily is the only way to get the correct history on the index. There can be a dramatic difference in a back tested return based upon the value of the index.

Omission of Rate Changed During the Back Test Timeframe: Volatility is usually the number one culprit in factors that cause carriers to adjust rates each year. This adjustment could be up, or down. The fact that in the current back testing model, this is not being included can alter returns at a very high rate. Our Retro Pricing formula tests the indices by analyzing the volatility history and we use that to adjust rates during the back test to get to a much more realistic number.

In conclusion, we are not trying to predict the future for agents and clients. The goal is to give the most accurate look at what each strategy did in the past to help agents and clients make “data-based” decisions in the future. In short, we want to replace theory and guessing with data, so the agent and client have something that is measurable.

Thank you for the opportunity to comment on this very important issue.

Kent Jacquay