



To: Jennifer Cook
From: Life Insurance Consumer Advocacy Center (LICAC)
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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)?

Illustrations are not projections! But they are perceived as projections by the customer. The dilemma, then, is how to get away from the use of accumulating numbers, which appear as projections! Toward the objective of changing the “paradigm” of how annuity illustrations are perceived by the consumer ...

1. Consider a single, NAIC-dictated crediting rate for all illustrated years - NOT with an AG49 approach - simply a rate such as 5% to be used to illustrate all FIAs - and a similar approach for RILAs. No history, no projections - all carriers use the same rate. Focus on how the annuity “works” - not what it’s “going to be worth” in the future (especially with non-guarantees acting as the ultimate determinant of “the numbers.”).

ALTERNATIVELY - adopt a standard Stochastic Analysis “engine” for carriers to use in their illustrations.

2. Carriers should STATE those elements of design they believe distinguish their products - expenses - riders -etc. Guaranteed vs. non-guaranteed should be clearly stated and explained.

3. EXPLAIN with words and graphics how INDICES work.

4. With respect to indices, provide (lower/higher) a 5-year example of how caps and participation rates can affect account value accumulation. The focus should be on understanding the effect of these variables - not predicting the best outcome.

5. Financial strength should be explained and featured as a differentiating factor in choosing one carrier’s product over another.

6. Use graphics rather than numbers.

7. Make it clear in the illustration that it is not a projection. Many factors will influence ultimate values - including those actions the annuity owner might take (withdrawals, change in indices, etc.) - as well as the carrier's responses to changing economic conditions.

8. We wouldn't throw out Model 245 - the section needing attention is 6f - "An illustration shall conform to the following requirements" - followed by 22 such requirements. It needs to be much simpler - and much more unified between carriers. Of course, accommodation is required for the different types of annuities, i.e., MYGA vs FIA vs RILA.

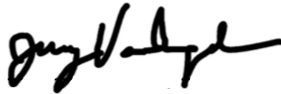
If starting anew, then how can the scope be limited to ensure progress towards a short-term solution before a longer-term solution is developed?

We believe that any approach less than the above simply perpetuates the myth that an annuity illustration with non-guaranteed elements can do anything but mislead and confuse the customer.

Sincerely,



Richard M. Weber



Gerard J. Vanderzanden