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**To:** Cook, Jennifer <[JCook@naic.org](mailto:JCook@naic.org)>  
**Subject:** Index Annuity Illustrations

I applaud the committee for taking up this issue. Indexed annuities have come a long way in terms of product quality and acceptance. We don't need overly aggressive illustrations creating false expectations.

Fortunately, the solution here is very simple. Illustrations with lofty assumptions are all created by the back testing assumptions of new indexes. There is no issue with indexes with a real track record. The returns speak for themselves. However, newly created indexes currently use back tested data. Unfortunately, it's in the best interests of the parties involved to create the most favorable back tested data possible. It helps the index creator sell the index to the insurance company and it helps the insurance company position the new index to existing ones to their agents. In reality, the industry does not need new indexes, but in the quest to differentiate, these indexes will continue to be introduced. Unfortunately, once these indexes become live, they rarely perform as well as the back tested data would indicate.

So, the simple solution. Require actual performance. No back tested data can be used. If the index does not have enough history to create an illustration, then limit the performance in those years to 10 year treasury rates plus 2%. This would be a good estimate of long-term returns clients should expect to get in an FIA in any interest rate environment. And it would most certainly avoid creating lofty expectations that can't be met.

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