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Sent: Tuesday, March 17, 2026 1:19 PM
To: Cook, Jennifer <JCook@naic.org>
Cc: Slutsker, Ben <benjamin.slutsker@state.mn.us>; Pike, Jon <jpike@utah.gov>
Subject: Index annuities illustrated returns

Ben Slutsker, Chair
Life Insurance and Annuities Illustrations (A) WG

Re: Index annuities illustrated returns

Dear chair Slutsker,

I'd like to offer the following comments on the issue of short-term and long-term approaches to ensure consumers receive reasonable expectations for index annuity returns at the point of sale.

I'm not sure it is necessary to project annuity values for many years (typically until maturity age of 100 or higher) in order to explain the features of an annuity. However, if there is a desire to do that, the hypothetical return used should be just that, hypothetical.

The illustrated return should not depend on the selected strategies or the past performance of any index strategy. Past performance is not an indication of future performance. By varying illustrated return with the strategy, insurers suggest that certain strategies might be superior to others, thus steering consumers in direction of strategies with higher illustrated returns.

Hypothetical returns should be round numbers, like 0%, 5%, 10% and should be capped by regulators. Showing hypothetical return of 20% serves no purpose, creates unrealistic expectations, and is very likely misleading. Using an illustrated return like 7.83% creates a false perception of precision and knowledge. If an insurance company illustrates a return of 7.83%, consumer is more likely to assume that the return is supported by research and not just a guess.

One potential solution would be to limit illustrated returns to whole percentages not exceeding 10%, and to illustrate at a rate selected by a consumer.

Regarding past performance, only the actual historical performance should be shown. Regulators should consider whether illustrations should include "lowest" and "highest" returns for a specified period (like 10 years). Given that strategies and indexes may be optimized to perform well over the historical periods, showing the worst performance is likely misleading creating a false "floor" for future expected returns.

Sincerely,

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Tomasz Serbinowski
, Actuary

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