INDEXED ANNUITY
LEADERSHIP COUNCIL

July 17, 2026

To: NAIC Life Insurance and Annuities Illustrations (A) Working Group
Submitted via email to jcook@naic.org
Re: Potential Modifications to Model #245 and Actuarial Guideline as a Short Term Solution

Dear Members of the Life Insurance and Annuities Illustrations (A) Working Group:

The Indexed Annuity Leadership Council (IALC) appreciates the opportunity to comment on the Working Group's exposure regarding potential modifications to Model 245. The IALC is a consortium of life insurance companies that offer fixed indexed annuities (FIAs). Our mission is to help educate the public, including retirement savers, financial professionals, regulators, and the media about the benefits of fixed indexed annuities.

According to LIMRA, IALC member companies accounted for approximately 36% of U.S. individual fixed indexed annuity sales in 2025, including four of the top five sellers of the product. Given our members' significant presence in the marketplace, we welcome the opportunity to contribute to this important discussion. We commend the Working Group for undertaking this effort and for seeking stakeholder input as it considers potential revisions to Model 245.

With respect to the specific questions included in the exposure – which sought feedback on ideas included in the summary guide list of potential Model 245 modifications and regarding whether an actuarial guideline should be used as a stopgap measure – the IALC generally supports the positions and recommendations expressed by the American Council of Life Insurers (ACLI) in their comment letter.

Consistent with the ACLI's comments, the IALC encourages the Working Group to focus its efforts on revising Model 245 rather than pursuing a stopgap solution. Regulators have appropriately identified the need to modernize annuity illustration policies. Updating the model regulation is the best vehicle for accomplishing this objective.

IALC Proposed Drafting Language
In order to kick start the process, the IALC has prepared specific ideas and language intended to assist the Working Group as it considers revisions to Model 245. Along those lines, the IALC has attached proposed drafting language for Section 6 of Model 245. We offer these materials as a starting point for discussion as the Working Group considers revisions to the model.

Our proposal is intended to address three principal areas that have been identified during the Working Group's discussions:

Illustrated rates of return. The IALC believes it is important to allow consumers to see the benefits of diversification across indices, while also establishing strong guardrails on the use of back-tested index data to ensure illustrations create realistic expectations for consumers. To accomplish this, the IALC proposes allowing newer indices to be illustrated but subjecting all back-tested returns to a limitation that will constrain illustrated performance to an appropriate level.

Under the IALC proposal, all pre-inception, back-tested performance would be subject to a cap, applied to annual index returns, equal to 150% of an index's realized volatility (i.e. how much the index returns have fluctuated over time), rounded to the nearest 0.25%. Four examples demonstrating how this would work are attached.

This proposal would materially lower illustrated returns for indices using back-tested data while facilitating continued innovation in index strategies and product design and allowing consumers to see the benefits of diversification. Using realized volatility as the basis for the limitation also adjusts dynamically to the characteristics of each index and avoids unintentionally favoring certain index designs over others.

In addition, the IALC proposal would eliminate the requirement to illustrate the lowest period of performance for an index, and instead require illustration of the guaranteed minimum values of the fixed index annuity for the Scenario Period (defined as the greater of five years or the surrender charge period) alongside the Most Recent Scenario and the High Scenario. This is intended to prevent consumers from getting the impression that the lowest historical period of performance from an index would be the "worst case scenario" for the contract values they could see in the product.

Length of illustrations. A good starting point for reducing the length of illustrations is to allow for the time horizon in non-guaranteed illustrations to be shorter than the maturity date of the product. The IALC proposal provides the option to use a shorter illustration period where doing so better aligns with the product's primary use case, while preserving the flexibility to illustrate longer periods for products where longer-term values are central to the consumer's understanding, such as products with guaranteed lifetime withdrawal benefits.

Renewal rates. Existing provisions in Model 245 already require disclosures on this topic. The IALC proposes to supplement these provisions by requiring an officer to certify annually that illustrations adhere to Model 245, and that the non-guaranteed elements used in calculating illustrated values reflect their knowledge and understanding of how the non-guaranteed elements will be managed prospectively. The suggested certification language connects to the concept of planned changes to non-guaranteed elements in Section 6.F(8), and does not supersede or replace disclosures emphasizing the possibility that actual non-guaranteed elements will differ from those shown in the illustration.

The IALC believes the attached proposal provides a practical starting point for the Working Group as it considers potential revisions to Model 245. We look forward to continuing to work collaboratively with regulators and other interested parties to refine these concepts and update Model 245, and we hope to help facilitate timely adoption of a revised model regulation by the states.

Sincerely,

Jim Poolman
Indexed Annuity Leadership Council (IALC)

Examples of Volatility-based Limitation

Index A

live	2020	
realized vol	5.00%	
annual max	7.50%	(150% realized vol rounded to nearest 0.25%)
1YR Par rate	175%	

Most Recent 2016-2025

	Index Return		Crediting	
	History	w/ Vol Limit	History	w/ Vol Limit
2025	0.75%	0.75%	1.32%	1.32%
2024	0.40%	0.40%	0.70%	0.70%
2023	8.54%	8.54%	14.94%	14.94%
2022	-7.35%	-7.35%	0.00%	0.00%
2021	2.68%	2.68%	4.69%	4.69%
2020	15.23%	7.50%	26.65%	13.13%
2019	12.44%	7.50%	21.77%	13.13%
2018	2.86%	2.86%	5.00%	5.00%
2017	10.39%	7.50%	18.18%	13.13%
2016	2.51%	2.51%	4.40%	4.40%
		Annualized Return:	**9.39%**	**6.90%**
				-2.49%

High Period 2010-2019

	Index Return		Crediting	
	History	w/ Vol Limit	History	w/ Vol Limit
2019	12.44%	7.50%	21.77%	13.13%
2018	2.86%	2.86%	5.00%	5.00%
2017	10.39%	7.50%	18.18%	13.13%
2016	2.51%	2.51%	4.40%	4.40%
2015	3.31%	3.31%	5.80%	5.80%
2014	9.63%	7.50%	16.84%	13.13%
2013	8.77%	7.50%	15.34%	13.13%
2012	6.96%	6.96%	12.18%	12.18%
2011	8.19%	7.50%	14.34%	13.13%
2010	15.75%	7.50%	27.57%	13.13%
		Annualized Return:	**13.92%**	**10.55%**
				-3.37%

Index B

live	2023	
realized vol	14.95%	
annual max	22.50%	(150% realized vol rounded to nearest 0.25%)
1Yr Par rate	60%	

Most Recent 2016-2025

	Index Return		Crediting	
	History	w/ Vol Limit	History	w/ Vol Limit
2025	4.84%	4.84%	2.91%	2.91%
2024	14.00%	14.00%	8.40%	8.40%
2023	19.86%	19.86%	11.92%	11.92%
2022	-14.76%	-14.76%	0.00%	0.00%
2021	14.09%	14.09%	8.45%	8.45%
2020	18.41%	18.41%	11.05%	11.05%
2019	28.26%	22.50%	16.96%	13.50%
2018	-2.13%	-2.13%	0.00%	0.00%
2017	45.76%	22.50%	27.46%	13.50%
2016	8.75%	8.75%	5.25%	5.25%
		Annualized Return:	**8.96%**	**7.38%**
				-1.58%

High Period 2012-2021

	Index Return		Crediting	
	History	w/ Vol Limit	History	w/ Vol Limit
2021	14.09%	14.09%	8.45%	8.45%
2020	18.41%	18.41%	11.05%	11.05%
2019	28.26%	22.50%	16.96%	13.50%
2018	-2.13%	-2.13%	0.00%	0.00%
2017	45.76%	22.50%	27.46%	13.50%
2016	8.75%	8.75%	5.25%	5.25%
2015	-4.51%	-4.51%	0.00%	0.00%
2014	6.02%	6.02%	3.61%	3.61%
2013	36.97%	22.50%	22.18%	13.50%
2012	15.30%	15.30%	9.18%	9.18%
		Annualized Return:	**10.08%**	**7.68%**
				-2.39%

Index C

live	2025	
realized vol	4.00%	
annual max	6.00%	(150% realized vol rounded to nearest 0.25%)
1YR Par rate	180%	

Most Recent 2016-2025

	Index Return		Crediting	
	History	w/ Vol Limit	History	w/ Vol Limit
2025	-0.24%	-0.24%	0.00%	0.00%
2024	4.01%	4.01%	7.21%	7.21%
2023	3.32%	3.32%	5.98%	5.98%
2022	-3.56%	-3.56%	0.00%	0.00%
2021	-0.73%	-0.73%	0.00%	0.00%
2020	12.90%	6.00%	23.23%	10.80%
2019	8.68%	6.00%	15.62%	10.80%
2018	-3.51%	-3.51%	0.00%	0.00%
2017	9.81%	6.00%	17.65%	10.80%
2016	5.13%	5.13%	9.24%	9.24%
		Annualized Return:	**7.60%**	**5.38%**
				-2.22%

High Period 2011-2020

	Index Return		Crediting	
	History	w/ Vol Limit	History	w/ Vol Limit
2020	12.90%	6.00%	23.23%	10.80%
2019	8.68%	6.00%	15.62%	10.80%
2018	-3.51%	-3.51%	0.00%	0.00%
2017	9.81%	6.00%	17.65%	10.80%
2016	5.13%	5.13%	9.24%	9.24%
2015	4.23%	4.23%	7.62%	7.62%
2014	13.48%	6.00%	24.26%	10.80%
2013	8.91%	6.00%	16.04%	10.80%
2012	4.91%	4.91%	8.83%	8.83%
2011	10.25%	6.00%	18.46%	10.80%
		Annualized Return:	**13.86%**	**9.00%**
				-4.86%

Index D

live	2023	
realized vol	12.48%	
annual max	18.75%	(150% realized vol rounded to nearest 0.25%)
1YR Par rate	70%	

Most Recent 2016-2025

	Index Return		Crediting	
	History	w/ Vol Limit	History	w/ Vol Limit
2025	-5.34%	-5.34%	0.00%	0.00%
2024	2.35%	2.35%	1.65%	1.65%
2023	19.48%	18.75%	13.63%	13.13%
2022	-19.42%	-19.42%	0.00%	0.00%
2021	25.50%	18.75%	17.85%	13.13%
2020	28.84%	18.75%	20.18%	13.13%
2019	34.26%	18.75%	23.98%	13.13%
2018	-4.91%	-4.91%	0.00%	0.00%
2017	40.50%	18.75%	28.35%	13.13%
2016	8.19%	8.19%	5.73%	5.73%
		Annualized Return:	**10.66%**	**7.13%**
				-3.53%

High Period 2012-2021

	Index Return		Crediting	
	History	w/ Vol Limit	History	w/ Vol Limit
2021	25.50%	18.75%	17.85%	13.13%
2020	28.84%	18.75%	20.18%	13.13%
2019	34.26%	18.75%	23.98%	13.13%
2018	-4.91%	-4.91%	0.00%	0.00%
2017	40.50%	18.75%	28.35%	13.13%
2016	8.19%	8.19%	5.73%	5.73%
2015	-6.89%	-6.89%	0.00%	0.00%
2014	29.79%	18.75%	20.86%	13.13%
2013	20.94%	18.75%	14.66%	13.13%
2012	9.98%	9.98%	6.98%	6.98%
		Annualized Return:	**13.45%**	**9.02%**
				-4.44%

ANNUITY DISCLOSURE MODEL REGULATION

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D. "Determinable elements" means elements that are derived from processes or methods that are guaranteed at issue and not subject to company discretion, but where the values or amounts cannot be determined until some point after issue. These elements include the premiums, credited interest rates (including any bonus), benefits, values, non-interest based credits, charges or elements of formulas used to determine any of these. These elements may be described as guaranteed but not determined at issue. An element is considered determinable if it was calculated from underlying determinable elements only, or from both determinable and guaranteed elements.

G. "Guaranteed elements" means the premiums, credited interest rates (including any bonus), benefits, values, non-interest based credits, charges or elements of formulas used to determine any of these, that are guaranteed or have determinable elements at issue. An element is considered guaranteed if all of the underlying elements that go into its calculation are guaranteed.

H. "Illustration" means a personalized presentation or depiction prepared for and provided to an individual consumer that includes non-guaranteed elements of an annuity contract over a period of years.

I. "Market Value Adjustment" or "MVA" feature is a positive or negative adjustment that may be applied to the account value and/or cash value of the annuity upon withdrawal, surrender, contract annuitization or death benefit payment based on either the movement of an external index or on the company's current guaranteed interest rate being offered on new premiums or new rates for renewal periods, if that withdrawal, surrender, contract annuitization or death benefit payment occurs at a time other than on a specified guaranteed benefit date.

J. "Non-guaranteed elements" means the premiums, credited interest rates (including any bonus), benefits, values, dividends, non-interest based credits, charges or elements of formulas used to determine any of these, that are subject to company discretion and are not guaranteed at issue. An element is considered non-guaranteed if any of the underlying non-guaranteed elements are used in its calculation.

Section 6. Standards for Annuity Illustrations

A. An insurer or producer may elect to provide a consumer an illustration at any time, provided that the illustration is in compliance with this section and:

(1) Clearly labeled as an illustration;

(2) Includes a statement referring consumers to the disclosure document and Buyer's Guide provided to them at time of purchase for additional information about their annuity; and

(3) Is prepared by the insurer or third party using software that is authorized by the insurer prior to its use, provided that the insurer maintains a system of control over the use of illustrations.

B. An illustration furnished an applicant for a group annuity contract or contracts issued to a single applicant on multiple lives may be either an individual or composite illustration representative of the coverage on the lives of members of the group or the multiple lives covered.

C. The illustration shall not be provided unless accompanied by the disclosure document referenced in Section 5.

D. When using an illustration, the illustration shall not:

(1) Describe non-guaranteed elements in a manner that is misleading or has the capacity or tendency to mislead;

(2) State or imply that the payment or amount of non-guaranteed elements is guaranteed; or

(3) Be incomplete.

E. Costs and fees of any type shall be individually noted and explained.

F. An illustration shall conform to the following requirements:

(1) The illustration shall be labeled with the date on which it was prepared;

(2) Each page, including any explanatory notes or pages, shall be numbered and show its relationship to the total number of pages in the disclosure document (e.g., the fourth page of a seven-page disclosure document shall be labeled "page 4 of 7 pages");

(3) The assumed dates of premium receipt and benefit payout within a contract year shall be clearly identified;

(4) If the age of the proposed insured is shown as a component of the tabular detail, it shall be issue age plus the numbers of years the contract is assumed to have been in force;

(5) The assumed premium on which the illustrated benefits and values are based shall be clearly identified, including rider premium for any benefits being illustrated;

(6) Any charges for riders or other contract features assessed against the account value or the crediting rate shall be recognized in the illustrated values and shall be accompanied by a statement indicating the nature of the rider benefits or the contract features, and whether or not they are included in the illustration;

(7) Guaranteed death benefits and values available upon surrender, if any, for the illustrated contract premium shall be shown and clearly labeled guaranteed;

(8) Except as provided in Paragraph (22), the non-guaranteed elements underlying the non-guaranteed illustrated values shall be no more favorable than current non-guaranteed elements and shall not include any assumed future improvement of such elements. Additionally, 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 of an initial guaranteed or bonus period;

(9) In determining the non-guaranteed illustrated values for a fixed indexed annuity, the index-based interest rate and account value shall be calculated for three different scenarios using a period equal to ten (10) continuous calendar years or, if the annuity's surrender charge period is shorter than ten (10) calendar years, an insurer may use a period equal to the greater of (i) five (5) continuous calendar years or (ii) the length of the fixed indexed annuity's surrender charge period (the "Scenario Period"). The scenarios: one to reflect historical performance of the index for the most recent Scenario Period (the "Most Recent Scenario") ~~ten (10) calendar years~~; ~~one to reflect the historical performance of the index for the continuous period of ten (10) calendar years out of the last twenty (20) calendar years that would result in the least index value growth (the "low scenario");~~ one to reflect the historical performance of the index for the ~~continuous~~ Scenario ~~p~~Period ~~of ten (10) calendar years~~ out of the last ~~twenty (20)~~thirty (30) calendar years that would result in the most index value growth (the "~~h~~High ~~s~~Scenario"); and one to reflect guaranteed minimum values of the fixed indexed annuity for the Scenario Period (the "Guaranteed Scenario") . The following requirements apply:

(a) The ~~most recent ten (10) calendar years~~ Scenario Period and the last ~~twenty (20)~~ thirty (30) calendar years are defined to end on the prior December 31, except for illustrations prepared during the first three (3) months of the year, for which the end date of the ~~calendar year~~applicable period may be the December 31 prior to the last full calendar year;

(b) ~~If any index utilized in determination of an account value has not been in existence for at least ten (10) calendar years, i~~Indexed returns for ~~that~~ any index ~~shall not~~may be illustrated; provided, such index has at least ten (10) calendar years of Combined History; and provided; further, that the index return used in the illustration for any annual period prior to the first full calendar year in which the index was in existence shall not exceed the Volatility-based Limitation, as defined below. ~~If the fixed indexed annuity provides an option to allocate account value to more than one indexed or fixed declared rate account, and one or more of those indexes has not been in existence for at least ten (10) calendar years, the allocation to such indexed account(s) shall be assumed to be zero;~~

An index is "in existence" when the index itself has been published and commercially available on a live basis. Pre-inception, back-tested index performance may not be used without application of the Volatility-based Limitation.

For purposes of this subsection:

(i) "Index Crediting Term" means the period over which index performance is measured for purposes of determining index-based interest under the contract.

(ii) "Combined History" means a combination of live index performance and pre-inception back-tested performance, up to 30 years.

(iii) "Volatility-based Limitation" means a rate determined as one hundred fifty percent (150%) of the average annualized realized volatility of the daily price changes of the index, calculated over the available Combined History, and rounded to the nearest 0.25%.

The Volatility-based Limitation shall be applied to each individual annual return within such term. The Volatility-based Limitation should be redetermined annually with any changes reflected in accordance with updates to the Scenario Period as defined in 9(a) above.

~~(a)~~ An insurer may use Combined History to determine the Scenario Periods for the Most Recent and High scenarios.

~~(b)~~(c) ~~If any index utilized in determination of an account value has been in existence for at least ten (10) calendar years but less than twenty (20).~~ For purposes of determining the Scenario Period for the Most Recent Scenario and the High Scenario, an insurer may use Combined History with pre-inception back-tested~~,~~ performance having the Volatility-based Limitation applied. If any such index has been in existence on a live basis for less than thirty (30) calendar years, the Scenario Period that defines the High Scenario shall be chosen from the available Combined History. If any such index has a Combined History of more than thirty (30) calendar years, the ~~ten (10) calendar year~~Scenario ~~p~~Periods that define the ~~low and h~~High ~~s~~Scenario~~s~~ shall be chosen from ~~the exact number of years the index has been in existence~~ most recent thirty (30) calendar years of the index's available Combined History.~~;~~

(d) (i) The non-guaranteed element(s), such as caps, spreads, participation rates or other interest crediting adjustments, used in calculating the non-guaranteed index-based interest rate shall be no more favorable than the corresponding current element(s); and

(ii) The illustration should contain a statement noting that the current economic conditions are reflected in determining the current non-guaranteed elements, that the illustration applies those non-guaranteed elements to historical index performance, and that the economic conditions that existed over the period of historical index performance may not have supported the level of current non-guaranteed elements.

~~(c)~~(e) If a fixed indexed annuity provides an option to allocate the account value to more than one indexed or fixed declared rate account:

(i) The allocation used in the illustration shall be the same for all three scenarios; and

(ii) The ~~ten (10) calendar year~~Scenario ~~p~~Period~~s~~ ~~resulting in the least and greatest index growth periods~~for the High Scenario shall be determined independently for each indexed account option. The determination of greatest index growth shall be based on the movement of the index value over the applicable Scenario Period, and not on the resulting account value growth.

~~(d)~~(f) The geometric mean annual effective rate of the account value growth (excluding any increased account value from a product-level bonus) over the ~~ten (10) calendar year~~ Scenario ~~p~~Period shall be shown for each scenario;

(g) If the ~~most recent ten (10) calendar year historical~~ Scenario ~~p~~Period experience of the index for the Most Recent Scenario is shorter than the number of years needed to fulfill the ~~requirement of~~ circumstances outlined in subsection H:~~,~~

(i) the available index history, including Combined History where permitted under subsection (9), beyond the Scenario Period for the Most Recent Scenario shall be used for ~~most recent ten (10) calendar year historical period experience of the index shall be used for each subsequent ten (10) calendar year period beyond the initial period for~~ the purpose of calculating the account value for the remaining years of the illustration, up to a maximum of thirty (30) continuous calendar years. If years remain in the illustration after exhausting the available Combined History as required to fulfill the requirement of subsection H, the full period of Combined History used in the initial extension shall be repeated in sequence; or

~~(e)~~(ii) alternatively, an insurer may use the geometric mean annual effective rate of account value growth from the Scenario Period for the Most Recent Scenario as a constant annual credited rate for years beyond the initial period. An illustration using the geometric mean method shall disclose that the method is being used and explain its basis;

~~(f)~~(h) The ~~low and h~~High ~~s~~Scenario and the Guaranteed Scenario~~s~~: ~~(i) need not show surrender values (if different than account values);~~ (~~i~~i) shall not extend beyond the length of the Scenario Period~~ten (10) calendar years~~ (and therefore are not subject to the requirements of subsection H beyond subsection H(1)(a)); and (~~i~~ii) may be shown on a separate page. The High and Guaranteed Scenarios need not show surrender values if different than account values. A graphical presentation shall also be included comparing the movement of the account value over the ~~ten (10) calendar year~~ Scenario ~~p~~Period for the ~~low scenario, the h~~High ~~s~~Scenario, ~~and~~ the ~~m~~Most ~~r~~Recent ~~ten (10) calendar year s~~Scenario and the Guaranteed Scenario; and

(i) The ~~low and h~~High ~~s~~Scenario~~s~~ should reflect the irregular nature of the index performance and should trigger every type of adjustment to the index-based interest rate under the contract. The effect of the adjustments should be clear; for example, additional columns showing how the adjustment applied may be included. If an adjustment to the index-based interest rate is not triggered in the illustration (because no historical values of the index in the required illustration range would have triggered it), the illustration shall so state;

(j) Where any portion of the index performance used in the illustration is derived from pre-inception back-tested data, including where such data forms part of Combined History, the illustration shall include disclosure that:

(i) Clearly identifies which portion of the index performance reflects live published index data and which portion reflects pre-inception back-tested data; and

~~(g)~~(ii) Notes that pre-inception back-tested data is constructed after the fact and may be based on economic conditions that differ from current and future economic conditions.

(10) The guaranteed elements, if any, shall be shown before corresponding non-guaranteed elements and shall be specifically referred to on any page of an illustration that shows or describes only the non-guaranteed elements (e.g., "see page 3 for guaranteed elements");

(11) The account or accumulation value of a contract, if shown, shall be identified by the name this value is given in the contract being illustrated and shown in close proximity to the corresponding value available upon surrender;

(12) The value available upon surrender shall be identified by the name this value is given in the contract being illustrated and shall be the amount available to the contract owner in a lump sum after deduction of surrender charges, bonus forfeitures, contract loans, contract loan interest and application of any market value adjustment, as applicable;

(13) Illustrations may show contract benefits and values in graphic or chart form in addition to the tabular form;

(14) Any illustration of non-guaranteed elements shall be accompanied by a statement indicating that:

(a) The benefits and values are not guaranteed;

(b) The assumptions on which they are based are subject to change by the insurer; and

(c) Actual results may be higher or lower;

(15) Illustrations based on non-guaranteed credited interest and non-guaranteed annuity income rates shall contain equally prominent comparisons to guaranteed credited interest and guaranteed annuity income rates, including any guaranteed and non-guaranteed participation rates, caps or spreads for fixed indexed annuities;

(16) The annuity income rate illustrated shall not be greater than the current annuity income rate unless the contract guarantees are in fact more favorable;

(17) Illustrations shall be concise and easy to read;

(18) Key terms shall be defined and then used consistently throughout the illustration;

(19) Illustrations shall not depict values beyond the maximum annuitization age or date;

(20) Annuitization benefits shall be based on contract values that reflect surrender charges or any other adjustments, if applicable; and

(21) Illustrations shall show both annuity income rates per $1000.00 and the dollar amounts of the periodic income payable.

(22) For participating immediate and deferred income annuities:

(a) Illustrations may not assume any future improvement in the applicable dividend scale (or scales, if more than one dividend scale applies, such as for a flexible premium annuity);

(b) Illustrations must reflect the equitable apportionment of dividends, whether performance meets, exceeds or falls short of expectations;

(c) If the dividend scale is based on a portfolio rate method, the portfolio rate underlying the illustrated dividend scale shall not be assumed to increase;

(d) If the dividend scale is based on an investment cohort method, the illustrated dividend scale should assume that reinvestment rates grade to long-term interest rates, subject to the following conditions:

(i) Any assumptions as to future investment performance in the dividend formula must be consistent with assumptions that are reflected in the marketplace within the normal range of analyst forecasts and investor behavior; these assumptions may not be changed arbitrarily, notwithstanding changes in markets or economic conditions, and must be consistent with assumptions that the issuer uses with respect to other lines of business; and

(ii) The illustrated dividend scale should assume that reinvestment rates grade to long-term interest rates, based on U.S Treasury bonds. For the purposes of this grading, the assumed long-term rates should not exceed the rates calculated using the formula in subparagraph iii, below, based on the time to maturity or reinvestment (the “Tenor”) of the investments supporting the cohort of policies.

(iii) Maximum long-term interest rates should be calculated for tenors of 3 months (or less), 5 years, 10 years and 20 years (or more), using U.S. Treasury rates. For each tenor, the maximum long-term interest rate will vary over time, based on historical interest rates as they emerge. The formula for the maximum long-term interest rate is the average of the median bond rate over the last 600 months and the average bond rate over the last 120 months, rounded to the nearest quarter of one percent (0.25%).

(iv) The maximum long-term interest rate for a tenor should be recalculated once per year, in January, using historical rates as of December 31 of the calendar year two years prior to the calendar year of the calculation date.

The historical rate for each month is the rate reported for the last business day of the month.

(v) Grading to the maximum long-term interest rates should take place over:

(I) No less than 20 years from issue if U.S. Treasury rates as of the illustration date are below the long-term rates; or

(II) No more than 20 years from the issue if the U.S. Treasury rates as of the illustration date ate above the long-term rates.

(vi) When the 10-year U.S. Treasury rate is less than the 10-year maximum long-term interest rate, an additional illustrated dividend scale should be presented. This additional illustrated dividend scale shall satisfy the following conditions:

(I) Assume that reinvestment U.S. Treasury rates do not exceed the initial investment U.S. Treasury rates, and

(II) Illustrate dividends no less than half of the dividends illustrated under the current dividend scales.

(III) If (a) and (b) above are in conflict—i.e., if half of the current dividends are greater than would be permitted by Condition (a)—then the reinvestment U.S. Treasury rates should equal the initial investment U.S. Treasury rates.

(vii) The illustration should include a disclosure that is substantially similar to the following:

The illustrated current dividend scale is based on interest rates that are assumed to gradually [increase/decrease] from current interest rates to long-term interest rates, over a period of [twenty] years. By regulation, the long-term assumed interest rates cannot and do not exceed the rates listed in column (c) of the table below.

(viii) If the illustration contains an additional dividend scale pursuant to subparagraph (vi) above, then the illustration should also include a disclosure that is substantially similar to the following:

The additional illustrated dividend scale is based on interest rates that are assumed no to increase and do not exceed the interest rates in column (b) of the table below.

Tenor	**Current Interest Rate**	**Long Term**
	Treasury Rate as of 12/31/2016	**Mean Reversed Treasury Rate**
3 Month (or less)	0.51%	3.00%

5 Year	1.93%	4.50%
10 Year	2.45%	5.00%
20 Years (or more)	3.06%	5.50%

G. An annuity illustration shall include a narrative summary that includes the following unless provided at the same time in a disclosure document:

(1) A brief description of any contract features, riders or options, guaranteed and/or nonguaranteed, shown in the basic illustration and the impact they may have on the benefits and values of the contract;

(2) A brief description of any other optional benefits or features that are selected, but not shown in the illustration and the impact they have on the benefits and values of the contract;

(3) Identification and a brief definition of column headings and key terms used in the illustration;

(4) A statement containing in substance the following:

(a) For other than fixed indexed annuities:

This illustration assumes the annuity's current non-guaranteed elements will not change. It is likely that they **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. Please review the entire Disclosure Document and Buyer's Guide provided with your Annuity Contract for more detailed information;

(b) For fixed indexed annuities:

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. Any historical index performance reflected in this illustration is not predictive of future results and should not be relied upon as an indication of future index performance. Please review the entire Disclosure Document and Buyer's Guide provided with your Annuity Contract for more detailed information; and

(5) Additional explanations as follows:

(a) Minimum guarantees shall be clearly explained;

(b) The effect on contract values of contract surrender prior to maturity shall be explained;

(c) Any conditions on the payment of bonuses shall be explained;

(d) For annuities sold as an IRA, qualified plan or in another arrangement subject to the required minimum distribution (RMD) requirements of the Internal Revenue Code, the effect of RMDs on the contract values shall be explained;

(e) For annuities with recurring surrender charge schedules, a clear and concise explanation of what circumstances will cause the surrender charge to recur; and

(f) A brief description of the types of annuity income options available shall be explained, including:

(i) The earliest or only maturity date for annuitization (as the term is defined in the contract);

(ii) For contracts with an optional maturity date, the periodic income amount for at least one of the annuity income options available based on the guaranteed rates in the contract, at the later of age seventy (70) or ten (10) years after issue, but in no case later than the maximum annuitization age or date in the contract;

(iii) For contracts with a fixed maturity date, the periodic income amount for at least one of the annuity income options available, based on the guaranteed rates in the contract at the fixed maturity date; and

(iv) The periodic income amount based on the currently available periodic income rates for the annuity income option in item (ii) or item (iii), if desired.

H. Following the narrative summary, an illustration shall include a numeric summary which shall include at minimum, numeric values at the following durations:

(1) ~~(a) First ten (10) contract years~~ For both guaranteed and non-guaranteed elements, numeric values shall be shown annually for the duration of the Scenario Period, plus any renewal surrender charge period; ~~or~~
~~(1)~~

~~(b) Surrender charge period if longer than ten (10) years, including any renewal surrender charge period(s);~~

(2) ~~Every~~ For guaranteed elements only, numeric values shall be shown for every tenth contract year up to the later of thirty (30) years or age seventy (70); ~~and~~

(3) For guaranteed elements only, numeric values shall be shown at:

~~(4)~~(a) ~~(a)~~ Required annuitization age; or

(b) ~~(b)~~ Required annuitization date; and~~.~~

(4) Numeric values for non-guaranteed elements shall not be required beyond the periods specified in Paragraph (1); however, an insurer may include such values for additional durations where necessary to illustrate the operation of contract features or benefits.

I. If the annuity contains a market value adjustment, hereafter MVA, the following provisions apply to the illustration:

(1) The MVA shall be referred to as such throughout the illustration;

(2) The narrative shall include an explanation, in simple terms, of the potential effect of the MVA on the value available upon surrender;

(3) The narrative shall include an explanation, in simple terms, of the potential effect of the MVA on the death benefit;

(4) A statement, containing in substance the following, shall be included:

When you make a withdrawal the amount you receive may be increased or decreased by a Market Value Adjustment (MVA). If interest rates on which the MVA is based go up after you buy your annuity, the MVA likely will decrease the amount you receive. If interest rates go down, the MVA will likely increase the amount you receive.

(5) Illustrations shall describe both the upside and the downside aspects of the contract features relating to the market value adjustment;

(6) The illustrative effect of the MVA shall be shown under at least one positive and one negative scenario. This demonstration shall appear on a separate page and be clearly labeled that it is information demonstrating the potential impact of a MVA. A scenario in which the MVA produces no adjustment (i.e., a flat or zero MVA) shall not be treated as a positive scenario for purposes of this paragraph. The positive scenario shall show a circumstance in which the MVA produces an increase to the amount available upon surrender;

(7) Actual MVA floors and ceilings as listed in the contract shall be illustrated; and

(8) If the MVA has significant characteristics not addressed by Paragraphs (1) – (6), the effect of such characteristics shall be shown in the illustration.

Drafting Note: Appendix A provides an example of an illustration of an annuity containing an MVA that addresses Paragraphs (1) – (6) above.

J. A narrative summary for a fixed indexed annuity illustration also shall include the following unless provided at the same time in a disclosure document:

(1) An explanation, in simple terms, of the elements used to determine the index-based interest, including but not limited to, the following elements:

(a) The Index(es) which will be used to determine the index-based interest;

(b) The Indexing Method – such as point-to-point, daily averaging, monthly averaging;

(c) The Index Term – the period over which indexed-based interest is calculated;

(d) The Participation Rate, if applicable;

(e) The Cap, if applicable; and

(f) The Spread, if applicable;

(2) The narrative shall include an explanation, in simple terms, of how index-based interest is credited in the indexed annuity;

(3) The narrative shall include a brief description of the frequency with which the company can re-set the elements used to determine the index-based credits, including the participation rate, the cap, and the spread, if applicable; and

(4) If the product allows the contract holder to make allocations to declared-rate segment, then the narrative shall include a brief description of:

(a) Any options to make allocations to a declared-rate segment, both for new premiums and for transfers from the indexed-based segments; and

(b) Differences in guarantees applicable to the declared-rate segment and the indexed-based segments.

K. A numeric summary for a fixed indexed annuity illustration shall include, at a minimum, the following elements:

(1) The assumed growth rate of the index in accordance with Subsection F(9);

(2) The assumed values for the participation rate, cap and spread, if applicable; and

(3) The assumed allocation between indexed-based segments and declared-rate segment, if applicable, in accordance with Subsection F(9).

L. If the contract is issued other than as applied for, a revised illustration conforming to the contract as issued shall be sent with the contract, except that non-substantive changes, including, but not limited to changes in the amount of expected initial or additional premiums and any changes in amounts of exchanges pursuant to Section 1035 of the Internal Revenue Code, rollovers or transfers, which do not alter the key benefits and features of the annuity as applied for will not require a revised illustration unless requested by the applicant.

M. Fixed indexed annuity illustrations authorized by insurers shall be subject to the following certification requirements:

(1) The board of directors of each insurer shall designate a responsible officer of the insurer.

(2) The responsible officer shall certify annually to the commissioner that the methodology used for fixed index annuity illustrations authorized by the insurer adheres to the standards set forth in this Section 6, and that the non-guaranteed elements used in calculating illustrated non-guaranteed values reflect the responsible officer's knowledge and understanding at the time the illustration is produced of how the non-guaranteed elements will be managed prospectively. The annual certification shall be provided to the commissioner each year by a date determined by the insurer. If an insurer changes the responsible officer responsible for all or a portion of the company's fixed indexed annuities, the insurer shall notify the commissioner of that fact promptly and disclose the reason for the change.

(3) The responsible officer shall:

(a) Be familiar with the standard of practice regarding annuity illustrations for fixed indexed annuities;

(b) Not have been found by the commissioner, following appropriate notice and hearing, to have:

(i) Violated any provision of, or any obligation imposed by, the insurance law or other law in the course of his or her dealings as a responsible officer;

(ii) Been found guilty of fraudulent or dishonest practices;

(iii) Demonstrated incompetence, lack of cooperation, or untrustworthiness to act as a responsible officer; or

(iv) Resigned or been removed as a responsible officer within the past five (5) years as a result of acts or omissions indicated in any adverse report on examination; and

(c) Notify the commissioner of any action taken by a commissioner of another state similar to that described under Paragraph (b) above.

Section 10. [Optional] Recordkeeping

A. Insurers or insurance producers shall maintain or be able to make available to the commissioner records of the information collected from the consumer and other information provided in the disclosure statement (including illustrations) for [insert number] years after the contract is delivered by the insurer. An insurer is permitted, but shall not be required, to maintain documentation on behalf of an insurance producer.

B. Insurers shall maintain or be able to make available to the commissioner the certifications of the responsible officer of the insurer (including any notifications provided in connection with such certifications) for [insert number] years after each such certification is filed as provided in Section 6.M.

~~B.~~C. Records required to be maintained by this regulation may be maintained in paper, photographic, microprocess, magnetic, mechanical or electronic media or by any process that accurately reproduces the actual document.