INSURED RETIREMENT INSTITUTE

Electronically Submitted to jcook@naic.org

July 17, 2026

To: NAIC Life Insurance and Annuity Illustrations Working Group (the "Working Group")

Re: LIAIWG COMMENTS DUE 7-17-26 (Potential Modifications to Model #245 and the Proposed Actuarial Guideline as a Short Term Solution)

On behalf of our members, the Insured Retirement Institute (IRI)[1] appreciates the opportunity to comment on the materials exposed by the Life Insurance and Annuities Illustrations (A) Working Group (the "Working Group") on June 2, 2026: the list of potential modifications to the NAIC Annuity Disclosure Model Regulation (Model #245) and the proposal to use an actuarial guideline as a stopgap pending broader state adoption of an updated model.

As a general matter, IRI believes these concerns are best addressed by the Working Group focusing its efforts on updating Model #245 itself, rather than by creating a parallel compliance mechanism via an actuarial guideline. Additionally, as to scope, we note that the focus should remain on point-of-sale illustrations.

To that end, IRI supports the redline submitted to the Working Group by the Indexed Annuity Leadership Council ("IALC Redline"), which contains draft amendments to Model #245 that we believe workably address the concerns regulators have raised. The key concepts in the IALC Redline that IRI supports are as follows:

The IALC Redline addresses the three areas regulators have raised in a measured and workable way: illustrated rates of return (particularly for indices relying on back-tested history), illustration length, and renewal rates. IRI supports the following concepts reflected in the IALC Redline:

- *Illustrated rates of return.* We support allowing indices with fewer than 10 years of live history to be illustrated, while subjecting all pre-inception, back-tested performance to a defined limitation: a cap equal to 150% of the index's realized volatility, rounded to the nearest 0.25%. Because realized volatility is used as the basis for the limitation, it adjusts

[1] The Insured Retirement Institute (IRI) is the leading association for the entire supply chain of insured retirement strategies, including life insurers, asset managers, and distributors such as broker-dealers, banks and marketing organizations. IRI members account for more than 95 percent of annuity assets in the U.S., include the top 10 distributors of annuities ranked by assets under management, and are represented by financial professionals serving millions of Americans. IRI champions retirement security for all through leadership in advocacy, awareness, research, and the advancement of digital solutions within a collaborative industry community.

dynamically to the characteristics of each index, materially lowers illustrated returns for back-tested data, and avoids unintentionally favoring particular index designs. This still allows consumers to see the benefits of diversification and continued innovation in index strategies.

- *Illustration scenarios.* We support replacing the requirement to illustrate an index's lowest 10-year performance with an illustration of the contract's guaranteed minimum values, shown alongside the most recent 10-year and highest 10-year periods. This better reflects the actual downside protection of a fixed indexed annuity and avoids giving consumers the misimpression that an index's lowest historical period represents a "worst-case" outcome.

- *Length of illustrations.* We support providing the option to illustrate non-guaranteed values over a time horizon shorter than the product's maturity where doing so aligns with the product's primary use cases, while preserving the ability to illustrate to maturity where appropriate (for example, for products with guaranteed lifetime withdrawal benefit riders).

- *Renewal rates.* Existing Model #245 provisions, including Section 6.F(8), already address planned changes to non-guaranteed elements. We support supplementing those provisions with additional disclosure and an annual attestation from an officer of the insurer confirming that illustrations adhere to the standards in Section 6 and that non-guaranteed elements reflect the insurer's best estimate of how those elements will be managed prospectively. We believe this officer-attestation approach is preferable to creating a separate illustration actuary role, which we do not believe is warranted.

With respect to the proposed actuarial guideline, IRI does not support using an actuarial guideline as a short-term solution, and we would respectfully encourage the Working Group to reconsider whether a stopgap is needed at all. The case for a stopgap rests on an assumption that an updated Model #245 remains a distant prospect. As reflected above, IALC has developed a concrete set of amendments that directly addresses the concerns regulators have raised, which IRI supports. Many of those concerns are, moreover, already addressed by Model #245 as currently written, with the principal gap being that only a limited number of states have adopted the current Model. With a developed, supported proposal that has broad industry alignment already, advancing the Model itself can be a solution that we move towards in the short term.

We therefore urge the Working Group to put its energy behind moving the Model amendments forward and securing their adoption, rather than diverting time and attention to building a temporary mechanism alongside them. If regulators, industry, and other stakeholders focus on Model #245, this will be the most effective course towards a solution.

These practical considerations are reinforced by more fundamental concerns with the guideline approach itself. We do not view annuity illustrations as involving the kind of actuarial elements that would warrant an actuarial guideline, and relying on Model #275 authority to support one stretches the intended scope of that Model. Proceeding by guideline would also create a dual-track framework (a guideline in some states and Model #245 in others) that risks operational complexity and inconsistent consumer experiences across jurisdictions. Changes of this nature are more appropriately governed through state law.

Finally, we would like to note that registered index-linked annuities and other registered products are federally regulated securities, overseen by the Securities and Exchange Commission and the Financial Industry Regulatory Authority under a framework that already imposes extensive consumer disclosure obligations. Applying a separate state illustration standard on top of that existing federal oversight would risk duplicative and potentially conflicting requirements, along with the compliance burdens and legal uncertainty that would follow. These products should therefore remain outside the scope of Model #245.

IRI and its members appreciate the opportunity to provide these comments, and we look forward to continued engagement with the Working Group as this work progresses. Please do not hesitate to reach out with any questions or concerns, or if there is anything else with which we can assist.

Sincerely,

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