

## **LIFE INSURANCE AND ANNUITIES (A) COMMITTEE**

Life Insurance and Annuities (A) Committee March 23, 2026, Minutes

    Annuity Suitability (A) Working Group March 11, 2026, Minutes (Attachment One)

        Annuity Suitability Resource Document Outline(Attachment One-A)

Life Insurance and Annuities Illustration (A) Working Group, Feb. 24, 2026 Minutes (Attachment Two)

CIPR Criminal History Project Update (Attachment Three)

## Draft Pending Adoption

Draft: 4/1/26

Life Insurance and Annuities (A) Committee  
San Diego, California  
March 23, 2026

The Life Insurance and Annuities (A) Committee met in San Diego, CA, March 23, 2026. The following Committee members participated: Doug Ommen, Chair, Russell Gibson, and Johanna Nagel (IA); Anita G. Fox, Vice Chair (MI); Mark Fowler (AL); Holly W. Lambert represented by Scott Shover (IN); Grace Arnold and Ben Slutsker (MN); Susan Ochs (NJ); Kaitlin Asrow represented by William B. Carmello (NY); Judith L. French (OH); TK Keen (OR); Carter Lawrence (TN); Amanda Crawford represented by Rachel Hemphill (TX); Scott A. White (VA); and Nathan Houdek and Lauren Van Buren (WI). Also participating were: Ann Gillespie (IL); and Matthew Gendron (RI).

### 1. Adopted its 2025 Fall National Meeting Minutes

Director Fox made a motion, seconded by Director French, to adopt the Committee's Dec. 9, 2025, minutes (*see NAIC Proceedings – Fall 2025, Life Insurance and Annuities (A) Committee*). The motion passed unanimously.

### 2. Adopted the Reports of its Task Force and Working Groups

#### A. Life Actuarial (A) Task Force

Hemphill said the Life Actuarial (A) Task Force March 21–22 and shared some highlights from its meeting. The Task Force continued to discuss the potential retrospective application of *Valuation Manual* (VM)-22: Requirements for Principle-Based Reserves for Non-Variable Annuities. It exposed a framework developed by the American Council of Life Insurers (ACLI) for a 90-day public comment period. In this framework, the pre-PBR requirements would continue to be the default valuation requirements, but companies could elect to move existing business to PBR with notification and adequate support provided to the domestic regulator. The domestic regulator, potentially with support from the Valuation Analysis (E) Working Group, would then have the option to disapprove the proposal if it is not adequately supported. Further discussion is expected to focus on the timeline and format of supporting analysis and review.

Hemphill said the Task Force also discussed the potential application of VM-22 to guaranteed investment contracts (GICs), synthetic GICS, funding agreements, and stable value contracts, and exposed questions on this item for a 75-day public comment period.

The Task Force exposed amendment proposal form (APF) 2026-01, which would revise the VM-22 reinvestment guardrail for pension risk transfer (PRT) products, including allowing an additional 50 basis points (bps) illiquidity spread, and a corresponding principles document from the American Academy of Actuaries (Academy), for a 45-day public comment period. This proposal would also allow a 50 bps additional illiquidity spread over prescribed spreads and defaults for the company reinvestment strategy. There was a discussion of whether this illiquidity spread should only be applied when the company can provide support for the actual illiquidity premium the company has experienced on its existing assets and anticipates receiving in the future on similar assets, or whether it should apply to all PRT products for simplicity. The Task Force plans to seek input from the Life Insurance and Annuities (A) Committee on this item in the future.

The Task Force discussed enhancements made to the scenario analysis and statistics reporting for the NAIC's prescribed Generator of Economic Scenarios (GOES). The Task Force also adopted changes to the VM, including: 1) updating the reinvestment guardrail for all PBR frameworks, VM-20: Requirements for Principle-Based Reserves for Life Products, VM-21: Requirements for Principle-Based Reserves for Variable Annuities, and VM-22, to be less

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restrictive; and 2) updating VM-20 to reflect the benefit of aggregation, or risk diversification, in the stochastic reserve calculation.

The Task Force also formed a nonforfeiture drafting group to prospectively clarify the calculation of the initial expense allowance and amortization for universal life and variable universal life products.

### B. Annuity Buyer's Guide (A) Working Group

Van Buren explained that the Annuity Buyer's Guide (A) Working Group has a charge to "Review and revise the NAIC *Buyer's Guides for Deferred Annuities* in light of changes in the marketplace." In the years since the buyer's guide was adopted, much has changed in the marketplace that is not reflected in the current guide, including registered index-linked annuities (RILAs), multi-year guaranteed annuities (MYGAs), as well as the best interest standard in the *Suitability in Annuity Transactions Model Regulation* (#275).

A chair draft buyer's guide was exposed for a 30-day public comment period ending April 16. The Working Group plans to meet April 20 to discuss comments received.

### C. Annuity Suitability (A) Working Group

Nagel said that this year, the Annuity Suitability (A) Working Group plans to undertake three projects to further the Committee's 2026 priorities. The Working Group plans to work with the NAIC Education and Training team to develop annuity training with specialized modules for attorneys, investigators, and examiners. Preliminary discussions have taken place to explore in-person training options for attorneys and examiners. At the Working Group's March 11 meeting, Nagel asked regulators with annuity exam experience to reach out to Jolie Matthews (NAIC) if interested in helping develop the training.

The Working Group is drafting a paper on annuity suitability compliance best practices, based in part on observed practices. This paper will identify potential ways to enhance minimum practices and identify areas of compliance challenges or confusion. A draft framework of a paper was distributed prior to the Working Group's March 11 meeting. The Working Group is seeking feedback regarding best practices or procedures implemented by insurers to fulfill their supervisory responsibilities, as well as insights into any compliance challenges or areas of uncertainty. In response to requests for additional time to provide feedback, the deadline was extended to May 11.

The Working Group plans to continue its efforts to put state insurance department administrative law decisions in a searchable format. Efforts to engage with legal databases, such as Westlaw and Lexis, as well as other vendors, such as CUBE, are ongoing. The largest obstacles seem to be cost and access for all the different parties.

### D. Life Insurance and Annuities Illustrations (A) Working Group

Slutsker explained that the Life Insurance and Annuities Illustrations (A) Working Group has a charge to: "Evaluate concepts for improving life insurance and annuity illustrations and disclosures and consider revisions to relevant NAIC models or develop other guidance where feasible and appropriate." The Working Group held its first open meeting Feb. 24 and discussed annuity disclosures. The Working Group focused on whether consumers are shown information that helps them form reasonable expectations when purchasing an annuity. During the meeting, regulators shared observations on disclosures for the top 25 market leaders in the annuity space, which led to a robust discussion among interested parties and regulators regarding the potential sources driving regulator concerns.

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The Working Group exposed a question asking for ideas for both long-term and short-term solutions to address annuity illustrated returns, including back-casting, for a 30-day comment period. The Working Group plans to meet March 31 to discuss comments received.

Commissioner White made a motion, seconded by Director Fox, to adopt the following reports: Life Actuarial (A) Task Force; Annuity Buyer's Guide (A) Working Group; Annuity Suitability (A) Working Group, including its March 11 minutes (Attachment One); and Life Insurance and Annuities Illustrations (A) Working Group, including its Feb. 24 minutes (Attachment Two). The motion passed unanimously.

### 3. Heard a Presentation on Annuity Illustrations

Commissioner Ommen explained that the purpose of the presentation is to explain the disclosures used to help consumers understand indexed annuities during the sales process. This is critically important because it helps consumers understand what they are buying and set expectations of how their financial savings can grow in the future. This has large implications for retirement planning, so expectations must be set appropriately.

Gibson explained that an annuity is an insurance contract designed to provide income for a specified period of time or a duration of life for one or multiple people. Often, it is a vehicle to save or accumulate funds for retirement. It is similar to other investment products, although annuities are insurance products in which a premium is paid in exchange for the company providing interest.

Gibson described what he calls the "Dubai chocolate problem" with annuity illustrations. Many indexed annuities have "exotic" indices that look fancy and sweet, like a Dubai chocolate bar. In the end, however, it is just a basic chocolate bar. Similarly, an agent may propose an indexed annuity as a solution to an unstable market, providing decent returns without any negative returns. As part of the sales process, an agent will show potential returns using an illustration (i.e., a projection of future values) to help explain the product and how it works. An annuity, in terms of risk, is positioned somewhere between a certificate of deposit and a stock. However, some indexed annuities are illustrated at rates that outperform the Standard & Poor's 500 index (S&P 500).

Gibson said that the average length of an illustration is 21 pages, which includes a lot of fine print and is too much for a consumer to understand. There are multiple numerical charts and graphs that are difficult to follow. When an agent shows an illustration on a screen, there is even less time to digest complicated material or understand what they are looking at.

Gibson spoke about proprietary indices, which do not have an established history. Companies create a history using back-casting, which can be manipulated to hide volatility and project high returns. Slutsker identified several features of an illustration projected on screen. The illustration is complex and contains many numbers. During a sales presentation, the agent will highlight a few numbers to show how much is invested and how much could be withdrawn after 10 years. The particular illustration showed returns at over 18%. Another illustration showed three scenarios: a good scenario with returns at 24% annual return, a bad scenario showing a 13% annual return (which is still a good return), and a middle scenario showing an 18% return. Slutsker said that when he looked at illustrations for the top 25 carriers, returns this high were quite common. He said that proprietary indices are the way to illustrate returns that high. The index was created just a couple of years ago, but the illustration shows projections as if it existed for the previous 10 years. The illustrations take advantage of knowing how the market played out and back-engineering the index to end up with a high number.

Gibson mentioned additional challenges with these proprietary indices. The rates shown at the initial sale are often "teaser rates," and the company changes the rates after year one or two, and the interest ends up being less than what was shown on the illustration. In addition, the illustrated returns do not account for fees. Another area of confusion is the large number of indices from which a customer may choose initially, and may have the

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option to change indices yearly or every other year. Consumers often rely on a producer to guide their initial decision and never revisit their choices.

Gibson encouraged regulators to take action. He said that based on his experience, he encourages departments of insurance (DOIs) to monitor consumer complaints. In his position as Consumer Advocacy Officer, he reviews complaints about producers and their representation at the time of sale, looking at illustrations from the time of sale and interviewing agents. Gibson also mentioned the *Annuity Disclosure Model Regulation* (#245). In states that have adopted the most recent version of Model #245, insurers are prohibited from illustrating indices that have been in existence for less than 10 years.

Slutsker explained that the Life Insurance and Annuities Illustrations (A) Working Group is looking at how to best address the issues that he and Gibson have presented. During its Feb. 24 meeting, the following chair question was exposed for a 30-day comment period to solicit feedback and ideas from Working Group members, interested regulators, and interested parties:

Regulators have observed index annuity disclosures that suggest annual returns can range from 10% to 25% for several years. This has brought up potential concerns around whether consumers are receiving reasonable expectations regarding future performance upon purchasing an annuity. What are both short-term and long-term approaches to ensure consumers receive reasonable expectations for index annuity returns at the point-of-sale?

- Please keep any comments at a high-level regarding potential direction for the Working Group and types of proposals, rather than providing specific proposals themselves.
- In addition, please feel free to include any comments related to disclosures around newly developed indices and any other elements related to the concerns described above.

The Working Group plans to meet March 30 to discuss comments received. At this point, the Working Group has not made any decisions about how to proceed, whether it will use Model #245 as a starting point or some other guidance to limit some of the very high returns that may not be playing out the way that they were originally shown to the consumer.

Slutsker made the important point that he is not suggesting that annuities are bad products, per se. He said indexed annuities can provide tremendous value. However, it is critical to ensure that consumers who invest their retirement savings in an indexed annuity are getting information that supports realistic expectations for future returns.

Commissioner White said he believes that addressing this issue is the right thing to do. He said he was struck by the complexity of the illustrations shown in the presentation and asked if there is a reason why the illustrations are so complex. He asked whether insurers might say that regulators require the inclusion of certain information so consumers are informed, or if there is some other reason driving this level of complexity. He also wondered if this was an issue where one company illustrates a certain way, so other companies feel like they have to as well. He also asked whether there are examples of insurers with understandable illustrations.

Slutsker said that there was some evidence that once one company started illustrating high returns, other companies followed. It becomes difficult to stay competitive when companies are increasingly illustrating very high returns, although he has spoken to companies that cannot get comfortable illustrating such high returns. Slutsker stated that, in terms of the complexity of the illustrations, the illustrations he reviewed are all complex. The primary reason for this is that the products themselves are complex. Explaining how these annuities work is the purpose of the illustration.

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Slutsker said that Model #245 includes some requirements for what must be shown in an illustration, but only 10 states have adopted the most recent version of that model. He said that regulations do not require complexity. He said that illustrations that are easy to understand and educate the consumer will require the collective efforts of insurers, distributors, consumers, and regulators.

Commissioner Ommen asked whether the producer, who has a responsibility to ensure that a product recommendation is in the best interest of a consumer, is also obligated to have some understanding of the options he is proposing. Nagel said that the producer needs to know all the features of the product, which includes understanding the illustration and explaining how it works to the consumer.

#### 4. Discussed the Market Data and Scanning Priority

Director Fox explained that NAIC leadership has included a market data and scanning priority for the Life Insurance and Annuities (A) Committee this year. The Committee has been asked to collaborate with the Market Regulation and Consumer Affairs (D) Committee to collect and analyze data on insurer compliance with sales and marketing requirements for life insurance and annuities, including exploring how technology can be employed to monitor advertising and the independent marketing organizations (IMOs) to identify marketing outliers.

The Life Insurance and Annuities Illustrations (A) Working Group, chaired by Slutsker, is focused on technical issues and is looking to identify some solutions. The complaint process that regulators rely on to identify problems tends to be retrospective, and that leaves a hole. There are unidentified issues in the market because there is no system to detect them prospectively. The goal is to address the issues that Commissioner White raised: What do illustrations look like? How are illustrations impacting consumers? What are the regulatory requirements? How much of what is going on is the result of market competition?

Director Fox said that, right now, regulators do not have a system that effectively monitors whether annuities are performing as well as projected in illustrations. Another disconnect exists between what is being sold, what the consumer believes they are buying, and what the consumer actually buys. There are consumer education materials, such as the buyer's guide being drafted, but whether these efforts are effective is something that needs to be examined. There may be a way to ensure that annuity purchasers understand the features and characteristics of the contracts they purchase, even when they are complex.

The NAIC collects retrospective data and uses it in its market conduct efforts, like the Market Conduct Annual Statement (MCAS). Tim Mullen (NAIC) gave an overview of the current system for assessing the annuity market and monitoring insurer behavior. The MCAS is an annual data collection that captures summary market conduct information reported by individual insurance companies. For annuities, MCAS data is reported across four product categories: individual indexed fixed annuities, individual other fixed annuities, individual indexed variable annuities, and individual other variable annuities.

Mullen said a key focus of the annuity MCAS is replacement activity. Companies report the number of contract replacements. Then, to provide insight into the replacement patterns, the data is further stratified by the age of the annuitant at the time of replacement—under 65, 65 to 80, and over 80. The MCAS also captures data related to deferred annuity contracts issued, using the same product segmentation as replacement activity to support consistent analysis. In addition, the annuity MCAS collects information on contract surrenders. Surrenders are categorized by the time elapsed since policy issuance, including early-duration surrenders as well as longer-term contracts.

Mullen said the data collection also includes free-look activity. Companies report the number of policies returned under a free-look provision during the reporting period, regardless of when the policy was originally issued, and

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even if the consumer ultimately purchased a different policy. The MCAS also captures the number of consumer complaints received by a company, as well as the number of lawsuits open and closed during the reporting period.

From a process standpoint, annuity MCAS data is collected annually, with an April 30 filing deadline. After filing, the data is subject to a 60-day data quality review conducted by the states, with NAIC staff assisting in outreach to companies to resolve anomalies or inconsistencies. The MCAS data is reported to the state under its examination authority and is state-owned. A large segment of the marketplace reports data; however, there is a time lag of almost a year.

Mullen explained some additional NAIC resources that aid states in their market regulation efforts. In terms of other NAIC data, the NAIC's complaint database allows states to code closed complaints related to misleading advertising, misrepresentation, suitability, and high-pressure sales tactics for individual annuities. There is currently no complaint code specific to illustrations. New coding is being implemented in the NAIC's Regulatory Information Retrieval System (RIRS) that will include a specific illustration-related code. This code will capture adjudicated regulatory actions involving illustrations that are inadequate, untimely, not provided, or otherwise misleading. In addition, the NAIC's *Market Regulation Handbook* provides examination guidance tied to existing regulatory standards, including the *Advertisements of Life Insurance and Annuities Model Regulation* (#570), the *Life Insurance Illustrations Model Regulation* (#582), and *Actuarial Guideline XLIX-A—The Application of the Life Illustrations Model Regulation to Policies With Index-Based Interest Sold on or After December 14, 2020* (AG 49-A).

Mullen confirmed that there is no data collected on illustrations, individual agent/broker activity, or intermediaries. Commissioner Ommen observed that all the data collected is on risk-bearing entities and is backward-looking. He said that tracking replacements and complaints is valuable information, and there does not seem to be any information about illustrations. These are all issues that must be addressed while investigating how annuities are marketed to consumers. Director Fox asked whether there has been any analysis of how often the data collected in the MCAS leads to regulatory action. Mullen said that the Market Actions (D) Working Group conducted an analysis of private passenger auto (PPA) that reached conclusions similar to some of the concerns that have been raised about the retroactive nature of the information and analysis. Mullen said the MCAS seeks to identify areas that might warrant further scrutiny.

Director Fox explained that the next logical step is to consider ways that regulators can be more proactive. The market data and scanning priority should complement the important technical work that has been and is being done by the Life Insurance and Annuities Illustrations (A) Working Group and the Annuity Buyer's Guide (A) Working Group, with a focus on how consumers perceive and use illustrations. This issue is important to regulators and industry because misunderstood illustrations can lead to misaligned expectations and dissatisfaction later. Even when technically compliant, results may not reflect the typical consumer experience. This creates a consumer understanding and trust issue, and not just a compliance issue.

Director Fox said that the issue is that some consumers rely heavily on illustrations but may interpret them as predictions rather than scenarios. Current approaches run the risk of overweighting recent strong markets, creating unrealistic expectations. Complexity makes it difficult for even sophisticated buyers to understand what drives outcomes. Director Fox compared this to credit card notices that hold you accountable for fine print terms.

Director Fox said she would like to request feedback from interested parties to begin exploring a proactive technology-based approach. There are tools being developed using artificial intelligence (AI) and other technologies that could be used to improve market regulation, related to advertising, marketing, and sales, for the benefit of consumers. Fox wondered whether there are ways technology can support more proactive market surveillance over retrospective enforcement. Some examples include tools to evaluate and compare projected accumulations in an annuity illustration at the time of sale with subsequent actual performance.

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Director Fox asked whether there are tools to identify which annuity significantly failed to meet projections and requires an updated illustration. She also asked whether there are tools that could be used to monitor IMOs' compensation to identify any incentives that may be at odds with a consumer's best interest. She asked whether there are ways to monitor what consumers are actually seeing. Illustrations are not collected, and there may be hundreds with varying scenarios. Director Fox asked whether there may be a way to aggregate findings to provide early feedback to industry to encourage course correction in real time. She said that there are difficult issues that will require a great deal of collaboration to tackle.

Jennifer Cook (NAIC) will post an exposure question along these lines on the Life Insurance and Annuities (A) Committee's web page for a comment period ending April 30.

### 5. Heard an Update on the SOA and CIPR Underwriting Project on the Use of Criminal History in Life Insurance

Commissioner Ommen said that an update on the Society of Actuaries (SOA)/Center for Insurance Policy and Research (CIPR) study on the use of criminal history in life insurance underwriting was included in the materials (Attachment Three). He said that any questions about the materials or the project in general may be directed to Kelly Edmiston (NAIC) or to Cook.

### 6. Discussed Other Matters

Commissioner Ommen said that on March 17, the U.S. District Court for the Northern District of Texas issued a final judgment in the case of *American Council of Life Insurers (ACLI) v. Department of Labor (DOL)*, vacating the DOL's 2024 Retirement Security Rule. On March 20, the DOL officially removed the 2024 rule from the Code of Federal Regulations and reinstated the original five-part test to determine fiduciary status under the Employee Retirement Income Security Act of 1974 (ERISA).

Commissioner Ommen said that NAIC consumer representative Dick Weber (Life Insurance Consumer Advocacy Center—LICAC) will give two presentations to the Committee at an upcoming meeting: 1) "Indexed Universal Life and Premium Financing: It's Not Free Life Insurance"; and 2) "Unclaimed Life Insurance Benefit Recovery Should be Expanded Nationally to Overcome the Degradation of the Death Master File (DMF)."

Having no further business, the Life Insurance and Annuities (A) Committee adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/A Cmte/2026 Spring National Meeting/A\_CMTE\_SpNM\_Minutes\_FINAL

Draft: 3/16/26

Annuity Suitability (A) Working Group  
Virtual Meeting  
March 11, 2026

The Annuity Suitability (A) Working Group of the Life Insurance and Annuities (A) Committee met March 11, 2026. The following Working Group members participated: Johanna Nagel, Chair (IA); Lauren Van Buren, Vice Chair (WI); Yada Horace (AL); Jodi Lerner and Brennain J. Garber (CA); Ann Lockett-Stephens (DE); Dean L. Cameron (ID); Craig Van Aalst (KS); Danielle Torres (MI); T.J. Patton (MN); Keith E. Nyhan (NH); and Matthew Gendron (RI).

1. Discussed its 2026 Charges and Projects

Nagel welcomed everyone to the Working Group's organizational meeting. She said she is looking forward to working with everyone as the Working Group's 2026 chair, along with Van Buren, who is continuing as the Working Group's Vice Chair this year.

Nagel said the Working Group met March 4 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals including, but not limited to, collaborative financial and market conduct examinations and analysis) of the NAIC Policy Statement on Open Meetings, to discuss specific company practices as they relate to the Working Group's 2026 charges and projects, which is one of the subjects of discussion for today's meeting.

Nagel said the Working Group's 2026 charge, which has been carried over from last year, is "to consider how to promote greater uniformity in the adoption of the *Suitability in Annuity Transactions Model Regulation* (#275) across NAIC member jurisdictions." She discussed the Working Group's work last year related to this charge, which included finalizing the safe harbor regulatory guidance document, which was adopted by the Life Insurance and Annuities (A) Committee at the 2025 Fall National Meeting, and developing and delivering classroom and practical training for state insurance regulators on the suitability and best interest standards in Model #275 in conjunction with the 2025 Insurance Summit.

Nagel said this year, the Working Group plans to undertake three projects in the furtherance of the Executive (EX) Committee's 2026 priorities for the Life Insurance and Annuities (A) Committee and its 2026 charge. She said the projects are: 1) developing a multi-day training course on Model #275 for state insurance regulators, with specialized modules for attorneys and investigators; 2) developing a resource document that will allow state insurance regulators, insurers, and other interested parties to gain insight into the various methodologies and practices that insurers have implemented to effectively meet their supervisory obligations under Model #275; and 3) continuing efforts to include state insurance department administrative law decisions in a searchable format.

Nagel said that, like last year, the Working Group anticipates the training course it plans to develop will be offered in conjunction with the 2026 Insurance Summit. She asked for volunteers to assist the Working Group in developing the modules and/or to present during a training session. Nagel said she would discuss the Working Group's second project later in the meeting.

For the third project, Nagel said the Working Group has initiated communications with commercial legal databases, such as Westlaw, and other information providers, regarding the potential inclusion of state administrative law decisions in their searchable databases. She encouraged state insurance regulators who use any of these commercial legal databases to reach out to these entities to encourage them to update their systems to include these administrative decisions. Nagel said these commercial legal databases, such as Westlaw, need to

hear from their customers about the importance of including this information before they decide to incur the cost and effort to do so.

## 2. Discussed the Planned Resource Document

Nagel discussed the resource document outline (Attachment One-A) she had created for the Working Group to use to begin its work to develop the resource document, its second project for the year. She reiterated that the Working Group intends for this document to further its work to enhance understanding and compliance with the supervision requirements under Model #275. Nagel said Model #275 is designed to be principle-based and intentionally provides flexibility for insurers to design supervision systems that work for their distribution channel, their scale of operations, and their specific business model. She said that because of this flexibility, there is quite a bit of variance in the procedures insurers use to satisfy their supervision requirements under Model #275. She said that, because of this, the Working Group believes that state insurance regulators, insurers, and interested parties could benefit from compiling a document outlining common best practices insurers use to comply with Model #275.

Nagel said that to assist the Working Group to develop the resource document, it is seeking input from state insurance regulators, insurers, trade groups, consumer groups, and other interested parties regarding specific best practices or procedures insurers have implemented to satisfy the supervisory obligations of Model #275 as identified in Section II of the outline—training, supervision systems, and required disclosures and conflicts of interest. She said the Working Group would also like to hear about areas where there have been compliance challenges, not just those related to the supervision obligation. Nagel provided a few sample scenarios that could yield the type of best practice information the Working Group would like to receive. She said the Working Group would like to receive this information within 20 days of today's meeting.

Nagel asked for comments. Sarah Wood (Insured Retirement Institute—IRI) asked for clarification on how the resource document would work with the safe harbor guidance document the Working Group adopted last year. Van Buren said the resource document would complement the safe harbor guidance document. It would not replace it. Nagel said the Working Group envisions the resource document as being a means for state insurance regulators, industry, and other interested parties to understand what insurers are doing as they implement Model #275, highlighting insurer best practices and identifying any challenges companies are having. She said that after the Working Group receives the requested information, it plans to review it for possible incorporation and expose an initial draft for public comment no later than June. Wood asked whether, given the breadth of information the Working Group is seeking, the Working Group would consider giving interested parties more time to submit the information. Nagel said the Working Group would take the request under advisement.

Bonnie Burns (California Health Advocates—CHA) asked that, given the complexity of some annuity products, how the Working Group plans to or is monitoring whether insurance producers are receiving appropriate training to understand the products they are selling to consumers. Nagel discussed the provisions in Model #275 regarding training requirements. She said the Working Group looks forward to the information it receives on this topic, highlighting company best practices.

Brenda J. Cude (NAIC Consumer Representative) asked if the Working Group's work involved any of Model #275's disclosure forms. Nagel said the Working Group does not intend to open the model to revise its disclosure forms.

Having no further business, the Annuity Suitability (A) Working Group adjourned.

## RESOURCE DOCUMENT OUTLINE\_DRAFT

The 2026 Executive Committee priorities for the Life Insurance and Annuities (A) Committee include furthering annuity suitability compliance by developing and communicating guidance informed by company supervisory practices for effective supervision.

In response to this charge, the Annuity Suitability Working Group will develop a resource document to discuss various methodologies and practices insurers have implemented to effectively meet their supervisory obligations under revised Model #275 and to communicate those practices to industry. While Model #275 is a principles-based regulation and allows insurers the flexibility to design compliance procedures that are best suited to their specific business models, distribution channels, and scale of operations, identifying some common or best compliance practices benefit insurers, regulators, and others in the market.

The Annuity Suitability Working Group is seeking input from regulators, insurers, trade groups, consumer groups, and other interested parties regarding specific “best” practices or procedures insurers have implemented to satisfy the supervisory obligations of Model #275 as identified in Section II of the draft framework. In addition to receiving comments on areas where best practices have been developed, the working group would like to hear about areas where there have been compliance challenges.

The Working Group welcomes all feedback from interested parties and is particularly interested in hearing from small to mid-size insurers that regulators may not have had the opportunity to engage with in an exam or market inquiry setting. A robust dialogue and the inclusion of practices implemented by entities of various sizes should result in a more thorough and worthwhile guidance document.

### Framework of Resource Document

**I. Overview:** brief history and key requirements

**II. Observed Practices and Opportunities to Enhance Practices:** Related to the following obligations the Working Group is seeking input from interested parties regarding A- Best Practices; and B- Compliance Challenges and/or Confusion:

- 1) Training. Practices may relate to updated training to reflect best interest standard; communicating training resources; verifying producer training completion; assessing producer comprehension of training; etc. As part of its supervisory system, does the insurer audit or test the accuracy of its verification process?
- 2) Supervision Systems. Insurers must establish supervisory systems that ensure recommendations address the consumer’s insurance needs and financial objectives at the time of the transaction. What systems or procedures does the insurer utilize to detect recommendations not in compliance? Does the insurer take any steps to confirm the accuracy of consumer profile information or the basis of the recommendation? If supervision is delegated, what procedures does the insurer use to ensure that the third party is in compliance and that the third party’s procedures are effective?
  - a. Direct by insurer
  - b. Delegated to third party
  - c. 6(E) and 6(C)(1) supervisory obligations related to safe harbor provisions

d. Data and Reports

e. Audits

*\*A best practice should be a practice implemented by the insurer to address a compliance obligation and the insurer should take steps to verify that the practice is effective. For example, an insurer has an audit procedure for third parties that have been delegated to perform the best interest suitability oversight. The insurer performs audits on a quarterly basis. Third parties are selected by analyzing certain risk factors and the number of files audited increases or decreases based upon the volume of business. The insurer also has procedures to address the outcome of the audits. If any issues arise during the audit, the insurer has a process to communicate the concerns, verify any required corrective action, and escalation procedures for failure to respond or an inadequate response.*

- 3) Required disclosures and conflicts of interest. What forms does the insurer collect and retain? Does the insurer or producer collect Appendix A when an annuity is sold pursuant to the safe harbor provisions? Does the insurer identify and eliminate conflicts of interest, as necessary?

### **III. Practices that misalign with the regulatory intent of Model #275.**

### **IV. Conclusion**

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Life Insurance and Annuities Illustrations (A) Working Group  
Virtual Meeting  
February 24, 2026

The Life Insurance and Annuities Illustrations (A) Working Group of the Life Insurance and Annuities (A) Committee met Feb 24, 2026. The following Working Group members participated: Ben Slutsker, Chair (MN); Sanjeev Chaudhuri (AL); Cody Tyler (CA); Lei Rao-Knight (CT); Matt Cheung (IL); Scott Shover (IN); Mike Yanacheak (IA); Nour Benchaaboun (MD); Danielle Torres (MI); (NE); William Carmello (NY); Matt Elstion (OH); Josh Blakely (OR); Andreea Savu (SC); Kaleb Short (TN); Mathew Roos (TX); Tomasz Serbinowski (UT); and Craig Chupp (VA). Also participating was: Sandy Ray (WA).

1. Discussed its Background and Purpose

Slutsker explained that the Life Insurance and Annuities Illustrations (A) Working Group was formed as part of the Life Insurance and Annuities (A) Committee's 2026 charges. The Working Group has a charge to "[e]valuate concepts for improving life insurance and annuity illustrations and disclosures and consider revisions to relevant NAIC models or develop other guidance where feasible and appropriate." He explained that, while the Working Group is new, the topic is not. There have been several groups at the NAIC over the years tasked with reviewing life insurance and annuity disclosures, including illustrations. Slutsker mentioned the Annuity Disclosure (A) Working Group that reviewed the *Annuity Disclosure Model Regulation* (#245), the Life Insurance Illustration Issues (A) Working Group that reviewed a variety of issues, including an effort to simplify illustrations, and the Indexed Universal Life (IUL) Illustrations Subgroup of the Life Actuarial (A) Task Force that focused on developing and then revising *Actuarial Guideline XLIX-A—The Application of the Life Illustrations Model Regulation to Policies With Index-Based Interest Sold on or After December 14, 2020* (AG 49-A).

Slutsker explained that the work of this Working Group touches on actuarial themes. However, the focus and membership extend beyond the actuarial and include member regulators with backgrounds in market conduct and compliance and focus on issues surrounding disclosures and sales materials more broadly. He explained that, to the extent that actuarial issues are part of this group's work, those efforts will be coordinated through the Life Actuarial (A) Task Force.

Slutsker explained that his first focus will be on the examination of indexed annuity sales materials and disclosures. He said an issue that is not necessarily new, but is becoming more pronounced, is that some carriers are illustrating annual returns as high as 10% to 25% indefinitely when purchasing indexed annuities. This potential outcome looks great to consumers, especially when paired with downside protection such as a 0% floor. This sets expectations about how well their annuity will perform from an investment perspective, and if those returns are not realized, that leads to frustration. There have been a number of annuity-related lawsuits filed recently, some of which focus on disclosure documents rather than just representations made during the sales process.

In an effort to better understand the issue and identify what is happening in the market, several states have recently informally requested illustrations from the top 25 to 30 annuity market leaders. The illustrations are still being collected, but what regulators have seen so far is that, across indices and products for a given company, for the highest-illustrated annual investment rates, about one-third of the responses are 10% or lower. The remaining two-thirds of the responses are showing some products that are greater than 10% for the illustrated rates. About half of those are in the 11% to 15% range, and the other half show 16% to 27% per year in the illustration shown. This does not mean that all the illustrated rates are like this; this is just the highest illustrated rate for a given company.

Slutsker also clarified that these figures refer to illustrations of recent history, not to the most favorable possible returns sometimes shown. The more favorable scenarios show even higher returns, often in the 20% or higher range. He said that these observations include both interest credited rates and cash surrender values, so overall, these high rates define the issue. While illustrations aim to show how a product works and where its benefits lie, there needs to be a balance in what is shown that sets reasonable expectations for the consumer.

Slutsker also said another interesting thing is that only about a quarter of the highest-illustrated rates involved registered index-linked annuities (RILAs), which carry a risk of losing principal and may also offer upside. However, the highest rates were shown in conjunction with fixed indexed annuities (FIAs), which feature a 0% floor. Additionally, the highest FIA-illustrated rates also came from back-casting, which is a term describing disclosures for indices that were recently created but show a history of returns as if they had been in existence for many years. Slutsker said these indices were created specifically to illustrate favorably. None of the RILAs showed any evidence of back-casting, but some still had illustrated rates of 15% to 20%, which is concerning.

In contrast, Slutsker said, indexed life insurance policies have death benefits and cost-of-insurance charges that result in lower illustrated returns. The illustrated returns range from 5% to 8%, compared with double-digit returns from annuities. For life insurance, the *Life Insurance Illustrations Model Regulation* (#582) has been widely adopted, and *Actuarial Guideline XLIX—The Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest* (AG-49) and subsequent iterations, such as AG 49A, have had an impact. For annuities, the Model #245 prohibits the illustration of indices that have existed for fewer than 10 years, but it has been adopted in only 10 states.

Slutsker said that companies, in order to be competitive, feel forced to show higher illustrated rates. He said that regulators and commissioners are concerned, and it may be time to explore additional regulatory limits or requirements. Slutsker said he wants to ensure this is a collaborative project between regulators and interested parties and to explore possible solutions.

Slutsker said he would like to expose the following question for a 30-day comment period to solicit feedback and ideas from Working Group members, interested regulators, and interested parties.

Regulators have observed index annuity disclosures that suggest annual returns can range from 10% to 25% for several years. This has brought up potential concerns around whether consumers are receiving reasonable expectations regarding future performance upon purchasing an annuity.

**What are both short-term and long-term approaches to ensure consumers receive reasonable expectations for index annuity returns at the point-of-sale?**

- Please keep any comments at a high-level regarding potential direction for the Working Group and types of proposals, rather than providing specific proposals themselves.
- In addition, please feel free to include any comments related to disclosures around newly developed indices and any other elements related to the concerns described above.

Slutsker said he did not expect detailed proposals but is looking for high-level conceptual ideas, such as whether a guidance document, actuarial guidelines, model revisions, or something else might be appropriate. Slutsker says he expects a lot more conversation and additional exposures before a decision is made regarding the best path forward.

Torres asked whether the illustrations that Slutsker reviewed showed years with zero returns. Slutsker said the illustrations include guaranteed scales where the lowest possible returns are shown. So, in an FIA with a 0% floor, after charges, there would be a net negative return illustrated. But in cases where there were back-casted indices, there was a wide variation in how prominently the fact that the index was recently created was displayed.

Sometimes there would be a separate page with a long list of footnotes that included the information, and there were some cases where there was no notation and only by researching the index could someone see that it was recently created.

Serbinowski pointed out that not only are 25% returns year after year unrealistic, so are 0% returns. He said that when an illustration shows average returns, and the most recent 10 years, the disclosure of 0% that is required to be included as a worst-case scenario is not a particularly persuasive warning. Blakely said that in Oregon, he has seen a real lack of uniformity in how back-casted indices are disclosed to consumers. He is wondering what kind of philosophies or approaches companies have regarding disclosure of back-casted practices because it seems like it is up to each company how it would like to handle things. He said in some cases companies will say it is historical data without saying it is not actual historical data, which is arguably intentionally misleading. Slutsker agreed that he would be interested in this information as part of his overall exposure question.

Benchaaboun agreed with Blakely and Serbinowski in that illustrations need to be realistic, not inflated, and properly disclosed. He also asked about collecting illustrations from the top 25 annuity writers. Slutsker explained it was not a formal NAIC project. He said an informal group of states has come together over the past three years to review around 10 life illustrations per year, ensure understanding of disciplined current-scale testing, and review compliance with AG 49. As part of that effort, this year, when the group reached out to companies, they asked for annuity illustrations. He said other top market leaders that were not previously included were asked this year. He said it was more individual state efforts, not a formal project.

Torres said that she agreed with all that had been said and pointed out that Financial Industry Regulatory Authority (FINRA) Rule 2211 permits illustrations for variable annuities using assumed rates of return up to 12% gross, provided a 0% gross rate is included. She suggested that the Working Group review whether a cap on illustrated interest rates might be appropriate. Serbinowski said there is a difference between variable and fixed products. He said that variable products, such as universal life or variable annuities, might show different hypothetical returns, but they generally do not vary those returns by your own investments, so it is not going to tell you your allocation and show you what you should expect based on that allocation, but that is exactly what many fixed products do. Fixed products display projected numbers based on your allocations.

Slutsker agreed with Torres' suggestion that federal approaches should be considered for two reasons: 1) the Working Group should consider as many potential solutions as possible and consider what concepts can be borrowed; and 2) to understand better why RILAs, if they are subject to additional federal rules, are also illustrating 15% to 20% returns, like FIAs. Slutsker said he would like to better understand what the federal requirements are and how they compare to any statutory or NAIC requirements.

Carmello said New York has been focused on the life side and has not looked at annuity illustrations. He said, however, he has been saying for years that the current practice on the life side has been misleading. He thinks illustrations should just show what happens over one year if the market goes up (e.g., 20%) and if it goes down by that same amount. He said, with respect to the long term, what has been going on has been misleading for many years, and there should be a limit on what life companies can assume is earned from derivatives, and what has been accepted on the life side was way too much and not realistic.

Bonnie Burns (Consumer Representative) said that life insurance and annuities are increasingly offering long-term care benefits, either within the product itself or as a rider, and that the majority of riders are not long-term care riders; they are guaranteed living benefits or viaticals under Section 101 of the Internal Revenue Code. Burns is concerned about how the underlying insurance products these benefits are attached to will work for people in the future when they need the benefits they have bought, especially when there is a potential for the product to

lose money. Burns is concerned about whether people understand the product when they buy it, which is why she is interested in disclosures.

Dick Weber (Consumer Representative) said he has been involved with the NAIC for a long time and was an interested party in the lead-up to the adoption of Model #582 in the mid-1990s. Weber said he is going to share with the Working Group an annuity illustration that he encountered that shows varying rates, some realistic, but every five years, they show a rate, the least of which is 36% and the greatest of which is 57%. Weber said this leads to the issue he is most concerned with: the expectations illustrations create. He said that, whether overtly or subtly, the agent uses the illustration to suggest to consumers what is reasonable to expect. The illustration is used as a projection rather than a demonstration of how a product works in a very limited, and frankly impossible, situation. Slutsker said that it will be helpful to have the perspective of seeing the similarities and differences from the life side leading up to the adoption of Model #582.

Lawrence Rybka (Bellmark Financial Group) said his company stands behind life insurance and annuities. He said his company has \$70 billion in in-force life insurance and \$4 billion in annuities. He said he agrees with Weber and has observed fake indices (or what marketers call proprietary indices) that use back-casting to cherry-pick returns that exceed the S&P 500. He said Bobby Samuelson (Life Product Review) has documented that the returns on these indices have averaged only 2% to 3% over the past three years, when the S&P 500 has continued to rise considerably. He said some of these proprietary indices have had zero returns in 2023, 2024, and 2025. He said this is a real bait-and-switch for consumers, and there needs to be substantial reform in how they are illustrated. He said actual returns from inception should be prominently displayed. If an index purports to outperform the S&P 500 and ends up with returns less than 3% in the last three years, that is patently deceptive.

Slutsker said that Rybka raises an important issue. He said regulators have been looking at illustrated returns and describing them from an observation standpoint, but proprietary indices have been offered for a while, and there should be some history on how actual performance has compared to initial illustrations. That kind of information would be a helpful data point for the Working Group as it identifies the issues it is trying to address.

Birny Birnbaum (Birnbaum Consulting) offered some broad principles for the Working Group's consideration. First, he said consumers should be shown how a product works in a manner they can understand. When you give a consumer 20 pages of small-font tables, they are going to key in on the fact that a \$200,000 investment will be worth \$200 million in 30 years, and this should be avoided. Consumers could also benefit from being shown the company's history of caps, floors, and other features tied to investment returns. If a company routinely offers a product with a 10% or 12% cap and systematically reduces it over time, consumers should be aware of that.

Birnbaum said he agreed with looking at best practices for other investment products and would be interested in learning whether any other investment products permit back-casting or projections of future returns. He is also interested in understanding the difference between the federal rules and everything that surrounds them. He said the federal rules apply to people trained to give financial advice subject to a fiduciary standard and are subject to a number of constraints that do not exist for annuity illustrations. Birnbaum mentioned that he has made several presentations to the Life Insurance and Annuities (A) Committee and its Working Groups over the years that could be helpful to the Working Group. He said he gave a presentation with Brenda Cude (University of Georgia) in 2023 that analyzed issues with illustrations, discussed consumer understanding, and outlined concepts for improving illustrations. He suggested starting by identifying guiding principles rather than tweaking rules or models. Slutsker agreed that it would be helpful to look at principles and emphasized that the Working Group was interested in collecting ideas at this stage.

Samuelson said the Working Group should be thoughtful about using the term "investment." He said an annuity is not an investment; it is an insurance contract with index-linked crediting, and is not a direct investment.

Samuelson also said questions about consumer expectations and illustrations have been an issue for a long time, first with life illustrations and more recently with annuity illustrations. He said the question revolves around the role of an illustration and whether it is meant to be an explanation or a projection. Samuelson suggested that the Working Group needs to be clear on the role of the illustration and how it relates to other insurance contracts versus actual investments. He said this is more complex than it seems, because regarding life insurance, there are actuarial guidelines and the disciplined current scale that provides a structural foundation for AG 49 that does not exist on the annuity side. He said another issue is that annuity illustrations are often nothing more than marketing materials with the client's name on top. Not every state reviews the material the same way, or even at all. Samuelson said he thinks that there needs to be a conversation about index-linked returns and annuities before exposing the question for comment because it frames the issue in a particular way.

Samuelson also pointed out that not all FIAs are created equally: some are accumulation-oriented, where, in the worst-case scenario, the client does not get a 37% return but will not lose any money. He may not get what was illustrated, but he will get some return, which is the point of the product. He said the issue he sees is not on the accumulation side; it is on the income side, where these illustrated returns are being used to drive income benefits or, as Burns mentioned, other types of benefits inside the contract. Clients are deciding whether to exchange old policies or buy a policy based on projected income that might last for 30, 40, or 50 years, using these illustrations. Once benefits are attached to these products, other issues arise. For example, is it appropriate to exchange an old contract for a new one based on the illustrated performance? Regarding life insurance, there is supportability testing, but there is not that infrastructure on the annuity side. Samuelson is concerned that there may be other issues that should be addressed but are missed because the issue is framed in a way that puts the focus on illustrations. Slutsker agreed that the exposure should include comments on whether there are issues not covered by the illustration.

Ray asked whether the Working Group knows how many carriers file their products to be sold with an illustration. Yanacheak explained that Model #582 requires life insurers to designate, at the time of filing, whether a policy form is to be marketed with or without an illustration. Benchaaboun clarified that this requirement does not apply to variable life insurance or annuity contracts. There is no similar requirement in Model #245 regarding annuity illustrations. Model #245 states that an insurer or producer may provide a consumer with an illustration that meets the model's requirements at any time. Slutsker said he would be interested in hearing from the Interstate Insurance Product Regulation Commission (Compact) and the states on whether they review illustrations when a company indicates it plans to use one. Blakely said that Oregon uses the Compact for contract filings, but all advertisements must be filed, and they receive separate advertising filings for each illustration. He said they send objections pretty regularly, so he is glad they see them, but it is a separate state filing with the state, even after the base product is approved by the Compact.

Jason Robbins (The Standard) said that custom indices are more common in the FIA space. He consulted an older Barclays report that shows around 265 of these newer indices, while in the RILA space, there are around 30 or 40. He thinks that investment banks create these new indices and bring them to carriers to be marketed, but because they are so new, they engage in back-casting to create the history. He said that these indices are intentionally constructed so that they can say, if we had launched this 20 years ago, here are the returns, and oftentimes they are excessive. He said that he believes the driver of the illustrations of excessive returns is these newer indices. He said in the variable annuity world, there was the ability to use a hypothetical varying rate of return, which is where the 12% limit comes into play. He wondered whether adding something like that in the FIA space may help with the back-casted data, which projects high returns that are seldom realized once the index goes live.

Cude said she was concerned that the Working Group was at a real disadvantage unless it obtained research-based information on what consumers want to know when considering annuities. She wondered what disclosures

consumers actually review and whether they review them independently of advisors. She said she has been unable to locate that kind of research or anyone who may have it to share, as it would be tremendously helpful.

Blakely said that Oregon has seen multiple illustration filings that are traditionally reviewed with an advisor. But recently, he has seen multiple situations where there is an online tool with a dropdown menu, where someone can pick their accounts and their premium deposit, and it creates an illustration without anyone there to explain it, other than the disclosures the company chooses to put on the tool. He said that the use of illustrations alongside an advisor may no longer be the norm. He said in the context of people accessing information that they are left to interpret for themselves, disclosure and context are especially important. Cude said that a self-guided, personalized online disclosure seems very different from a traditional paper illustration and raises different questions from a consumer perspective.

Slutsker said he looked forward to continuing discussions on not only where the Working Group should focus its efforts, but also on identifying the issues it is trying to address.

## 2. Discussed its Next Steps

Slutsker said he would make a chair exposure of a discussion question along the lines of what the Working Group discussed for a 30-day exposure period. Another meeting to discuss the feedback received will be scheduled for late March or early April.

Having no further business, the Life Insurance and Annuities Illustrations (A) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Committees/A CMTE/2026 Spring National Meeting/minutes/LIAIWG 022426 min FINAL

**Update for Life Insurance and Annuities (A) Committee**  
**Project on Criminal History and Life Insurance Underwriting**  
2026 Spring National Meeting  
Kelly D. Edmiston, Ph.D., Policy Research Manager, CIPR/NAIC

The Criminal History and Life Insurance Underwriting project continues to move forward. The researchers are David Schraub, and independent actuary contracted by the Society of Actuaries and CIPR (project lead) and Kelly Edmiston, Policy Research Manager at the CIPR.

A literature review is being conducted and is nearly complete. The literature review focuses on the relationship between criminal history (largely incarceration) and mortality and studies on the implications of having a criminal history on various facets of work and life (not specifically insurance, for which the literature is thin at best).

Data collection efforts continue to move forward. Data collection has occurred in three phases:

**Phase I: Data Providers**

We contacted nine data providers seeking information about the criminal history data they provide, where they get the information, and how the information is treated. Three reported that they do not provide material information on criminal history, while the remainder were tight-lipped, being unable or unwilling to provide information to us.

**Phase II: Reinsurers and Large Life Companies**

We contacted seven reinsurers and were able to get at least some information from five, either by email or videoconference discussion. We contacted five large life insurance companies directly, including MetLife (no longer sell individual policies), MassMutual, Northwestern Mutual, Prudential, and New York Life. We have heard that one of these five companies had done a substantial study on criminal history information in the underwriting process, but none mentioned such a study. We never connected with MassMutual. Of the others, three stated that they had no information to share.

(continued)

### **Phase III: Smaller Life Insurance Companies**

We submitted an online survey via email to roughly 700 companies, from which we received (as of March 11, 2026) 173 responses. These data will now be analyzed to glean all the information we can from the responses to draw out themes and common practices.

All information to be included in the final report will be aggregated in a way that speaks to the insurance industry as a whole. We do not know which companies submitted any specific survey.

We asked commissioners\* to send a letter to their domestic life insurers or life insurers doing business in their state to encourage participation in the survey, if they felt comfortable doing so and were willing to do so. Attached to this document is a letter we drafted for commissioners or DOIs to send. Of course, we had the expectation that commissioners would modify the document as they saw best to suit the purpose. We greatly appreciate the response from the commissioners who were able to make the request. Based on the volume of my discussions with insurance companies seeking additional information, the letters were very effective in bringing in additional responses.

We hope to get the last of the data analyzed and the report written as timely as possible while maintaining the quality of the analysis.

I am happy to address any questions or concerns regarding the study.

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\* I use the term “commissioners” to account for all commissioners, superintendents, and directors of insurance.

[INSERT STATE DEPARTMENT OF INSURANCE LETTERHEAD]

[Insert Name of Domestic Life Insurer]

[Insert Address]

February 2026

[Insert Name of Primary Contact at Life Insurer]:

Re: Short Survey on Criminal History and Life Underwriting

The [Center for Insurance Policy & Research](#) (CIPR), which is the core research arm of the National Association of Insurance Commissioners (NAIC), is working with a contracted independent actuary, David Schraub, and the [Society of Actuaries \(SOA\) Research Institute](#) to conduct a study on the use of criminal history in life insurance decisions. The goal of the project is to better understand how insurers use criminal history, particularly in their underwriting practices, but also in their claims management processes, with a secondary objective to better understand the relationship between criminal history, particularly incarceration, and morbidity and mortality.

At the current stage of the project, the research team is asking life insurance companies, including yours, to respond to a very brief digital survey on if and how they use criminal history in their underwriting.

Responding to this survey is not mandatory, but I encourage you to participate. The NAIC has heard from several advocates, most of them opposed to the use of criminal history in life underwriting, but has not yet heard from individual life insurance companies. The survey allows insurance companies an opportunity to explain if, when, and why they use criminal history in life insurance underwriting, providing a proper balance to the story the NAIC has heard thus far.

As noted in the survey itself, data will be held in the strictest confidence. Only Mr. Schraub and Dr. Kelly Edmiston, CIPR policy research manager, will have access to the survey data. Nothing will be shared with departments of insurance, the NAIC, the SOA, or more broadly.

Thank you for considering participation in the survey.

Sincerely,

[Insert Name of Insurance Commissioner/Superintendent/Director]

cc: Kelly Edmiston [kedmiston@naic.org](mailto:kedmiston@naic.org)

## **Use of Criminal History in Life Insurance (Digital Survey)**

### **Start of Block: Demographics**

Q38 Dear Life Insurance Carrier, We are sending this questionnaire to all life insurers doing business in the United States. The questionnaire is one of three phases of a research project described below. On behalf of the Society of Actuaries (SOA) Research Institute and the Center for Insurance Policy & Research (CIPR) at the National Association of Insurance Commissioners (NAIC), we would like to invite you to participate in a joint research project examining the use of criminal history (CHx) in life insurance decision-making in the United States. The objective of this project is purely fact-finding. The objective of the SOA-CIPR study is to inform regulators. Regulators have heard from consumer advocates, and to a much lesser extent, industry advocates, on this issue, but they have received few in any insights from life insurance companies themselves. Engaging perspectives from all parties is critical to ensure that any future regulatory approaches are informed by practical realities and focused on meaningful outcomes, rather than perceptions that may not fully reflect current practices. Both the SOA and the CIPR are well-established and esteemed research organizations for whom unbiased research is fundamental, with no advocacy. David Schraub is the lead researcher on this project as an independent contractor, with support from Kelly Edmiston of the NAIC's CIPR. We understand the importance of confidentiality and adhere to strict protocols to protect your information. All responses will be shared only with David Schraub and Kelly Edmiston. They will not be disclosed to other SOA or NAIC staff, insurance companies, competitors, or any other stakeholders. Additionally, all findings will be presented in a manner that prevents identification of individual sources or information, and all data will be aggregated.

Q1 In terms of annual premium volume, is your company:

- Small (less than \$1B) (1)
- Medium (between \$1B and \$10B) (2)
- Large (more than \$10B) (3)

**End of Block: Demographics**

**Start of Block: Underwriting**

Q2 Does your company use applicant criminal history data in the underwriting process for the following products? Select all that apply.

	Yes (1)	No (2)	Don't Know (3)	Not applicable (do not offer product) (4)
Whole Life (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Term Life (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Indexed Life (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Universal Life (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Variable Life (5)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Variable Universal Life (6)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Long-Term Care (7)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (please specify below) (8)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

*Skip To: End of Block If Does your company use applicant criminal history data in the underwriting process for the followi... [ Yes] (Count) =*

Q3 If other, please specify additional product line(s):

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Q4 Does your company's definition and use of criminal history include the following distinctions? Select all that apply.

- Misdemeanor (1)
- Felony (2)
- Parole (3)
- Conviction vs incarceration (4)
- Incarceration length (5)
- Incarceration facility type (6)
- Juvenile record (7)
- Pending charges (8)

Q5 Roughly what percentage of annual applications include a consideration of criminal history data? (That is, what percentage are found to have criminal history data that is actively considered in the underwriting process, according to your company's business practices, whether or not the consideration changes the outcome).

- Less than 1% (1)
- Between 1-4% (2)
- Between 5-10% (3)

Between 10-25% (4)

More than 25% (5)

Q6 Does your company vary its practices regarding applicant criminal history by product?

Yes (1)

No (2)

*Skip To: End of Block If Does your company vary its practices regarding applicant criminal history by product? = Yes*

**End of Block: Underwriting**

**Start of Block: Additional comments**

Q7 Any additional information you would like to share?

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Q8 Please provide a company contact if we have any questions regarding your responses.

Name (1) \_\_\_\_\_

Email (2) \_\_\_\_\_

**End of Block: Additional comments**

**Start of Block: Underwriting Question Loop by Product**

Q9 Please select how your company asks the applicant for criminal history information during the underwriting process for  $\{\text{lm://Field/1}\}$ :

Through a question in a policy application (1)

Through an authorization for data pull (2)

- Both (3)
- Other (please explain) (4)

Q10 If other, please explain:

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Q11 When an applicant's criminal history is actively considered in the underwriting process for  $\${lm://Field/1}$ , how might that history impact coverage? Select all that apply,

- Denial of coverage (1)
- Negative impact in the risk classification (2)
- Postpone application (3)
- No impact (4)
- Other (please specify below) (5)

Q12 If other, please specify how criminal history may impact the applicant's coverage:

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Q13 What is your rationale for using criminal history in the underwriting process for  $\${lm://Field/1}$ ?  
Select all that apply.

- Included in reinsurer's underwriting manual (1)

Internal study (2)

External study (3)

Other (4)

Not applicable (5)

Q14 Additional comments (optional):

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Q15 Where criminal history is used for  $\{\text{lm://Field/1}\}$ , is it used for:

All policies (1)

A subset of policies (2)

Q16 If for only a subset of  $\{\text{lm://Field/1}\}$  policies, what is the subset criteria (e.g. only policies with face amount above \$X)?

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Q17 How does your company address any inconsistencies in voluntarily provided and externally sourced data regarding a  $\{\text{lm://Field/1}\}$  applicant's criminal history?

Data obtained from external sources is always considered more credible (1)

Voluntarily obtained data is always considered more credible (2)

- Inconsistencies are considered on a case-by-case basis (3)
- Not applicable (only one source is used) (4)
- Other (5)

Q18 If other, please explain:

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Q19 For those applications that involve active consideration of criminal history data, what rough percentage falls into each of the following underwriting results? Total should = 100%.

Denied coverage : \_\_\_\_\_ (1)

Coverage offered at a less preferred risk class : \_\_\_\_\_ (2)

Postponed application : \_\_\_\_\_ (3)

No impact : \_\_\_\_\_ (4)

Other : \_\_\_\_\_ (5)

Total : \_\_\_\_\_

**End of Block: Underwriting Question Loop by Product**

**Start of Block: Additional Context**

Q20 Do you use criminal history data in other functions of the insurance value chain besides underwriting at the time of sale (e.g. checking if the applicant was truthful in the application process at time of claim adjudication)?

Yes (1)

No (2)

Q21 If yes, please explain:

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Q22 How long have you used criminal history?

- Less than one year (1)
- 1 to 5 years (2)
- 5 to 10 years (3)
- More than 10 years (4)

Q23 Has your definition of criminal history changed over time?

- Yes (1)
- No (2)
- Don't know (3)

Q24 If yes, in what way has your definition of criminal history changed?

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**End of Block: Additional Context**

**Start of Block: Data Quality**

Q25 Do you have a process for each of the following:

	Yes (1)	No (2)	Conducted by Data Provider (3)	Don't Know (4)
Ensuring sealed or expunged records are not included (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- Handling overturned convictions, plea bargains vs. trial convictions, dropped charges (2)
- Allowing individuals to challenge the data (3)
- Ensuring accurate, up-to-date information (4)
- Aggregating multiple records for a single incident (5)

Q26 Please list the vendor(s) from which you receive criminal history data:

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**End of Block: Data Quality**

**Start of Block: Underwriting Question Loop All Products**

Q27 Please select how your company asks the applicant for criminal history information during the underwriting process:

- Through a question in a policy application (1)
- Through an authorization for data pull (2)
- Both (3)

Other (please explain) (4)

Q28 If other, please explain:

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Q29 When an applicant's criminal history is actively considered in the underwriting process, how might that history impact coverage? Select all that apply,

- Denial of coverage (1)
- Negative impact in the risk classification (2)
- Postpone application (3)
- No impact (4)
- Other (please specify below) (5)

Q30 If other, please specify how criminal history may impact the applicant's coverage:

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Q31 What is your rationale for using criminal history in the underwriting process? Select all that apply.

- Included in reinsurer's underwriting manual (1)
- Internal study (2)

External study (3)

Other (4)

Not applicable (5)

Q32 Additional comments (optional):

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Q33 Where criminal history is used, is it used for:

All policies (1)

A subset of policies (2)

Q34 If for only a subset of policies, what is the subset criteria (e.g. only policies with face amount above \$X)?

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Q35 How does your company address potential inconsistencies in voluntarily provided and externally sourced data regarding an applicant's criminal history?

Data obtained from external sources is always considered more credible (1)

If inconsistent, more credibility is given to data from external sources (2)

If consistent, both sources are considered credible (3)

If inconsistent, more credibility is given to voluntarily provided data (4)

Not applicable (only one source is used) (5)

Other (6)

Q36 If other, please explain:

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Q37 For those applications that involve active consideration of criminal history data, what rough percentage falls into each of the following underwriting results? Total should = 100%.

Denied coverage : \_\_\_\_\_ (1)

Coverage offered at a less preferred risk class : \_\_\_\_\_ (2)

Postponed application : \_\_\_\_\_ (3)

No impact : \_\_\_\_\_ (4)

Other : \_\_\_\_\_ (5)

Total : \_\_\_\_\_

**End of Block: Underwriting Question Loop All Products**