Draft date: 10/16/26

2026 Fall National Meeting
Dallas, Texas

LIFE INSURANCE AND ANNUITIES (A) COMMITTEE
Sunday, 11/15/2026
3:00 PM - 4:00 PM CT
Convention Center—Texas AB—Level 3

ROLL CALL

Doug Ommen, Chair	Iowa	Judith L. French	Ohio
Anita G. Fox, Vice Chair	Michigan	TK Keen	Oregon
Mark Fowler	Alabama	Suzette M. Del Valle	Puerto Rico
Holly W. Lambert	Indiana	Carter Lawrence	Tennessee
Julia Dreier	Minnesota	Amanda Crawford	Texas
Susan Ochs	New Jersey	Scott A. White	Virginia
Kaitlin Asrow	New York	Nathan Houdek	Wisconsin
Remedio C. Mafnas	Northern Mariana Islands		

NAIC Committee Support: Jennifer R. Cook/Jolie H. Matthews

AGENDA

1. Consider Adoption of its Oct. 27 Meeting Minutes—*Commissioner Doug Ommen (IA)*

2. Consider Adoption of the Reports of its Task Force and Working Groups—*Commissioner Doug Ommen (IA)*
   A. Life Actuarial (A) Task Force—*Rachel Hemphill (TX)*
   B. Annuity Suitability (A) Working Group—*Johanna Nagel (IA)*
   C. Life Insurance and Annuities Illustrations (A) Working Group—*Ben Slutsker (MN)*
   D. Annuity Buyer's Guide (A) Working Group
      i. Discuss and Consider Adoption of Revised Draft Annuity Buyer's Guide —*Lauren Van Buren (WI)*

3. Discuss Illustrations/ Buyer's Guide Consumer Research Study—*Director Anita G. Fox (MI)*

4. Discuss Indexed Universal Life and Premium Financing—*Commissioner Doug Ommen (IA)*

5. Any Other Maters

6. Adjournment

Draft: 11/3/26

Life Insurance and Annuities (A) Committee
Virtual Meeting
October 27, 2026

The Life Insurance and Annuities (A) Committee met Oct. 27, 2026. The following Committee members participated: Doug Ommen, Chair (IA); Anita G. Fox, Vice Chair (MI); Mark Fowler (AL); Julia Dreier (MN); Susan Ochs represented by Dave Wolf (NJ); Kaitlin Asrow represented by William B. Carmello (NY); Judith L. French represented by Matt Elston (OH); TK Keen (OR); Amanda Crawford represented by Rachel Hemphill (TX); Scott A. White represented by Craig Chupp (VA); and Nathan Houdek (WI).

1. Adopted its Summer National Meeting Minutes

Director Fox made a motion, seconded by Hemphill, to adopt the Committee's Aug. 18 minutes (*see NAIC Proceedings – Summer 2026, Life Insurance and Annuities (A) Committee*). The motion passed unanimously.

2. Adopted the 2027 GRET

Hemphill said the Society of Actuaries (SOA) annually provides the Life Actuarial (A) Task Force with an update to the Generally Recognized Expense Table (GRET). She said the Task Force unanimously adopted the updated 2027 GRET on Sept. 17 and recommends its adoption by the Committee.

Hemphill made a motion, seconded by Wolf, to adopt the 2027 GRET (*see NAIC Proceedings – Fall 2026, Executive (EX) and Plenary Committee, Attachment ?*). The motion passed unanimously.

3. Adopted its 2027 Proposed Charges and Those of the Life Actuarial (A) Task Force

Hemphill explained that the Life Actuarial (A) Task Force added a proposed charge addressing requests for non-U.S. mortality tables. She explained that this summer was the second summer that the Task Force received and considered requests for non-U.S. mortality tables. The initial requests were received during Summer 2025. At that time, Task Force members indicated that additional information was needed before it could consider approval of non-U.S. mortality tables. In response, the Task Force adopted amendment proposal form (APF) 2025-13, effective for the 2027 *Valuation Manual*. APF 2025-13 provides background for companies to submit additional support for their non-U.S. mortality table requests, including reserve impacts, actual-to-expected ratios, and supporting narratives. This year, companies making requests were able to refer to APF 2025-13 and provide additional information that Task Force members had indicated they needed before approval could be considered. While more Task Force members were comfortable considering approval, the Task Force was still split. Concerned Task Force members noted that information from the SOA or a country's local actuarial organization providing details on the development of the table, which is information consistent with the type of updates received in the U.S., had not been provided.

Hemphill said NAIC committee support and the requesting companies were coordinating with the SOA and with local actuarial experts to provide the table development details that Task Force members requested. Since the Summer National Meeting, the Task Force heard a presentation on the Canadian table. The newly formed Non-U.S. Mortality Technical Review Group under the Task Force, led by Missouri, heard a presentation on the Chinese

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table. Four other countries have pending requests for review. Hemphill said the Task Force intends to continue reviewing requests in manageable increments.

Hemphill explained that U.S. insurers regulated by the states have international insured lives valued under VM-20, Requirements for Principle-Based Reserves for Life Products. Because mortality experience differs among countries, the Task Force seeks to determine whether an appropriate mortality table is available for each international insured life.

Ommen said the Committee was not contemplating any changes to its charges for 2027. He noted that charges can be updated or modified as issues arise. Kim O'Brien (Federation of Americans for Consumer Choice—FACC) asked whether the work on annuity suitability best practices, uniformity, training, and enforcement remained within the 2027 charges. Commissioner Ommen explained that the work remains with the Annuity Suitability (A) Working Group under its general charge to "promote greater uniformity in the adoption of the *Suitability in Annuity Transactions Model Regulation* (#275) across NAIC member jurisdictions."

Director Fox made a motion, seconded by Wolf, to adopt the Life Actuarial (A) Task Force's and the Life Insurance and Annuities (A) Committee's 2027 proposed charges (*see NAIC Proceedings – Fall 2026, Executive (EX) and Plenary Committee, Attachment ?*). The motion passed unanimously.

4. Discussed Other Matters

Director Fox encouraged Committee members to follow discussions concerning the placement within the NAIC organizational structure of ongoing risk-based capital (RBC) work. While RBC issues are not strictly within the purview of the Life Insurance and Annuities (A) Committee, actuarial and financial standards remain central to its work and that of the Financial Condition (E) Committee. She said that to the extent commissioner involvement is necessary, there are roundtables and other forums to bring items to commissioners' attention and not to take financial issues to Plenary too soon. Commissioner Ommen explained that this is an issue that has been raised at the Risk-Based Capital (E) Task Force, and he said he agreed that effective management of RBC work is important for life and annuity companies.

Director Fox also said there was confusion about whether certified public accountants (CPAs) may sign certain examination reports. She stated that this is already permitted when the report discloses the signer's credentials, so the receiving state understands who performed the review. Commissioner Ommen suggested the issue as a possible roundtable topic, and Director Fox said she would seek to place the matter on a roundtable agenda.

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

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NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Virtual Meetings

LIFE INSURANCE AND ANNUITIES ILLUSTRATIONS (A) WORKING GROUP
September 15, 2026 / September 8, 2026 / September 1, 2026

Summary Report

The Life Insurance and Annuities (A) Working Group met Sept. 15, Sept. 8, and Sept. 1. During these meetings, the Working Group:

1. Discussed comments received on how best to address issues identified within annuity illustrations.

2. Discussed and reached preliminary consensus on the following concepts to include in revisions to the *Annuity Disclosure Model Regulation* (#245).
   A. Reduce illustration length through standardized requirements across carriers and products that reduce the illustration ledger length, combine illustration ledgers into single tables, and provide fewer redundancies between sections of Model #245.
   B. Include a signed attestation by a company officer to provide individual accountability for appropriate compliance with Model #245 requirements.
   C. Do not permit hypothetical returns for historical years during which an index did not exist, even if any input components to the index existed during those years.
   D. Either do not rely on illustrating non-guaranteed elements and/or historical index data (preferred by Working Group) or, if illustrating with historical index data, include adjustments or "haircuts" to the current level of non-guaranteed elements.
   E. Provide supplemental information through the following: 1) a one-period index term calculation of interest credited if the index goes up or down by a specified percentage (e.g., +/-20%); or 2) tables and/or visuals of alternate scenarios; and/or 3) if the proposal continues to include up/down scenarios in the illustration ledger, use the guaranteed scale as the "down" scenario.

3. Requested redline proposals to revise Model #245 consistent with the conceptual decisions made by the working group by Nov. 10.

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Life Insurance and Annuities Illustrations (A) Working Group
Virtual Meeting
September 15, 2026

The Life Insurance and Annuities Illustrations (A) Working Group of the Life Insurance and Annuities (A) Committee met Sept. 15, 2026. The following Working Group members participated: Ben Slutsker, Chair (MN); John Buono (AL); Cody Tyler (CA); Manny Hidalgo (CT); Russ Gibson and Johanna Nagel (IA); Jeff Varga (IL); Scott Shover (IN); Danielle Torres (MI); Michael Muldoon (NE); William B. Carmello (NY); Matt Elston (OH); Joshua Blakey (OR); Matthew Gendron (RI); Andreea Savu (SC); Kaleb Short (TN); Maribel Castillo, Angela McNeal, and Carol Lo (TX); Tomasz Serbinowski (UT); Craig Chupp, Melissa Gerachis, and Jarod Mentzer (VA). Also participating was: David Hippen (WA).

1. Heard a Recap of the Working Group's Sept. 8 Meeting

Slutsker reviewed the Working Group's Sept. 8 meeting. The Working Group discussed whether there should be a stopgap measure while revisions to the *Annuity Disclosure Model Regulation* (#245) are adopted in the states (Issue 5). The Working Group considered whether an actuarial guideline, a model bulletin, or a no-stopgap solution is preferable. After discussion, the Working Group agreed to have a model bulletin containing language similar to the revised model as a stopgap, but agreed to revisit the issue later, once revisions to Model #245 have been drafted.

Slutsker said the Working Group had made excellent progress toward reaching consensus on how to resolve issues identified for potential modifications in Model #245. The Working Group's previous two calls focused on how to address illustrated rates of return (Issue 4). The Working Group reached consensus on Issue 4A—Hypothetical Returns and agreed that the model should not illustrate returns for years in which the index did not exist, even if component indices existed during the historical illustration period. Regarding Issue 4B—Nonguaranteed Elements (NGEs), the Working Group preliminarily agreed that the treatment of NGEs in the current Model #245, with adjustments, was preferable to some other suggested alternatives, but expressed a strong interest in receiving alternative ideas for solutions that do not rely on NGEs or historical index data. The Working Group did not finish discussing Issue 4C—Additional Scenarios (including scenarios and information not based on recent history).

2. Discussed Issue 4C—Additional Scenarios and Supplemental Information

Slutsker explained that Issue 4C considers whether illustrations should include additional scenarios or other information that show a range of risks, such as high- and low-risk scenarios. Model #245 currently permits high and low illustrations based on the best and worst 10-year periods in the index's past 20 years. However, that period may not reflect the full range of potential outcomes or show that NGEs can change.

Slutsker said that, based on the comment letters received, there are four options to discuss: 1) extend historical periods used for high and low scenarios beyond the past 20 years; 2) replace the low scenario with a guaranteed scenario; 3) include supplemental tables, visuals, or alternate scenarios based on percentage reductions to NGEs, keeping in mind illustration length; or 4) prescribe up and down index-return scenarios (e.g., +/- 20%). He asked members to identify concepts that should move forward for more specific proposals.

Serbinowski cautioned that presentations of historical best, recent, and worst periods could create the impression that returns would remain within a narrow range. He said the Working Group should consider both what illustrations require and what they permit. Carmello supported option four, which shows standardized scenarios

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that do not project historical performance, similar to what the U.S. Securities and Exchange Commission (SEC) requires for variable annuities. He suggested showing prescribed index returns and standardized up-and-down scenarios. Blakey supported prescribed up-and-down scenarios and standardized flat-return scenarios. Torres agreed with Carmello and supports combining a guaranteed presentation with designated market-performance scenarios, with clear distinctions between guaranteed and nonguaranteed results.

Bonnie Burns (California Health Advocates—CHA) emphasized that any revision should prioritize uniformity and clear explanations, while reducing the number of pages of numerical projections. Peter Gould, an annuity owner, said fixed percentages could improve product comparisons and supported the inclusion of a year-by-year presentation of guarantees. Elston said it is important to preserve information showing how differently designed indexes may behave. Slutsker and Elston discussed whether actual index-return history or volatility information could address that concern without using historical performance as a projection. Michael Villa (Farm Bureau Financial Services) emphasized that standardized index-return assumptions should still allow consumers to see how product features, such as different caps, affect results.

Blakey suggested that actual index history could appear in supplemental information rather than serve as a basis for projected product returns. Burns cautioned that additional documents and pages could also overwhelm consumers. She urged the Working Group to focus on formatting and on clear distinctions between guaranteed and nonguaranteed information. Gould suggested developing sample presentations so the Working Group could assess their clarity. Slutsker said comments on the upcoming exposure should include mockups or visual examples. Birny Birnbaum (Birny Birnbaum Consulting) urged the Working Group to focus illustrations on how products operate rather than on hypothetical future-performance scenarios. He said illustrations should explain material product features and changes in caps, expenses, and other components. He also recommended consumer testing of any redesigned illustration. Jerry Vanderzanden (Life Insurance Consumer Advocacy Center—LICAC) supported using visuals where possible and focusing on demonstrating product operation.

Carmello asked how an illustration limited to guaranteed values can convey to consumers that NGEs have changed in the past and will change in the future. Birnbaum said illustrations should be limited to a single crediting period to demonstrate how a product operates without projecting long-term results. He said the whole point is to eliminate scenarios, whether hypothetical or guaranteed. Birnbaum said there is no way to encompass all that a consumer needs to understand on a piece of paper. If a consumer wants to see how the product may work in the future, they should work with a financial planner to review all the moving parts.

Villa said that an illustration only showing guaranteed values will not show how a product works; it will only show the minimum a product will offer, which is as unlikely to occur as any other future scenario. He is concerned about being overly focused on the potential for people to abuse the scenario chosen instead of providing information similar to what is provided on the life side, an illustration based on the history of known index values used as a going-forward rate. While it is not perfect, consumers would have a better idea of how a product may perform going forward and how one company's product may differ from another. Villa said he would like to ensure that the new illustration rules do not inhibit the ability to show how two products will operate differently in the future. Serbinowski asked whether there is a way to automatically show changes in a product's NGEs in future years, rather than saying they are using current parameters when they know that they are not offered in future years.

Slutsker summarized where the Working Group landed regarding the four options discussed under Issue 4C – Additional Scenarios and Supplemental Information. The Working Group was not in support of pursuing option one: extending historical periods for high and low scenarios. Regarding the remaining options two through four, the Working Group supported: 1) continued consideration of a guaranteed scenario and one-crediting-term demonstrations; 2) tables and visuals showing alternate scenarios, provided they do not materially increase illustration length; and 3) prescribed up and down index scenarios.

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3. Discussed its Next Steps

Slutsker explained that there would be an exposure period ending Nov. 10, asking for proposals amending Model #245 to incorporate conceptual decisions made by the Working Group. He said he would like the proposals to include a memo that succinctly describes any proposed changes, along with a visual example or a mock-up illustration, if possible. Redline changes to the model can be included, as well. He requested that all proposals incorporate the following preliminary conceptual decisions made by the Working Group:

A. Reduce illustration length through standardized requirements across carriers and products that reduce the illustration ledger length, combine illustration ledgers into single tables, and provide fewer redundancies between sections of Model #245.
B. Include a signed attestation by a company officer to provide individual accountability for appropriate compliance with Model #245 requirements.
C. Do not permit hypothetical returns for historical years during which an index did not exist, even if any input components to the index existed during those years.
D. Either do not rely on illustrating non-guaranteed elements and/or historical index data (preferred by Working Group) or, if illustrating with historical index data, include adjustments or haircuts to the current level of non-guaranteed elements.
E. Provide supplemental information through the following: 1) a one-period index term calculation of interest credited if the index goes up or down by a specified percentage (e.g., +/-20%); or 2) tables and/or visuals of alternate scenarios; and/or 3) if the proposal continues to include up/down scenarios in the illustration ledger, use the guaranteed scale as the “down” scenario.

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

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Life Insurance and Annuities Illustrations (A) Working Group
Virtual Meeting
September 8, 2026

The Life Insurance and Annuities Illustrations (A) Working Group of the Life Insurance and Annuities (A) Committee met Sept. 8, 2026. The following Working Group members participated: Ben Slutsker, Chair (MN); Sanjeev Chaudhuri (AL); Cody Tyler (CA); Manny Hidalgo (CT); Mike Yanacheak (IA); Scott Shover (IN); Nour Benchaaboun (MD); Danielle Torres (MI); Michael Muldoon (NE); William B. Carmello (NY); Matt Elston (OH); Joshua Blakey (OR); Matthew Gendron (RI); Andreea Savu (SC); Maribel Castillo, Rachel Hemphill, Angela McNeal and Mathew Roos (TX); Tomasz Serbinowski (UT); and Craig Chupp, Melissa Gerachis, and Jarod Mentzer (VA). Also participating was: David Hippen (WA).

1. Discussed the Working Group's Sept. 1 Meeting

Slutsker summarized the Working Group's prior discussions of illustrated rates of return (Issue 4), which were divided into three categories: hypothetical returns (Issue 4A), nonguaranteed elements (NGEs) (Issue 4B), and additional scenarios (Issue 4C). He said the Working Group had reached consensus against permitting illustrations of hypothetical returns for years before an index existed. In discussing NGEs, the Working Group expressed concern that reflecting current levels of NGEs in historical periods, such as caps or participation rates, could create a potential mismatch. In states without the current *Annuity Disclosure Model Regulation* (#245), the current practice is to illustrate historical index returns using current NGEs. Under the current Model #245, if an index has existed for more than 10 years, illustrations of historical index returns using current NGEs are permitted. The Working Group discussed three possible options for NGEs. The first option would continue the current practice of showing current NGEs at their level throughout the illustration. The second option would show current NGEs with a simplified adjustment or haircut. The third option would show the NGEs that would have been afforded by the option budget in past years. Slutsker said the Working Group's sense was that, if history is to be illustrated, the approach should broadly follow the second option, and that there was substantial interest in exploring an alternative approach that does not rely on NGEs or historical data.

2. Discussed Potential Stopgap Solutions

Slutsker reminded the Working Group that it had previously discussed having an interim solution while revisions to Model #245 are adopted in the states (Issue 5). He asked members and interested parties to consider whether an actuarial guideline, a model bulletin, or no stopgap solution is preferable.

Carrie Haughawout (American Council of Life Insurers—ACLI) said the ACLI supported continuing work on Model #245 before determining whether an interim measure was necessary. She said any interim measure should complement the revised model rather than create a separate regime. She added that a regulatory bulletin would be more appropriate than an actuarial guideline if a stopgap solution became necessary.

Ryan Berends (Indexed Annuity Leadership Council—IALC) said the IALC's position was consistent with the ACLI's position.

Dan Schelp (NAIC) explained that actuarial guidelines assist states in interpreting statutes involving actuarial topics and are not intended to revise statutes. He said an actuarial guideline addressing illustrations would need to remain consistent with the applicable model requirements. Schelp also described model bulletins as administrative guidance of lower authority than model laws and regulations. He said the available accounting

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Life Insurance and Annuities Illustrations (A) Working Group
Virtual Meeting
September 1, 2026

The Life Insurance and Annuities Illustrations (A) Working Group of the Life Insurance and Annuities (A) Committee met Sept. 1, 2026. The following Working Group members participated: Ben Slutsker, Chair (MN); Sanjeev Chaudhuri (AL); Cody Tyler (CA); Manny Hidalgo (CT); Doug Ommen and Mike Yanacheak (IA); Jeff Varga (IL); Nour Benchaaboun (MD); Danielle Torres (MI); Michael Muldoon (NE); William B. Carmello (NY); Matt Elston (OH); Joshua Blakey (OR); Andreea Savu (SC); Bill Huddleston and Kaleb Short (TN); Maribel Castillo, Rachel Hemphill, and Carol Lo (TX); Tomasz Serbinowski (UT); Melissa Gerachis and Craig Chupp (VA). Also participating was: David Hippen (WA).

1. Heard Introductory Remarks from Commissioner Ommen

Commissioner Ommen expressed support for the direction of the Working Group. He said it is important to test the effect of proposals under consideration and to precisely identify the concerns being addressed. As an example, he said the term "backcasting" has had different meanings over the years, and that the practice the Working Group has evaluated might be better described as hypothetical index performance history—charts and illustrations depicting index performance during years when the index did not actually exist.

Commissioner Ommen said the Life Insurance and Annuities (A) Committee at its meeting during the Summer National Meeting heard presentations on registered index-linked annuities (RILAs). While the primary interest of the Committee at this time is fixed-indexed annuities, the Working Group also needs to monitor federal market regulation of RILAs. He said that, during the Working Group's most recent call, members discussed companies that have used hypothetical index performance history for years before an index was publicly recognized, and that the Financial Industry Regulatory Authority (FINRA) reached a similar conclusion and does not allow the use of hypothetical index performance histories in RILA marketing or illustrations.

Commissioner Ommen said illustrations or charts that create unrealistic expectations in the minds of annuity holders are unfair and deceptive and present a reputational risk to the business. He said there is consensus in the Working Group on the problems of creating and using hypothetical index performance histories, and he encouraged the Working Group to continue building consensus on the remaining issues, such as illustrating non-guaranteed elements (NGEs).

2. Heard a Recap of the Working Group's Prior Discussions

Slutsker recapped the Working Group's prior discussions. The Working Group reached consensus on the conceptual direction to take on several issues: 1) illustration length; 2) disclosures; 3) accountability ; and 4) hypothetical performance histories. The Working Group reached a general consensus on reducing illustration length by standardizing and reducing the illustration ledger, reviewing for redundancies between the narrative summary and Section 5 of the *Annuity Disclosure Model Regulation* (#245), and standardizing and combining the illustration ledger. Slutsker said the concept of standardization was added to reflect interest in greater consistency across companies, though not necessarily identical illustrations.

On disclosures, Slutsker said there was no single type of disclosure that the Working Group fully endorsed. He said existing disclosures have not been shown to be effective, that emphasizing currently required disclosures could be helpful, and that additional disclosures might not address the identified issues and could increase illustration

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length. He said disclosure ideas would be considered in future proposals, but that no specific type of disclosure had been agreed upon.

On accountability, Slutsker said there was general agreement on holding an individual accountable through an attestation or certification of compliance with Model #245, with the specifics to be determined. He said there was a majority consensus that the attestation could be signed by a company officer rather than an actuary, and that an illustration of the actuary concept could be revisited if specific actuarial exercises are added.

The Working Group had decided in principle not to permit the illustration of hypothetical index returns for years in which the index did not exist, with all but one member supporting that outcome. He said this includes components or inputs of indices that existed during the historical period, and that the Working Group discussed clarifying that illustrating such components is also not permitted.

3. Discussed Non-Guaranteed Elements

Slutsker said he would like to start discussing the treatment of non-guaranteed elements (NGEs) in illustrations. He described three general options for illustrations of NGEs based on history. The first option would continue the current practice of showing current NGEs at their level throughout the illustration. The second option would show current NGEs with a simplified adjustment or haircut. The third option would show the NGEs that would have been afforded by the option budget in past years. Slutsker said the third option is theoretically appealing but presents practical challenges and added complexity, referencing *Actuarial Guideline XLIX—The Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest* (AG 49). He also described a separate alternative approach that would not rely on historical data or NGEs. Slutsker asked which of the three options members preferred if history is illustrated, and whether the Working Group should remain open to proposals that do not rely on history or NGEs.

Carmello said he would not favor illustrating history and that, in his understanding, FINRA does not allow historical results to be shown in variable annuity illustrations. He said using current caps and participation rates on historical data does not make sense, and that if history is to be illustrated, only the third option—basing caps and participation rates on what would have been available at that time—would be appropriate.

Ryan Berends (Athene) spoke on behalf of the Indexed Annuity Leadership Council (IALC). He said the concept of planned changes to NGEs is the most material point under this heading, and that introducing a certification requirement, which is already in Model #245, would create additional accountability. Berends cautioned that the third option must remain internally consistent because applying the option budget of a product priced to today's economics to historical option costs could produce outcomes that do not make practical sense, for example, if option costs were materially lower in the past. He said changes in option cost relative to when a contract is priced and issued matter more than the absolute level of option costs. Berends also said the primary illustration should reflect the product and value proposition the customer is buying today, and that requiring a significant reduction in NGEs after the first crediting term, a scenario not likely to occur, could reduce consumer confidence in FIAs.

Carrie Haughawout (American Council of Life Insurers—ACLI) said the illustration should remain closely aligned with the product and continue to serve as an effective tool for producers and advisors. She said the ACLI is evaluating options and exploring alternatives that improve customer understanding while addressing regulator concerns. Haughawout said the third option is significantly more challenging for consumers and companies because it requires additional education on option budgets and adds complexity. She said the second option is simpler than the third but does not align with current or expected NGEs and may create confusion, with impacts varying by product design, and the first option is relatively straightforward and aligns with consumer

understanding but has raised regulator concerns. She said the ACLI is continuing to explore alternatives that balance consumer understanding with regulatory objectives.

Yanacheak offered an alternative for consideration. He said variable annuities are not projected at historical rates but at standardized rates, with disclosure of historical returns for the available sub-accounts. Yanacheak asked whether the IALC or the ACLI would consider disclosing historical performance figures—such as one-, three-, five- and 10-year returns—without projecting them forward, paired with a standardized projection. Haughawout and Berends each said they were willing to consider the suggestion and discuss it further. In response to a question from Slutsker, Haughawout said she would not set aside the three options without first discussing the alternative with ACLI members, and that the ACLI was also considering an approach between the first and second options. Berends said the appeal of a standardized, tabular approach is understandable, but that showing the variability of outcomes within a fixed index annuity from crediting term to crediting term has value that could be lost with a fully levelized growth-rate assumption, and that historical index performance can help demonstrate that variability.

Hippen said the annual statement includes an interrogatory regarding NGEs and illustrations that apply to both life insurance and annuities. He said the interrogatory addresses whether current NGEs applied to illustrations are, or can reasonably be expected to be, supportable in the future, which points toward the first option. Hippen said to be consistent with the interrogatory, that would be the most appropriate direction for Model #245, unless the interrogatory is also changed. Carmello said the interrogatory is not tied to history and would not imply using historical results, and Hippen agreed that it concerns whether current illustrations are reasonably expected to come to pass. Slutsker said this related to the earlier discussion about disciplined current-scale testing.

Serbinowski said he supported Yanacheak's proposal. He said using a standardized basis rather than historical performance for projections would avoid incentivizing companies to design strategies—such as particular index weightings or combinations of participation rates and caps—that perform well in historical backtesting, which he described as unhealthy. Serbinowski said illustrating figures such as one-, five-, and 10-year returns would better convey that future returns are uncertain, and that showing only best- and worst-case returns over a single 10-year period could mislead consumers into expecting a similar return. He expressed interest in exploring a standardized projection going forward, paired with historical returns shown over varying periods, similar to how mutual fund returns are presented.

Hemphill said the history of AG 49 leads her to seek an approach that will avoid similar repeated iterations in the future. She shared Carmello's concerns about the first option and said the third option has theoretical appeal but raises concerns about complexity, operational burden, and inconsistent implementation, which could create an unlevel playing field. Hemphill said she had leaned toward a variant of the second option, or an approach between the first and second options, and suggested phrasing the second option more broadly to capture a simpler adjustment or alternative approach that improves on the first option without the complexity of the third.

Blakey said Oregon likes the prescriptive nature of the third option but is concerned that its complexity could create loopholes or inconsistent interpretations. He said the first option is a non-starter and that the Working Group's goal also includes addressing deceptive and misleading illustrations. Blakey said the second option is a good middle ground, but that prescriptive haircuts could create loopholes as crediting parameters vary or as companies develop new parameters. He suggested an adjustment for renewal rates using generic language—such as allowing nothing more favorable to the consumer than a set percentage of the current publicized rate—so that it would apply to current and future crediting parameters. Blakey said he would lean away from approaches that do not rely on NGEs, because they are integral to the products, but that moving away from history is worth exploring.

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Elston said Ohio would suggest avoiding the third option if it is complicated and unworkable despite its theoretical value. He asked whether Yanacheak's suggestion contemplated showing historical index returns or historical interest credited rates. Slutsker said it appeared to contemplate at least historical index returns, and that historical credited rates would require further consideration. Yanacheak said his suggestion was a thought experiment, that he had no strong preference, and that he was seeking a practical, workable solution.

Carmello clarified that he does not favor showing history going forward, but that if history must be shown, fairness would require the third option because the other options mix historical data with the current option budget. He said he would support including current NGEs with a standardized projection, similar to variable annuities.

Lo said the illustration should be simple and avoid misleading older adults who are seeking stable growth in retirement. She said that after the first year or initial guarantee period, caps and participation rates can drop significantly, and that companies may divide a product into subgroups by policy duration, with higher participation and caps for new business and lower rates at later durations. Lo suggested using the average NGEs for policyholders with three or more years of duration, rather than current new-business rates, so that the illustration would not show the highest caps and participation rates for the entire projection period. Slutsker said this was closer to the second option and addressed the concern of an initial drop in NGEs, sometimes called the teaser rate issue.

Gene Hauser (IALC) said he favored a middle-ground approach in which index history is shown in tabular form without pulling actual index history and NGEs into the projection. He said the second option should accompany the first rather than replace it, thereby allowing companies to educate consumers on why NGEs might change. Hauser said the current Model #245 attestation refers to planned changes, which he understands to mean changes in the liability spread and option budget rather than anticipated future investment yields. On the third option, Hauser cautioned that bringing historical option costs into the calculation would tend to produce higher cap rates because option costs are currently at historical highs. Berends said the Working Group should not assume that the teaser rate approach is the industry standard, describing it as the exception rather than the norm, and noting that many customers have experienced level renewal rates.

Slutsker conducted a poll of Working Group members on the three options for illustrating history and on the alternative approach, and he invited abstentions. Benchaaboun voiced support for the second option, and Shover voiced support for the alternative approach. Slutsker said the sense of the Working Group was that, if history is to be illustrated, the approach should be broadly along the lines of the second option, and that there was substantial interest in exploring an alternative approach. He said the Working Group would look for proposals reflecting those directions.

4. Discussed its Next Steps

Slutsker said that during the Working Group's next meeting, he would like to discuss addressing the two remaining issues: additional scenarios and supplemental information (issue 4C) and a stopgap solution focused on a model bulletin or actuarial guideline (issue 5). He said the Working Group would likely then expose more specific proposals and redlined language.

Having no further business, the Working Group adjourned.

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guidance did not clearly provide an enforcement mechanism for an actuarial guideline concerning illustrations that were not included in the *Valuation Manual*. Schelp clarified that he was describing existing NAIC guidance and was not providing a legal opinion.

Hippen said revisions to Model #245 should remain consistent with the annual statement interrogatory addressing illustrations. Blakey initially supported an actuarial guideline and suggested adding actuarial requirements to annuity illustrations. Carmello also supported an actuarial guideline as a stopgap while work on Model #245 continued. Slutsker said a model bulletin might be more practical because the Working Group had not determined whether actuarial elements would be included in the model revisions or which model could support an actuarial guideline.

Gendron said the *Suitability in Annuity Transactions Model Regulation* (#275) could provide authority and language for a model bulletin concerning consumer disclosures. Hemphill said an actuarial guideline appeared less appropriate because the Working Group was considering substantive changes rather than a narrow clarification. Benchaaboun also leaned toward a model bulletin but questioned how it would operate in a state that had not adopted Model #245. Schelp and Gendron said a state would need existing legal or regulatory authority to support a bulletin, and Gendron identified Model #275 as a possible source. Slutsker also identified the unfair trade practices authority as another possibility.

Hippen said connecting an interim measure to Model #275 and the annual statement interrogatories could offer advantages, but Washington would need to determine how a bulletin could operate under its current annuity illustration requirements. Hemphill said the mix of actuarial and non-actuarial changes also supported considering a model bulletin. Blakey then supported a model bulletin if it could be connected to a model Oregon had adopted.

Bonnie Burns (NAIC Consumer Representative) encouraged the Working Group to make minimum benefits easy for consumers to identify. Brenda Cude (NAIC consumer representative) said consumers also need plain-language explanations of how the products operate. Benchaaboun noted that Model #245 requires an annuity buyer's guide and said another working group was updating that guide. Cude questioned how required disclosures differ from illustrations. Elston supported an interim solution but said the proposal did not appear actuarial and indicated Ohio was not issuing bulletins, so he would likely abstain from a poll that did not offer an appropriate option for Ohio.

Slutsker conducted an informal poll regarding the Working Group's preference for a stopgap solution. Based on the poll, the Working Group agreed conceptually with the idea of a model bulletin containing language similar to the revised model as a stopgap, subject to further consideration of how it would operate in participating states. Slutsker said the Working Group might revisit the issue later, once revisions to Model #245 have been drafted.

2. Discussed Additional Scenarios and Supplemental Information

Slutsker introduced the next issue for discussion, additional scenarios and supplemental information (Issue 4C). Slutsker asked whether revisions to Model #245 should include additional scenarios or provide other information to present a range of risk. The question arises out of a concern that the past 20 years do not provide a full range of possible high and low scenarios that could occur and do not indicate that NGEs may change. States that have not adopted the most recent version of Model #245 show high and low scenarios based on the best and worst 10-year period within the past 20 years of index history, using current NGEs. In states with the current Model #245, if an index has existed for more than 10 years, high and low scenarios based on the best and worst 10-year period within the past 20 years of index history, using current NGEs, can be shown. Slutsker presented four options for dicussion: 1) develop high and low scenarios based on index history beyond the past 20 years, if available; 2)

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replace “low” scenario with “guaranteed” scenario; 3) add supplemental tables, visuals, or illustration scenarios based on percentage haircuts to NGEs; and 4) include an up and down X% index return scenarios (e.g., +/-20%), not based on history.

Berends said the IALC had proposed replacing the low scenario with the guaranteed scenario and using a 30-year period to determine the high scenario. Carmello opposed historical projections and supported a standardized, modest projection approach. He also supported prescribed up-and-down scenarios that demonstrate how product features, including caps, operate.

Blakey cautioned that combining a longer historical period for selecting a high scenario with the replacement of the low scenario by the guaranteed scenario could omit the effects of market declines. He supported prescribed up-and-down scenarios as more transparent than historical information. Benchaaboun also leaned toward prescribed scenarios because they could explain product mechanics, including caps and spreads, more clearly to consumers.

Hippen noted that Model #245 does not cover registered index-linked annuities, whereas the annual statement interrogatory and Model #275 do. Slutsker said the Working Group was beginning with fixed indexed annuities for process purposes but had not completed its discussion of registered index-linked annuities.

Peter Gould (Retired) said information describing the range of risk should be consistent with the buyer’s guide and suitability requirements and should account for what consumers receive before signing an application and paying a premium. He suggested prominent disclosures regarding the absence of Federal Deposit Insurance Corporation (FDIC) coverage and limits of state guaranty association coverage.

Slutsker asked whether members objected to further consideration of supplemental tables or visuals and prescribed up-and-down scenarios. Gendron expressed concern that supplemental information could lengthen already complex illustrations. He suggested limiting illustrations to one or two pages, with visuals and tables on one page and explanatory text on the other. Blakey supported shorter illustrations and suggested using a non-personalized visual explanation of how the buyer’s guide and product concepts apply, rather than incorporating an individual consumer’s premium and withdrawal information.

3. Discussed its Next Steps

Slutsker said the Working Group would schedule another call to complete its discussion of additional scenarios and supplemental information (Issue 5). He invited the American Academy of Actuaries (Academy) to discuss its comments during the next call. Slutsker also said he planned to announce an exposure requesting proposals, including potential redlined language, once the Working Group reaches consensus on the remaining issue (Issue 5).

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

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Adopted by Annuity Buyer's Guide Working Group on November 9, 2026
Adopted by Life Insurance and Annuities (A) Working Group on ?
Adopted by Plenary on ?

NAIC ANNUITY BUYER'S GUIDE

This guide is designed to introduce you to basic information about annuities. It is important to understand information about the annuity you are considering so you can make informed decisions about whether an annuity could fit into your financial plan. An annuity is a long-term contract issued by insurance companies and sold by licensed insurance agents. Not all insurance agents are licensed to sell all types of annuities.

UNDER STATE LAW, EVEN IF YOU'VE ALREADY BOUGHT YOUR ANNUITY, YOU MAY HAVE THE RIGHT TO CANCEL IT WITHIN A CERTAIN TIME PERIOD WITH NO PENALTY OR CHARGE. REFER TO THE FIRST PAGE OF YOUR ANNUITY CONTRACT FOR HOW TO CANCEL YOUR CONTRACT.

How might you use an annuity as part of your financial plan?

- To avoid outliving your savings: An annuity can provide regular income payments over time by annuitizing the contract. An optional rider may offer lifetime withdrawals if added to the annuity contract. If this is the reason you might buy an annuity, ask when payments could start, if lifetime payments are an option, and the cost of any optional rider.
- To manage certain market risks: Some annuities guarantee a minimum return for a period of time no matter what happens in the financial market. Other annuities require that you take on investment risk if you want your account value to grow.
- To postpone paying federal income taxes on the growth of your annuity's value: You generally don't pay income tax on the growth from an annuity until you withdraw money, receive income payments after annuitization, or a benefit is otherwise distributed from your annuity. Tax-deferred does not necessarily mean tax-free, and how you are taxed depends on the source of the money used to buy the annuity, for example, an IRA, a qualified retirement plan, a Roth account, or money that has already been taxed.
- To plan for unexpected events: Some annuities let you buy extra benefits that could, for example, help you pay for long-term care or give you access to cash if you have a critical illness. These benefits (called riders) may increase the cost of your annuity.
- To leave money to beneficiaries: Some, but not all, annuities pay a death benefit to your beneficiaries.

What are some things to consider before you buy an annuity?

- You should consider your financial goals and evaluate how an annuity will fit into your financial plan to help you reach those goals, including comparing to other options.
- Most annuities have a surrender charge period. If you withdraw more than the annuity contract allows (typically 5% - 10% annually) or cash out your annuity during that period, you may pay a surrender charge.
- Depending on the type of annuity that you buy, fees, charges, or adjustments may reduce your annuity's value or limit how much it grows.
- Annuities are intended to provide income payments over time and some of these features come with a cost. If you're considering an annuity because you may want future income payments, ask questions about the annuity's features, benefits, and costs to better understand how you can use it to meet your goals.

- If you choose to convert your annuity into a stream of scheduled income payments (referred to as annuitizing the contract), you generally can't withdraw the remaining account value later as a lump sum or change your income payment amounts.
- Some annuities include optional features, guarantees, or riders that have an additional cost. Before buying an annuity, you should consider that cost and think about how likely you are to use those features, whether it is worthwhile to pay the extra cost, and what impact the extra cost may have on the annuity's account value growth.

How can you use an annuity to get income payments?
Depending on the annuity contract, an annuity can provide income through a variety of payout options, including payments that continue for a specified period or for the rest of your life, a process commonly called annuitization. There are annuity contracts that allow withdrawals without annuitizing your contract, but you should consider if the withdrawal amount will be sufficient to meet your income needs.

TYPES OF ANNUITIES
Immediate Annuity: An immediate annuity is an insurance contract where you make a single payment or multiple payments in exchange for guaranteed, ongoing income. Income begins soon after the annuity contract purchase and continue for your lifetime or for a set period, or the later of the two.

Deferred Annuity: A deferred annuity is an insurance contract in which you pay money into the contract and the annuity may grow in value over time. Income payments (also may be referred to as annuitization) begin at a later date, should you choose to take payments.

Deferred Income Annuity (DIA): A DIA is a deferred annuity funded by a a single or multiple payments in exchange for a guaranteed stream of income that starts in the future usually at a specific age or after a number of years you designate.

With both immediate annuities and DIAs, you generally cannot access your funds outside of the scheduled income payments and those payments continue for the rest of your life or the specified period.

Fixed Annuity (FA and MYGA): A FA and a multi-year guaranteed annuity (MYGA) are deferred annuities that grow at a guaranteed interest rate the insurer sets. Your annuity contract will state how long the interest rate is guaranteed. A MYGA is a type of fixed deferred annuity contract with a guaranteed interest rate for an initial multi-year period.

Fixed Indexed Annuity (FIA): A FIA is a deferred annuity that protects your principal while crediting interest based, in part, on the performance of one or more market index. It is important to understand that a FIA is an insurance product, not an investment in a market index. A FIA protects you from investment risk associated with financial markets, but your annuity's value may not grow as much as the market or as much as other types of annuities, particularly where you assume investment risk.

Variable Annuity (VA): A VA is a type of deferred annuity where your money is invested in subaccounts (funds of stocks, bonds, or money markets) and the value of your annuity changes based on the performance of the subaccounts. Because your money is invested in the financial markets, there is

higher potential for growth compared to fixed and fixed indexed annuities. However, because your returns depend on the financial markets, your annuity value can fall, and you can lose money you put into the annuity. Not all insurance agents can offer you this type of annuity, these products can only be sold to you by an insurance agent licensed to sell securities.

Registered Index-Linked Annuity (RILA and ILVA): A RILA, also called an indexed-linked variable annuity (ILVA), is a type of deferred annuity that will credit interest based on the performance of one or more market indexes, so you can lose money because of the index performance. A RILA/ILVA typically limits how much you can lose due to poor market index performance, but those limits generally only apply at certain designated times. Because you can lose money when a market index performance is poor, a RILA/ILVA is considered an investment similar to variable annuities. Not all insurance agents can offer you this type of annuity, these products can only be sold to you by an insurance agent licensed to sell securities.

When can you access your account value?
Annuities can limit your access to your money. If you purchase a SPIA or DIA, or annuitize a deferred annuity, you typically can no longer withdraw the account value as a lump sum. Instead, you receive income payments as described in your annuity contract.

Most deferred annuities have a surrender charge period, often 5 to 10 years, sometimes longer. You may be able to withdraw a portion of your cash value each year without a surrender charge, but charges may apply if you withdraw more than the annuity contract allows, typically 5% - 10% annually. Before you buy, make sure you understand when and how you can access your money and what charges may apply.

Can you replace an annuity with another annuity?
Yes. An annuity replacement is a transaction where you use the value of an existing annuity to buy a new annuity. A replacement may involve surrendering your current annuity or transferring all or part of your annuity's value to a new annuity. Replacing an annuity requires careful consideration. Your insurance agent should provide a comparison of your existing annuity and the proposed replacement annuity. If you replace your annuity during the surrender charge period, you may pay surrender charges. Even if your existing annuity is no longer subject to surrender charges, a new annuity will generally begin a new surrender charge period. You may also lose benefits, guarantees, or other features available under your existing annuity contract.

How is my insurance agent paid to sell me an annuity?
Insurance companies typically pay insurance agents a commission for selling an annuity. The commission is generally based on a percentage of your premium payment. You can ask how much the insurance agent expects to be paid by selling you any annuity. The insurance agent is required to act in your best interest and help you understand why any recommended annuity fits your financial needs.

How can I see how my annuity will work?
Your insurance agent may show you an annuity illustration, which is designed to help you understand how your annuity value might grow and demonstrate insurance features of the annuity. An annuity illustration is based on certain assumptions. **Illustrations are not promises or guarantees about how your annuity value will grow, if at all.** Ask your insurance agent which illustrated values are guaranteed and which are hypothetical.

Adopted by Annuity Buyer's Guide Working Group on November 9, 2026
Adopted by Life Insurance and Annuities (A) Working Group on ?
Adopted by Plenary on ?

After you buy an annuity

Read your annuity contract carefully. After you carefully read your annuity contract, you should be able to answer the following important questions:

- Is your personal information correct?
- Did you name a beneficiary?
- Do you understand what parts of the annuity contract are guaranteed and what parts can change?
- How may your annuity grow in value? Are there any features, costs, or benefits in the annuity contract that you expected to see but are missing, or any that you did not expect or do not understand?

Your insurance agent can help you understand anything that isn't clear in your annuity contract.

If you're not satisfied with your annuity contract, you can typically return it for a full refund within a certain period, usually 10 days, after you receive your annuity contract. The review period is stated on the first page of the annuity contract.

If you decide the annuity meets your financial needs, keep your annuity contract in a safe place where you can easily find it when needed. Review the annuity contract periodically and, if the annuity includes a death benefit, make sure your beneficiaries know how to access the annuity contract, or the information they may need.

Drafting Note: ADD LINK AND QR CODE TO ACCESS NAIC ANNUITY LONG GUIDE

Richard M. Weber, MBA, CLU

NAIC Consumer Representative

Life Insurance
Consumer Advocacy Center

We are working with a number of current consumer complaints and litigation due to the misleading **policy illustrations** projecting indexed life and annuity values

- There is no disciplined scale in IUL (or VUL). AG49 and its updates only address allowable illustration rates and features, not other important issues!

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- The use of constant crediting rates is unrealistic. Because agents most often use the illustration to describe policy benefits (but not risks), illustrations used in such a way are deceptive, and an agent with a fiduciary duty (CFP / IAR) must not use these illustrations with clients.

Issues of the Life Insurance Illustration Model #582 (1995) and Indexed Universal Life

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- The 0% / midpoint / current depictions have little value because it uses the *currently* calculated premium.

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- All new policies eventually become old policies and lose the benefits of being a new, actively marketed product. In a recent anecdotal survey, while several in-force policies saw slight increases in Cap rates when interest rates began rising in 2022, the trend in in-force Cap rates has been downward.

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Carriers have virtually total control over all pricing elements – not even agents realize this – and certainly not customers.

- “The best a policy will ever look is when it is first depicted in a sales illustration.”

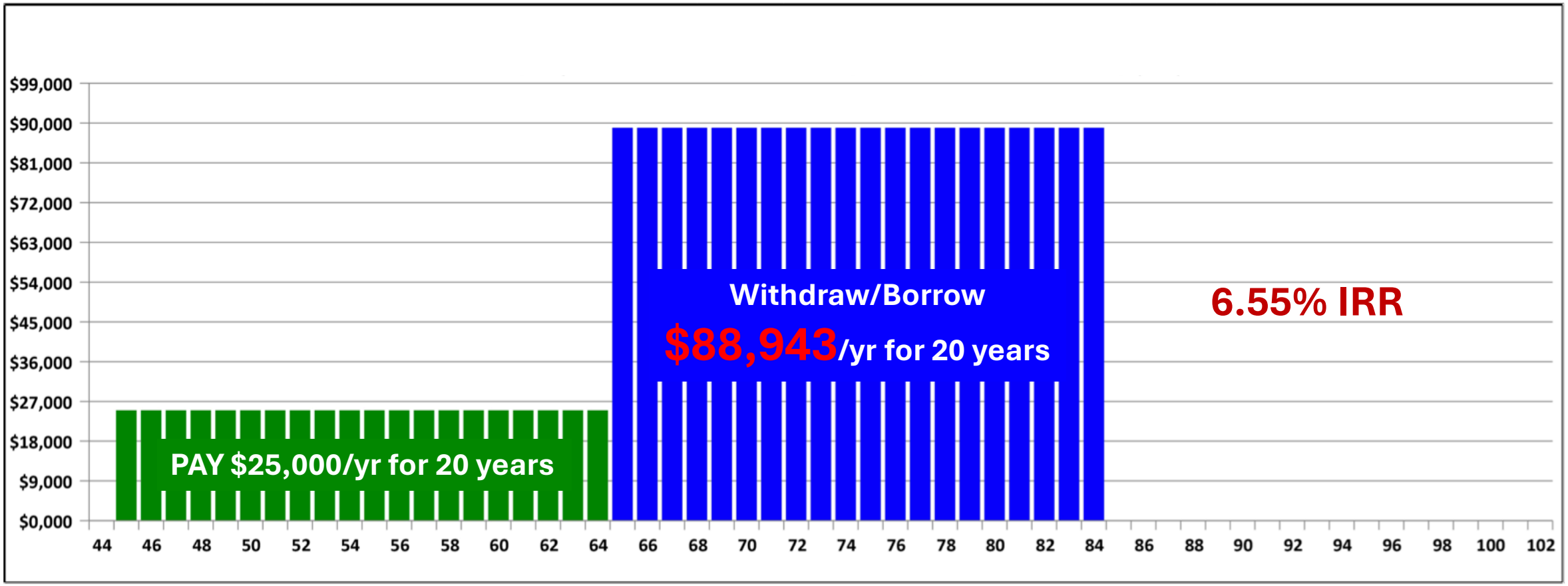
A practical analysis of these issues



Income-tax-free Retirement Income via IUL Life Insurance

The Illusion within the Illustration

Expected future annual premium(s) and income (loan / basis draws) with a 10.5% CAP



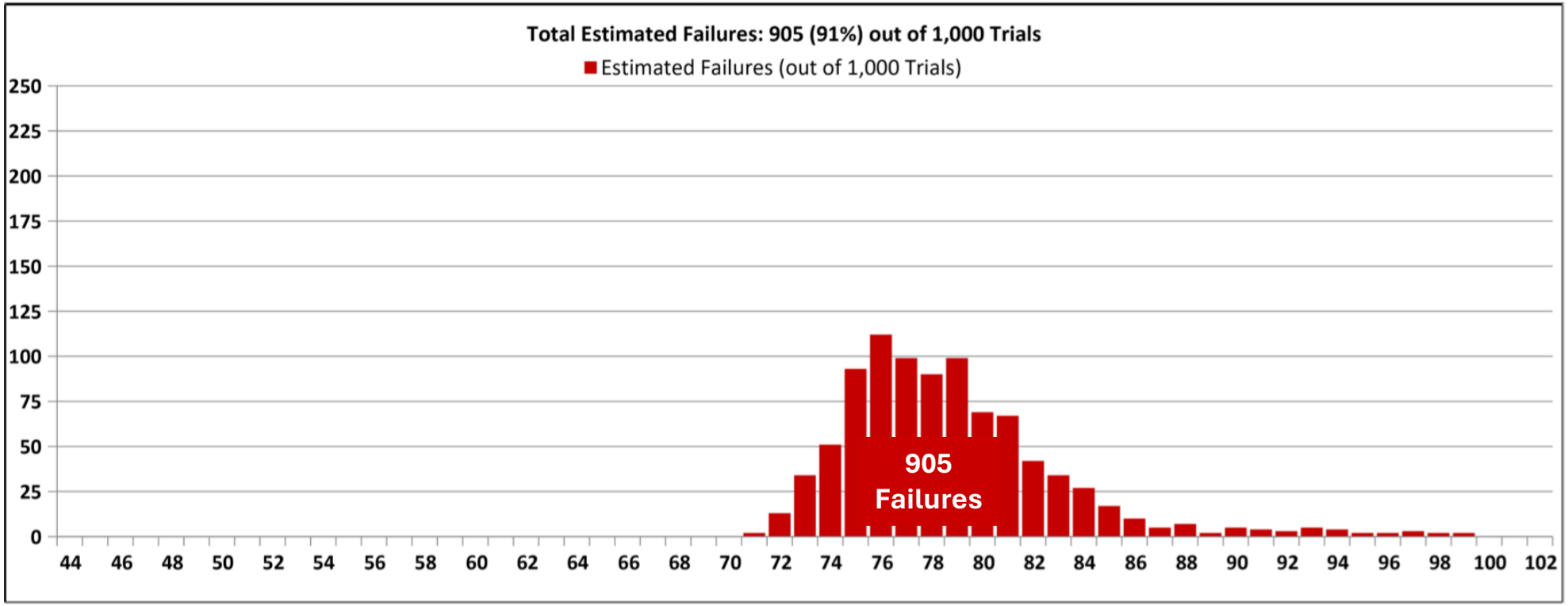
S&P500 | Cap: 10.50% | Floor: 0.00% | Participation: 100%



1000 Trials with Random Crediting Rates

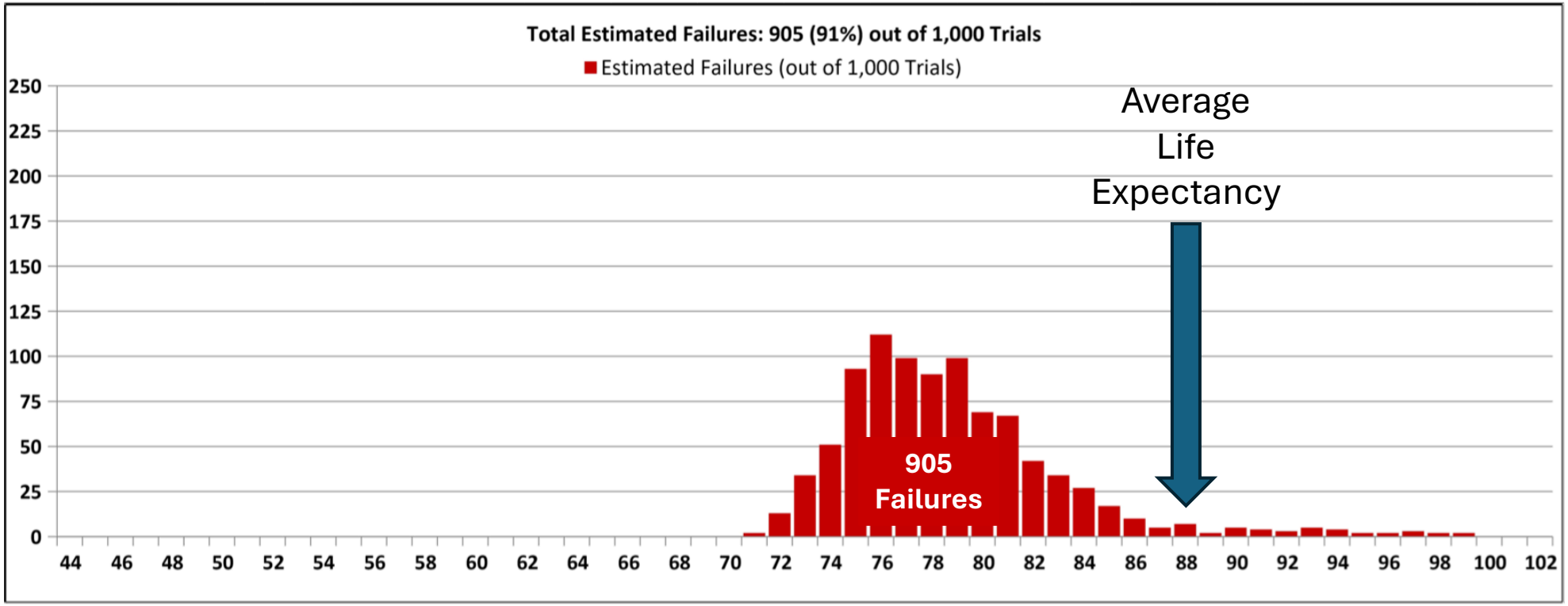
S&P500 | Cap: 10.50% | Floor: 0.00% | Participation: 100%

Probability of Success
10%



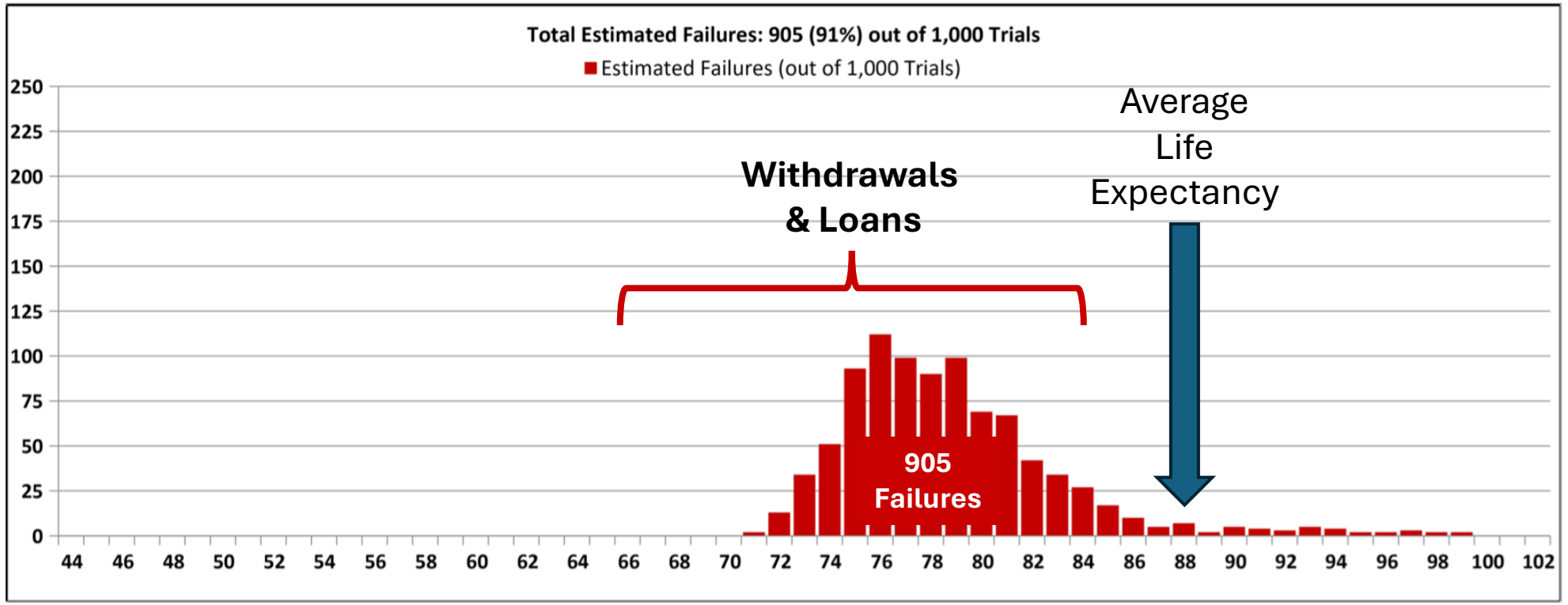
S&P500 | Cap: 10.50% | Floor: 0.00% | Participation: 100%

Probability of Success
10%



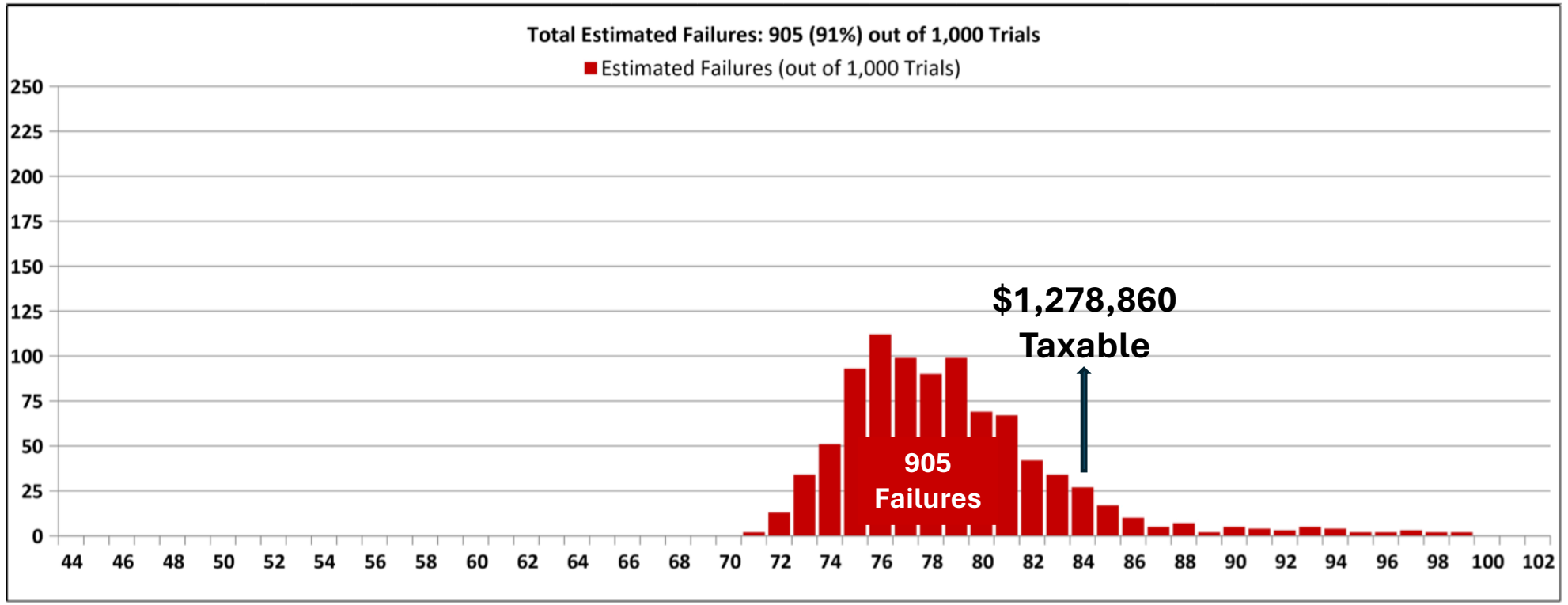
S&P500 | Cap: 10.50% | Floor: 0.00% | Participation: 100%

Probability of Success
10%



S&P500 | Cap: 10.50% | Floor: 0.00% | Participation: 100%

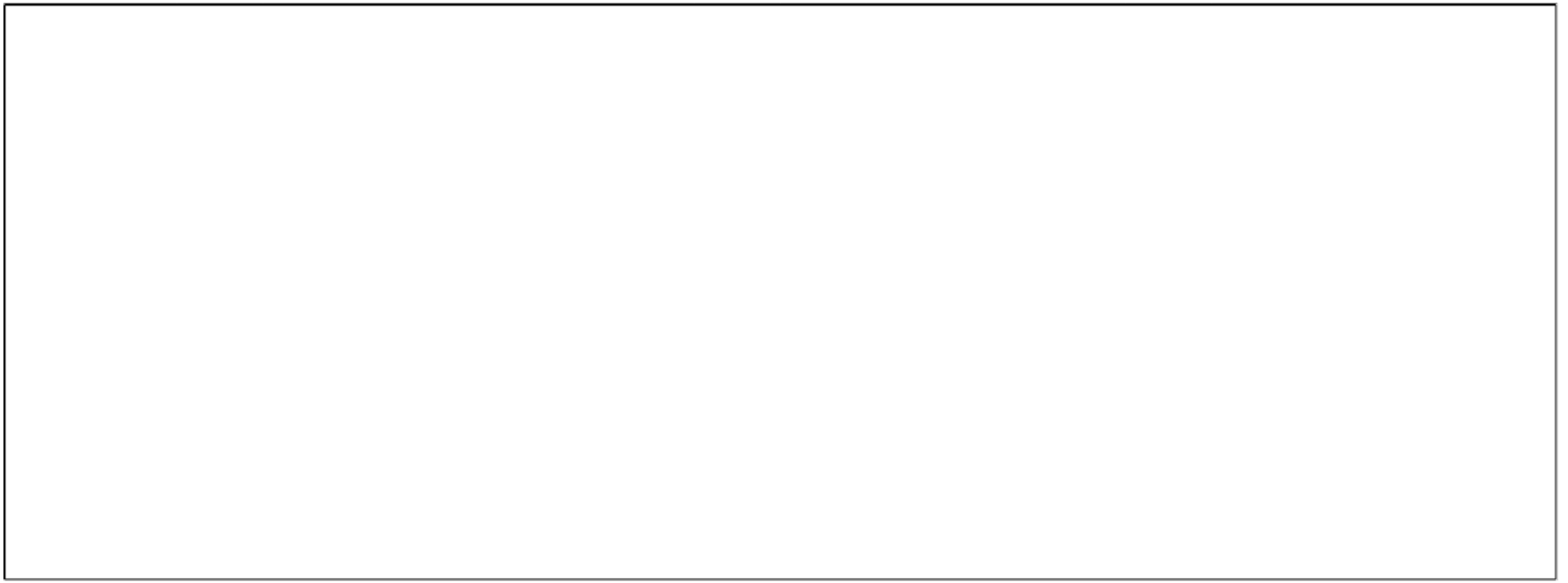
Probability of Success
10%



What are the full disclosure presentation options?

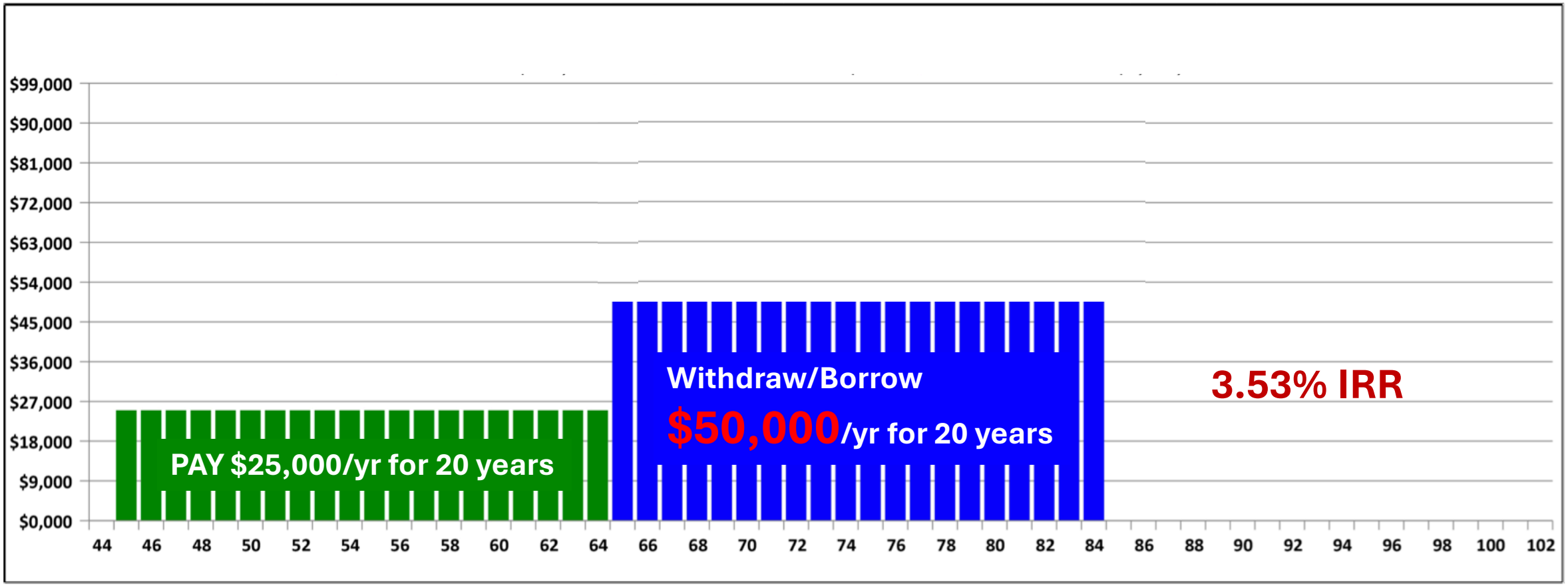
Probability of Success
95%

Expected future annual premium(s) and income (loan / basis draws) with a 10.5% CAP

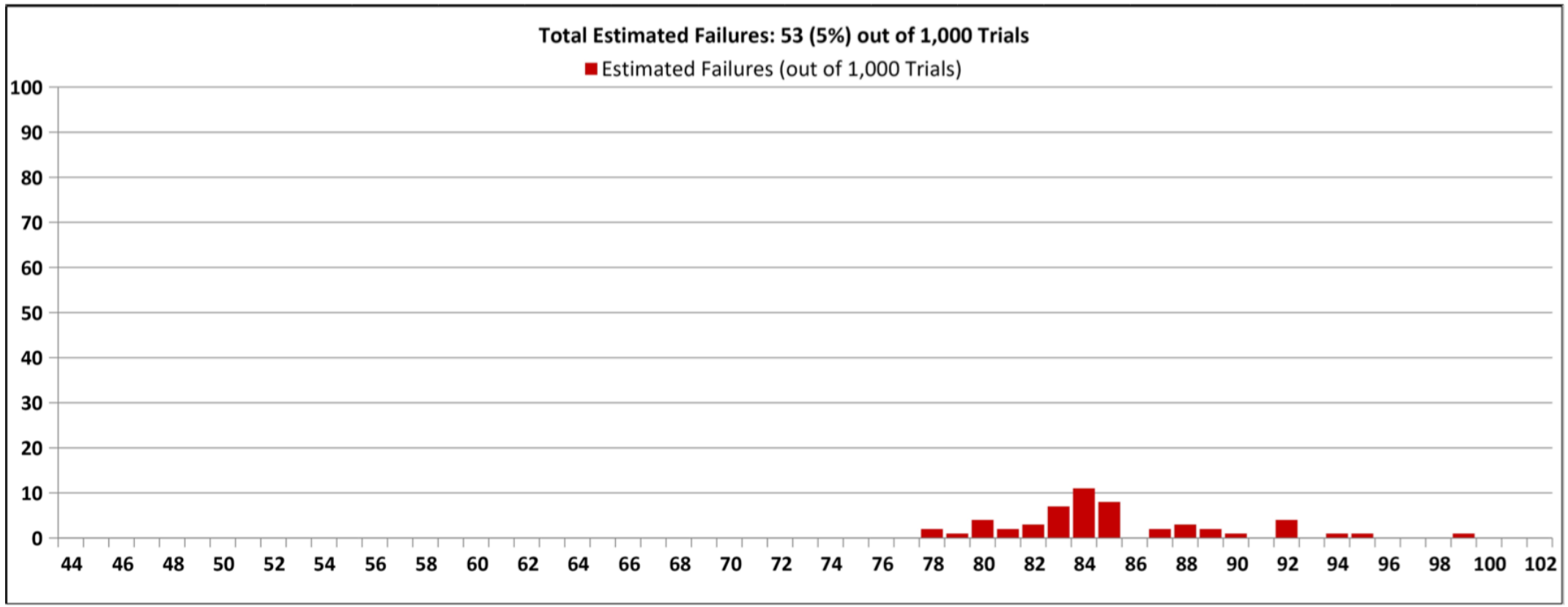


Probability of Success
95%

Expected future annual premium(s) and income (loan / basis draws) with a 10.5% CAP



Probability of Success
95%



CAPTASTROPHY!



CAPTASTROPHY!

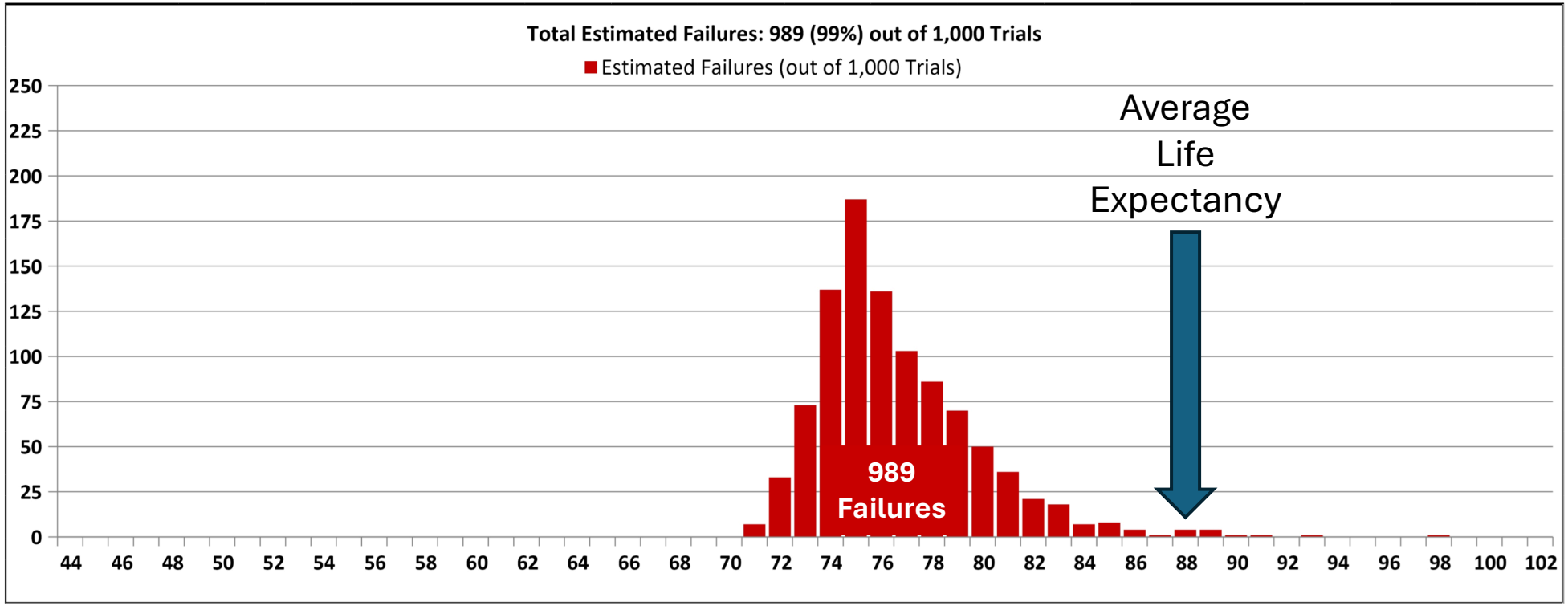
10.5% Cap

9.5% Cap



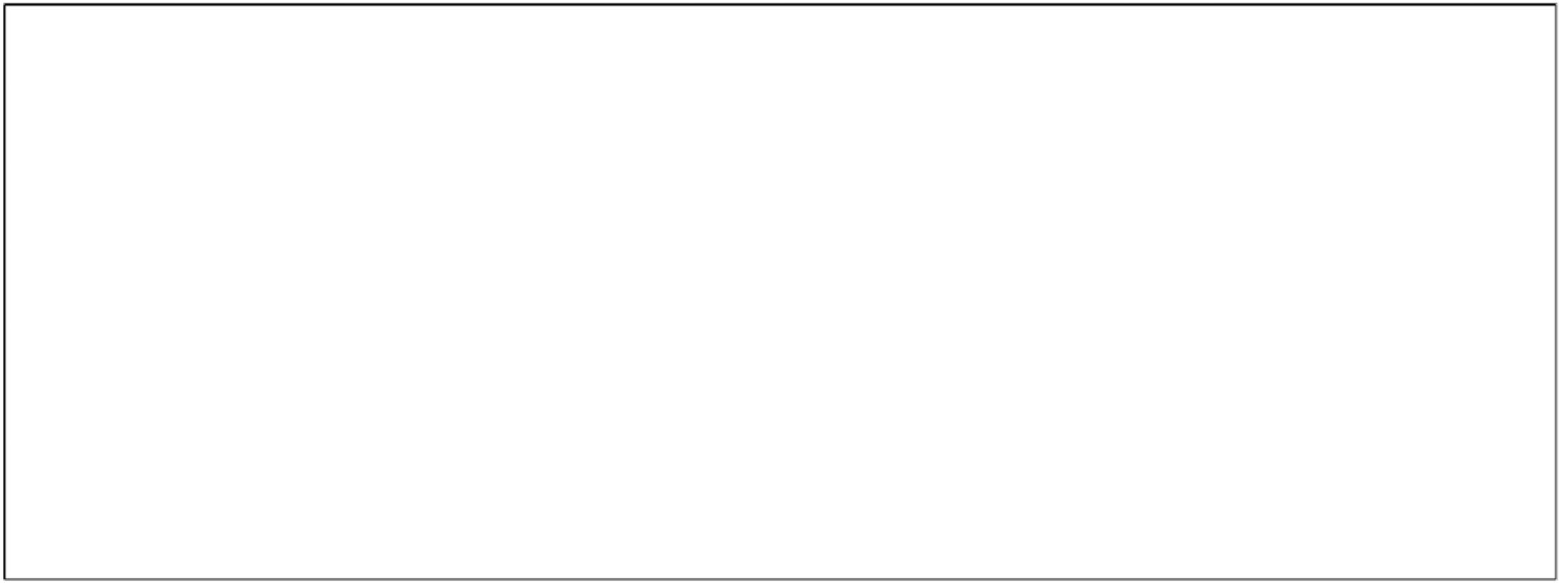
S&P500 | Cap: 9.50% | Floor: 0.00% | Participation: 100%

Probability of Success
1%



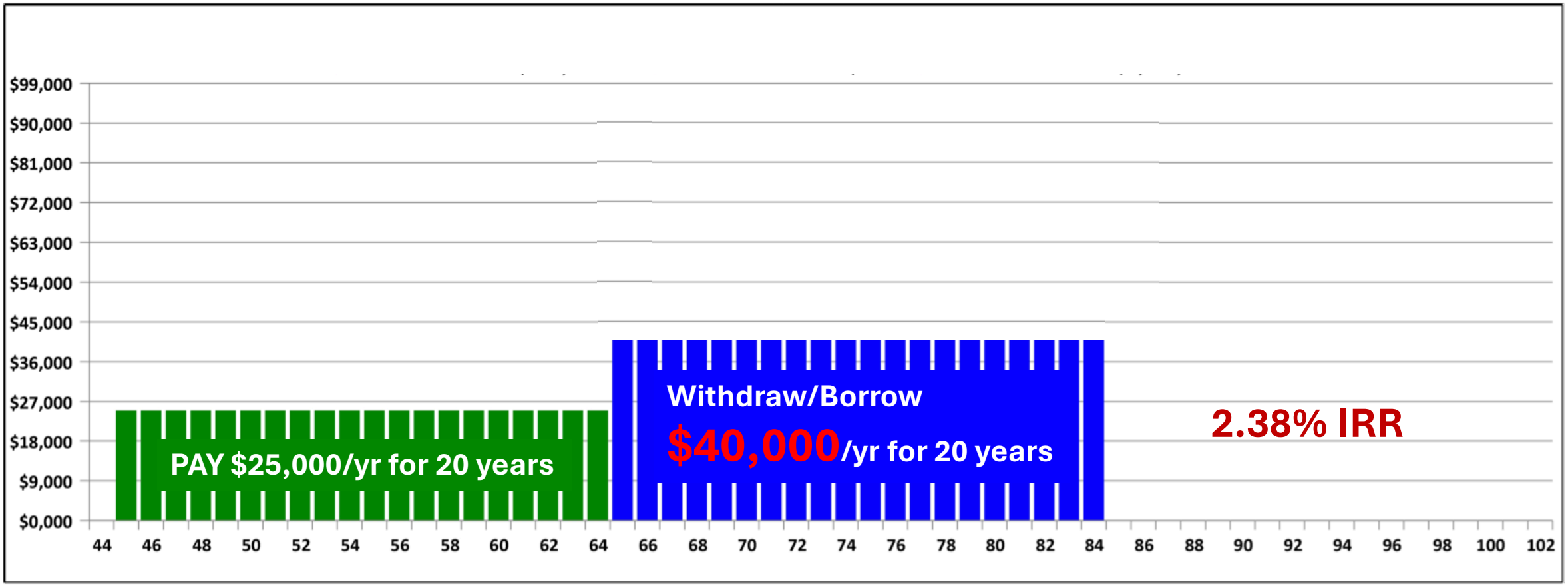
Probability of Success
94%

Expected future annual premium(s) and income (loan / basis draws) with a 9.5% CAP

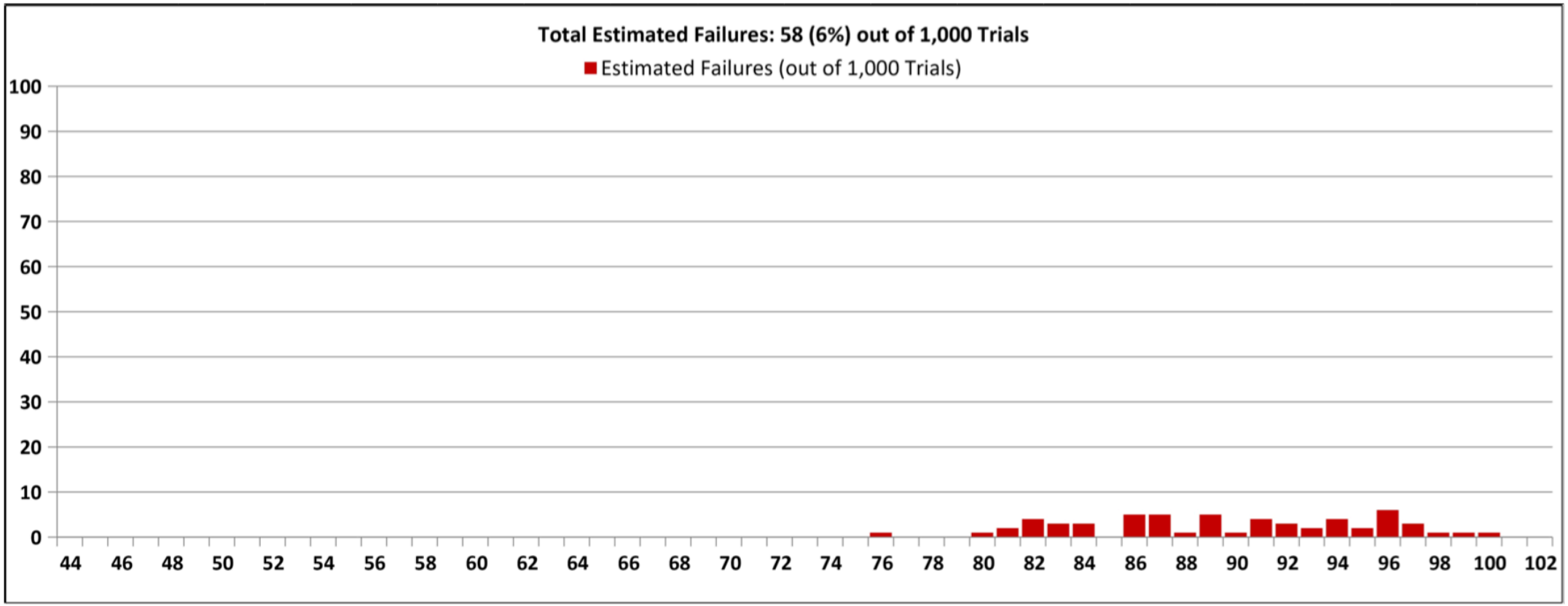


Probability of Success
94%

Expected future annual premium(s) and income (loan / basis draws) – 9.5% CAP



Probability of Success
94%



An insurance license is not enough!



Registered Investment Advisor with an insurance license

Website: “There's a Power in Planning With Us. For over 20 years, we have addressed the financial needs of clients and their families. Our leadership team has over 60 years of combined experience and not only has exceptional skills for managing all aspects of our business, but the right attitude to do so. Utilizing a client service approach and a commitment to lifelong learning, we always put the needs of our clients first, encouraging them to ask questions as we address their needs, together.”

Illustration #1

- $320,000 Exchange
- $300,000 x 7 years
- Premium Financing
- Pay off financing Year 12 using policy cash values
- Offered Tax-Free Income for up to 50 years

$160,000/year

Ages 70 → 120

Illustration #2

- $320,000 Exchange
- $300,000 x **10** years
- Premium Financing
- Pay off financing Year **11** using policy cash values
- Offered Tax-Free Income for up to 50 years

$200,000/year

Ages 70 → 120

What went wrong?



- Premium financing is premised on the notion of perpetual arbitrage.

What went wrong?



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- An underlying constant CAP or PARTICIPATION RATE is *deceptive*

Will it “work?”

S&P500 | Cap: 10.50% | Floor: 0.00% | Participation: 100%

Monte Carlo Analysis



1000 Trials with Random Crediting Rates

Applying random rates of return within the guarantee and current cap from the customer’s chosen asset class

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Monte Carlo Analysis

TEST the PROBABILITY $200,000 a year of withdrawals & loans will sustain the policy to at least age 100 *and* "pay off" the external premium loan.



1000 Trials with Random Crediting Rates

Applying random rates of return within the guarantee and current cap from the customer's chosen asset class

Will it “work?” As sold with “retirement income”

Average LE
86

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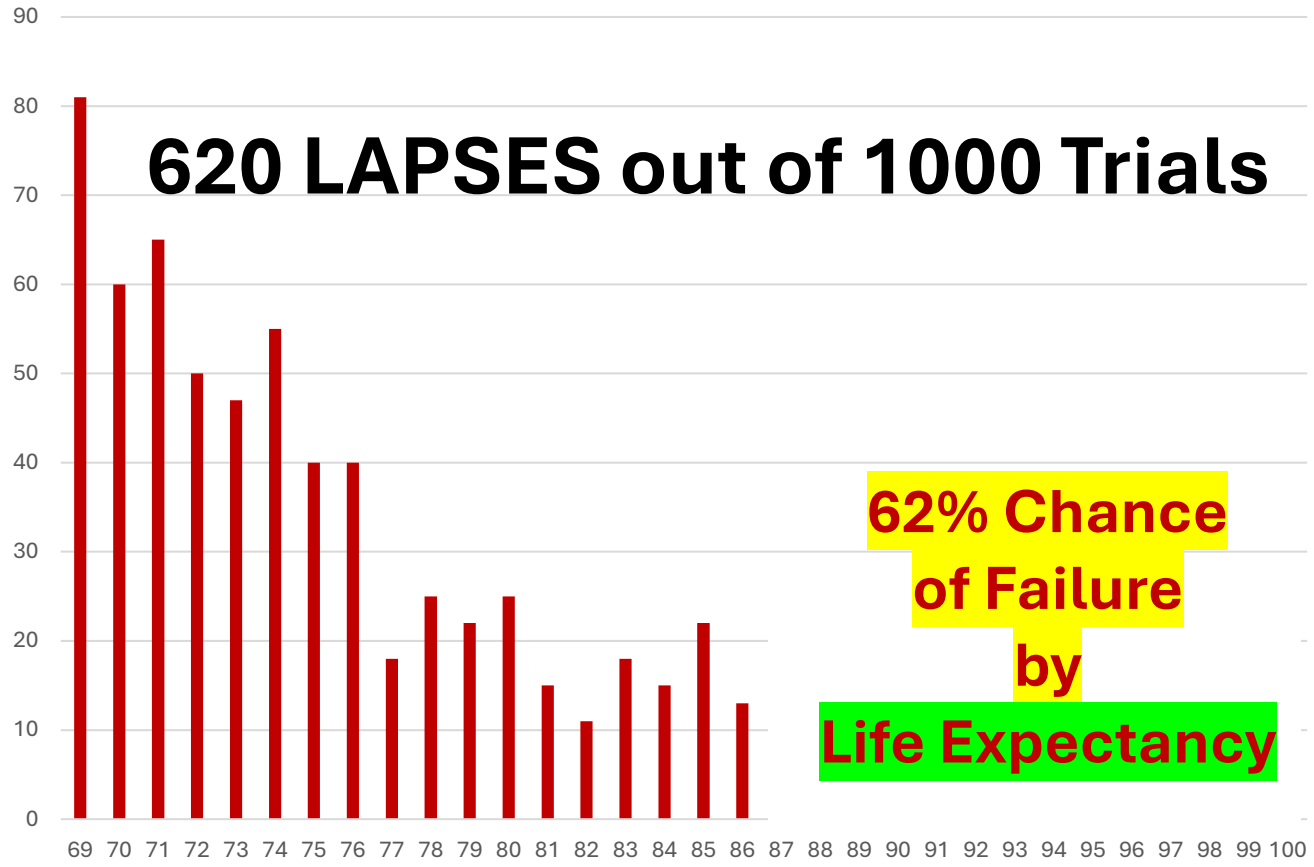
Average LE	1st Fail
86	69

Will it “work?” As sold with “retirement income”

Average LE	1st Fail	50% Fail
86	69	86

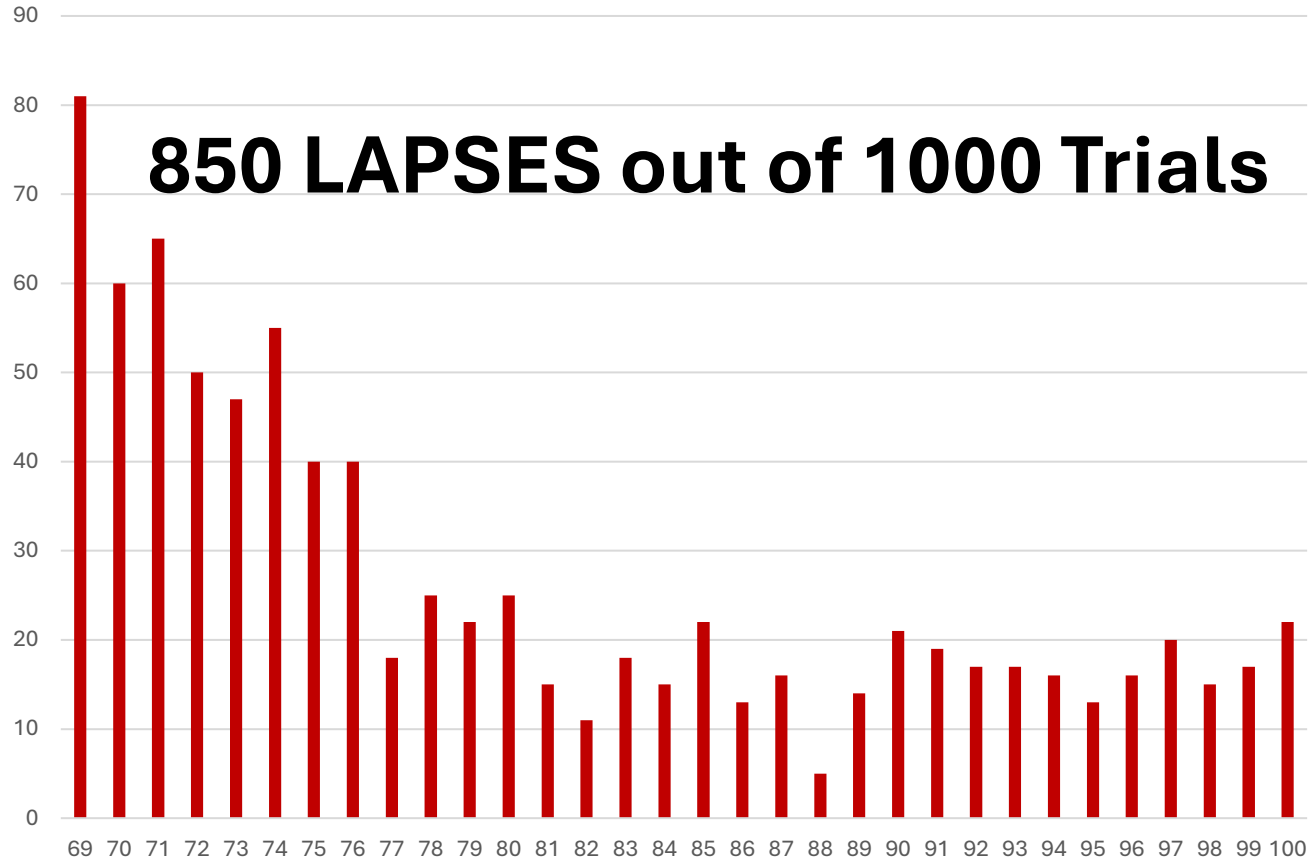
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Average LE	1st Fail	50% Fail
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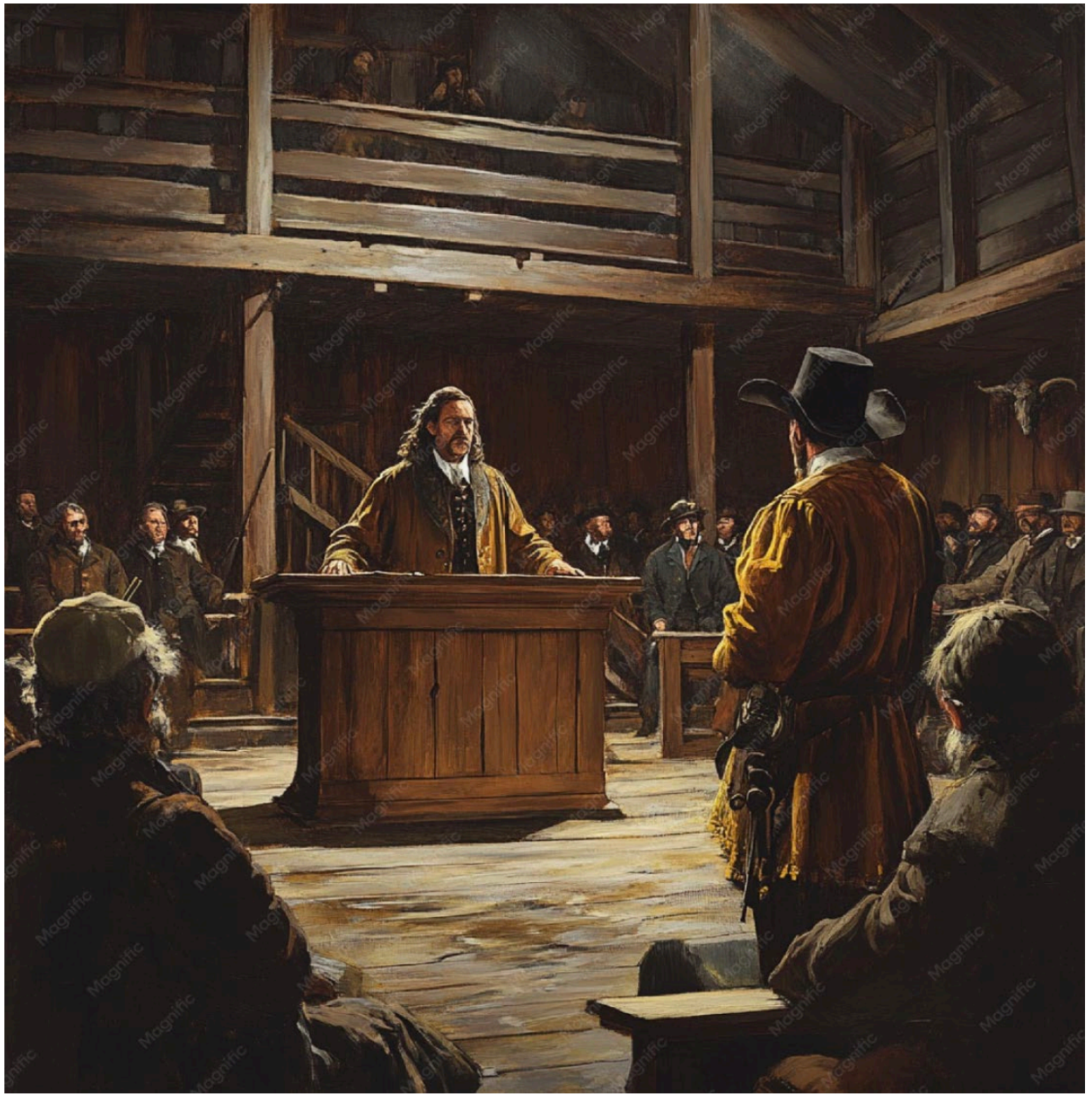


Will it “work?” As sold with “retirement income”

Average LE	1st Fail	50% Fail
86	69	86



85% Chance of Failure by Age 100



This case has been in litigation since 2023

OBSERVATIONS

1. It’s not the product …
it’s the ILLUSTRATION

OBSERVATIONS

2. Agents subject to a fiduciary duty cannot use a “Model 582” Policy Illustration for IUL (or VUL) products!

OBSERVATIONS

3. The IUL product will fluctuate more widely from its illustration than other cash value policies. There needs to be a way to convey that in a manner the purchaser can understand and make a buying decision that’s in their best interest

OBSERVATIONS

4. With ALL illustrations - no matter the warning - customers will focus on the most favorable illustrated ("current") outcome as a ***projection*** of future values

OBSERVATIONS

5. The future of policy illustrations:



We need to get back to the intention for policy illustrations – “how does the policy WORK?”



August 6, 2026

Commissioner Doug Ommen
Chair, Life Insurance and Annuities (A) Committee
National Association of Insurance Commissioners

Re: June 15 Indexed Universal Life (IUL) and Premium Financing Presentation

Dear Commissioner Ommen:

On behalf of the Life Insurance Illustration Subcommittee (Subcommittee) of the American Academy of Actuaries[1], we appreciate the opportunity to offer the following comments in response to the June 15, 2026, presentation made by NAIC Consumer Representative Dick Weber regarding IUL and premium financing. Due to time constraints of the meeting and the length of the presentation, there was no opportunity to provide comments or ask questions during the call.

We believe there were several items that warrant clarification, specifically:

1. Both Model 582 for Life Insurance Illustrations and Model 245 for Annuity Illustrations state that the purpose of an illustration is to show how a product works. Neither allows use of the words "projection" or "prediction" to be associated with an illustration. The presentation appeared to incorrectly portray illustrations as projections. It is our very strong opinion that using an illustration as a projection of expected outcomes should be avoided in any form and that this clarification should be made clear to all.

2. Slide 3 stated that there is no Disciplined Current Scale (DCS) in IUL, which is not accurate. IUL is a fixed product and must adhere to Model 582, which requires a DCS as well as testing. AG 49 and AG 49-A enhance Model 582's requirements for testing of the DCS by the illustration actuary. It is accurate to state that variable universal life insurance (VUL) does not require a DCS due to the fact it is a variable product, and variable life illustrations are not governed by Model 582.

3. Related to slide 7, there is an implication that once a policy is no longer considered "new," there is a tendency to decrease cap rates. The Subcommittee believes that is not entirely accurate, as there are aspects of illustration testing meant to protect the consumer both at the time of the initial sale and while the product is in force.

4. Slide 8 could be read to imply that nonguaranteed element changes are unrestricted. Companies have nonguaranteed element frameworks with accompanying actuarial standards of practice (ASOPs) and they must disclose if nonguaranteed elements have changed for reasons other than experience factor changes.

[1]The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

5. We would remind the Commissioners that misusing illustrations and incorrectly applying them as a method of assigning probabilities and likelihoods to outcomes is inappropriate. There are too many variables to account for when calculating a projection, and the current methodology and accepted practice does not support the use of an illustration to develop such a demonstration. We would also be concerned if there is a generally accepted assumption that the average consumer will understand stochastic variables and output. We also are concerned about the professional implications for illustration actuaries, should illustrations be incorrectly used in the manner described.

6. It is important to point out that premium financing is primarily a sales process issue or a best interest issue; it is not an illustration issue. If the consumer does not understand the difference between those issues, or understand how changes in market rates, loan rates, credited rates, or the many other factors could impact the policy, the issue to address is additional education at the time of sale. If there is a desire to use illustrations to support the education of consumers, we would recommend the use of in-force illustrations, which are a valuable tool and are often underutilized.

7. The Subcommittee disagrees with the premise that illustrations should have different requirements based on the existence of a fiduciary responsibility.

While this is not an exhaustive list, we wanted to provide feedback on the presentation and encourage further discussion on this topic. Discussion about the need for appropriate financial literacy and ongoing educational support for consumers purchasing a variety of insurance products is a priority for the regulatory community, consumer advocates, and actuaries. However, the underlying premise and misinterpretation of how illustrations should and can be used need to be addressed.

We are happy to provide an actuarial perspective in this arena. As you continue to move forward with these discussions, we would be happy to present and answer any questions attendees may have. The Subcommittee appreciates the interest in the illustrations and is prepared to assist with education efforts from the actuarial perspective to help stakeholders understand why the illustration is structured the way it is and why we believe that treating illustrations as projections or trying to them better projections (whether of expected outcomes or probabilities of outcomes) will continue to frustrate consumers.

If you have any questions or would like to discuss these comments further, please contact Marie Fabienne Amisial (Amisial@actuary.org), the Academy's policy project manager, life.

Sincerely,

Brian Lessing, MAAA, FSA
Chairperson, Life Illustrations Subcommittee
American Academy of Actuaries