



April 16, 2026

Lauren U. Van Buren
Chief Legal Counsel, Wisconsin Office of the Commissioner of Insurance
National Association of Insurance Commissioners
Annuity Buyer's Guide (A) Working Group

CC: Jennifer Cook,

Re: Request for comments on the draft [Buyer's Guide on Deferred Annuities](#)

Dear Ms. Van Buren:

On behalf of the Life Products Committee of the American Academy of Actuaries,¹ we appreciate the opportunity to offer comments to the Annuity Buyer's Guide (A) Working Group (Working Group) regarding the draft Buyer's Guide on Deferred Annuities (Buyer's Guide). In addition to our overall comments, we have also included some red-line comments in the draft Buyer's Guide. Our feedback addresses the requested comments related to clarity, tone, and organization, as well as potential useful product information.

As you consider our recommended changes in the redline draft Buyer's Guide, we would encourage the Working Group to be mindful of the following rationale:

1. They reflect a deliberate effort to further reflect the balanced perspective that the Academy and the Working Group work hard to provide to those considering the various pros and cons of these products. While the current draft strongly reflected the appropriate warnings and risks to consider, the draft would be strengthened by the inclusion of additional content around benefits that may be available.
2. Some of our red-lines focus on organizational flow to help the consumer better use the Buyer's Guide.
3. We have offered additional recommendations that incorporate important features that were not originally included, such as persistency bonuses, as well as a rider section that would broadly address Market Value Adjustments (MVAs) as well as guaranteed living benefits other than withdrawal benefits.

The Working Group may also want to consider the length of the draft Buyer's Guide, as it's materially different from the Life Insurance Buyer's Guide. It may be beneficial to align the two publications in terms of length and level of detail, reflecting a concerted effort to offer a greater level of consistency for consumers during the insurance buying experience.

We also suggest a statement and/or diagram comparing the four major types of products, ranging from most guarantees to least guarantees, which might help consumers understand the risk/reward tradeoffs they may want to consider. For example:

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.

Accumulation Annuity Classifications

Investment & Return Structure 10

Commonly how annuities are described—how it grows. Sold based on contract-holder risk appetite.

Fixed Annuities	Indexed Annuities	Registered Indexed Linked Annuities (RILA)	Variable Annuities
<ul style="list-style-type: none"> • Provide guaranteed, predictable growth. • Insurance company assumes investment risk. 	<ul style="list-style-type: none"> • Returns tied to a market index (e.g., S&P 500), with minimum guarantees. • Middle ground between fixed and variable annuities. 	<ul style="list-style-type: none"> • Hybrid product with features of the indexed annuity (e.g. crediting rate tied to S&P 500) and variable annuity (downside exposure). • Middle ground between indexed and variable annuities. 	<ul style="list-style-type: none"> • Payments vary based on performance of underlying investment sub-accounts (mutual-fund-like). • Investor bears investment risk but has growth potential.

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Thank you for your consideration of these comments. We look forward to further discussions with the Working Group, as we share your focus on helping to provide appropriate and helpful information to consumers as they consider purchasing these products. If you have any questions or would like to discuss these comments further, please contact Katie Dzurec (dzurec@actuary.org), the Academy's director for state policy outreach.

Sincerely,
 Donna Megregian, MAAA, FSA
 Chairperson, Life Products Committee
 American Academy of Actuaries

NAIC BUYERS GUIDE FOR DEFERRED ANNUITIES

If you are thinking about buying an annuity, it's important that you understand how annuities work so you can make a decision that meets your financial goals.

Annuities are long-term insurance contracts that are designed to protect you against outliving your assets. They can sometimes include significant fees. If you surrender an annuity too soon after you deposit money, you may pay surrender charges and taxes. Failing to understand the terms of your annuity contract, which may be complex, can lead to financial loss.

WHAT IS AN ANNUITY?

An annuity is an insurance product that can be used to help fund and provide income during retirement. Most annuities have two phases: the accumulation phase and the payout phase. The accumulation phase begins when you make a deposit into the annuity, either through a lump sum or periodic payments. The payout phase or distribution phase is when you begin to collect regular payments from the annuity.

The process of converting an annuity into a stream of income is called annuitizing the contract. The income stream is an insurance feature of the contract which you may or may not actually decide to exercise. Providing that guaranteed income is one reason annuities can have significant insurance costs. You should carefully consider whether you actually need additional future income when deciding whether an annuity or annuitization is right for you.



An annuity may be immediate or deferred. An immediate annuity begins paying income soon after you make a lump-sum payment (usually within one year). A deferred annuity allows your money to grow before payments begin. The deferral period is often flexible and may last for many years.

The remainder of this buyers guide will be focused solely on deferred (not immediate) annuities.

Deferred annuities can provide guaranteed interest rates, tax-deferred growth and, if you choose, periodic income payments. The features, costs, and guarantees of a deferred annuity vary by product. The major types of deferred annuity products that are currently offered by insurers are:

- Fixed/Multi-year guaranteed annuities (MYGAs)
- Fixed indexed annuities (FIAs)

DRAFT 3/16/26

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- Registered index-linked annuities (RILAs)
- Variable annuities (VAs)



DEFERRED ANNUITIES

As stated previously, deferred annuities have an **accumulation period** and a **payout period**. During the accumulation period, your annuity value changes based on the product type, how much money you contribute and how much money is earned after charges or fees have been deducted. During the payout period, the annuity makes payments to you.

Some annuities offer a **bonus**. Insurers use bonuses to encourage you to keep the annuity for a longer period of time. Before you can access the bonus, a vesting period or waiting period is often required. These vesting or waiting periods can often range up to seven (7) or 10 years. Early withdrawal from or surrender of the annuity generally will forfeit the bonus. *In other words, you could lose some or all of the bonus if you take money out of your annuity during the vesting or waiting period.* Bonuses usually come in one of the two following forms:

- A **premium bonus** is a lump sum the insurer adds to your premium when you buy the annuity or contribute additional money. It's usually a percentage of the premium you contribute to the annuity. The insurer credits this bonus to your account when your annuity is issued, but you usually cannot withdraw it immediately and need to finish the vesting period in order to access the bonus.
- A **persistence bonus** or interest rate bonus is an additional amount that is added to your account value after waiting a certain number of years. It is usually an additional percentage added to the credited rate.

Within the first several years after you buy a deferred annuity, you are often in what is called the **surrender charge period**. This surrender charge period varies from a few years up to 10 or more years. The amount of the surrender charge period typically decreases over time and eventually goes away. If you want to take your money out during the accumulation phase while the surrender charge period applies, a surrender charge may be deducted by the insurer for that early withdrawal which may significantly reduce the amount you receive. Annuities are considered illiquid during the surrender charge period, meaning you usually do not want to access the money as easily like you do a bank account. Some annuities allow limited penalty-free withdrawals (for example, up to 10% or less of the account value each year). If you withdraw more than that limit, the a surrender or withdrawal charge may apply. Some annuities include benefits that waive surrender or withdrawal charges in special circumstances. These may include receiving a diagnosis of a terminal illness, confinement in a nursing home or qualification for long term care services. Partial withdrawals reduce the annuity's cash value. This may lower future income payments, death benefits, or other features tied to the account value.

Fees, charges, and any negative adjustments reduce the value of your annuity and can limit how much your money grows. They cover the insurer's costs to provide and sell the annuity accumulation and income benefits and guarantees. The insurer deducts some fees directly from your account, while others come from underlying investments. Fees vary by product, so review the **contract, prospectus** (if applicable), **disclosures**, and **illustrations** carefully and ask the salesperson to explain clearly what you'll pay each year.

SOURCES OF INFORMATION

Contract: This is the legal document between you and the insurance company that sets the terms of the agreement. You will get this after you purchase the annuity, but you can obtain a sample contract on the insurance company's website or from your agent.

Prospectus: Variable annuities (VAs) and Registered Index Linked Annuities (RILAs) are registered with the Securities and Exchange Commission (SEC) because they expose you to the risk of investment-related losses and gains. This is a legal document that must accompany your VA or RILA purchase. It includes detailed information about the insurance company, the underlying investment options (subaccounts and/or indexed accounts), fee structures (such as surrender charges and mortality risk fees), death benefits, and living benefits.

Disclosure: This type of document describes the key features of your annuity, including what is guaranteed and what isn't, and annuity benefits, fees and charges.

Illustration: This type of document shows how your annuity's features might work based on certain assumptions. **Illustrations are not promises or guarantees.** They often rely on current or historical interest rates, index performance, or other assumptions that do not reflect expected future performance and will likely change. Ask specifically which values are guaranteed and which are hypothetical.

WHAT YOU AND YOUR AGENT MUST CONSIDER

Regulators require agents to recommend annuities only when they are in your best interest. Best interest standards require agents to put the consumer's interests first. Agents must use care and skill to recommend products that match the client's finances, needs, and goals. Agents must consider factors such as the consumer's age, income, financial experience, need for access to cash, tolerance for risk, and tax status. When recommending an annuity, your agent is required to act in your best interest and consider your individual circumstances.

DRAFT 3/16/26

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Your agent should ask:

- How old are you, and when do you expect to retire if you haven't already?
- What is your current income, and can you afford this annuity comfortably?
- What is your overall financial situation, including debts and regular expenses?
- How familiar are you with financial products and investment risk?
- What are your financial goals, and how would this annuity help you reach them?
- How long do you plan to keep this annuity?
- What other savings, investments, or insurance coverage do you already have?
- Do you need access to this money in the near term, or can it remain invested?
- Are you willing and able to take on market risk?
- How does your tax situation affect whether tax deferral would benefit you?
- Where are the funds for this annuity coming from?
- Are you replacing another annuity, and if so, what benefits or guarantees might you lose?

If a recommendation does not seem to align with your personal circumstances, ask questions and request the agent to explain why they consider the recommended annuity to be in your best interest.

Insurance companies typically pay the agent a commission, often a percentage of your premium payment. These commissions are paid by the insurer and are not deducted from your premium. If you ask, the agent must estimate how much commission they will receive.

FIXED/MULTI-YEAR GUARANTEED ANNUITIES

A **fixed deferred annuity** grows by earning interest at a rate set by the insurer. A fixed annuity (not a fixed *indexed* annuity) credits a guaranteed interest rate that is not tied to a market index. This category includes **multi-year guaranteed annuities (MYGAs)**, which are often advertised as a predictable, short, mid- or long-term option with a guaranteed interest rate for a fixed set of time. Your money grows tax-deferred, and you can later withdraw funds according to the contract or convert the value into a stream of guaranteed income.

Fixed annuities guarantee that your money will earn at least a minimum interest rate. The insurer may credit a higher rate, but it guarantees only the minimum rate.

Ask about:

DRAFT 3/16/26

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- What interest rate is guaranteed, for how long, and what is the minimum rate in the contract?
- How long is the surrender period, and what penalties apply if I need to take out more than the free withdrawal amount?
- What happens at the end of the guarantee term? Will the rate change or will a new surrender period begin?

FIXED INDEXED ANNUITIES

A **fixed indexed annuity (FIA)** is an insurance contract that protects your principal while crediting interest based on the performance of a market index, such as the S&P 500. You do not directly invest in the market. The insurer uses formulas like caps, participation rates, spreads, and reset periods to determine your interest. These features can limit how much of the index's gains you receive.

FIA's have a 0% floor, so your account won't lose value if the index falls (excluding fees and withdrawals). You do not pay taxes on earnings until you withdraw them. Many FIA's have long surrender periods and complex terms. Their illustrations are based on assumptions that are not expected to match actual results. Gains are limited, formulas may change after the initial guarantee period, and understanding your returns requires reviewing the contract carefully.

Ask about:

- How is interest calculated? What are the caps, participation rates, spreads, and how long are they guaranteed? How do those terms apply? And what do they mean in plain language?
- When (how frequently) is interest credited to your policy, and what happens if you take a withdrawal or surrender before it is credited?
- What is the surrender period, and what penalties apply if I withdraw more than the free amount?
- What assumptions are in the illustration? What is guaranteed versus hypothetical? How could my actual results differ?

Key terms for FIAs:

- **Cap Rate:** The maximum interest credited for a term.
Example: 5% cap → index rises 10% → annuity earns 5%.
- **Participation Rate:** The portion of the index gain applied.
Example: 50% participation → index rises 8% → annuity earns 4%.
- **Spread Rate:** Amount deducted from the index gain before calculating interest.
Example: 2% spread → index rises 6% → annuity earns 4%.
- **Trigger Rate:** Minimum interest credited if the index rises.
Example: 3% trigger rate → annuity earns 3% if the index performance is greater than or equal to 0%, even if the index performance is more than the trigger rate.
- **Index Term:** The period over which index performance is measured (e.g., 1 year, multiple years).
- **Surrender Period:** Time during which early withdrawals may trigger penalties.
- **Annual Point-to-Point:** Compares index start and end dates one year apart.
- **Multi-Year Point-to-Point:** Compares index start and end dates over multiple years.
- **Monthly or Daily Averaging:** Uses multiple dates to calculate an average change.
- **Monthly Point-to-Point:** Measures each month's change, limited by the cap; at term end, all monthly changes are added.

Remember: You are not investing directly in the market or any index fund. Interest is calculated based on the index and your annuity's formulas.

REGISTERED INDEX-LINKED ANNUITIES (RILAS)

A **registered index-linked annuity (RILA)** blends features of fixed indexed and variable annuities.

Your money does not go directly into the market. Instead, your return depends on the performance of a market index over a set period (often one year or several years). But unlike a traditional fixed indexed annuity, your value can go up or down. If the index rises, you may earn interest. If it falls, you can lose money.

Most RILAs offer some downside protection, but only up to a stated limit.

RILAs typically limit both upside and downside: Caps, participation rates, spreads, and trigger rates can limit how much of the index's gains your annuity credits. Buffers, floors, or negative participation rates limit how much loss you absorb at the end of the index term. These protections generally apply only at the end of the term.

Early withdrawals: If you take money out before the end of an index term, an interim value adjustment or market value adjustment may apply. These adjustments are not simply based on index performance, and downside limits usually do not apply. Losses can be greater than the stated buffer if you exit early.

Always review the prospectus carefully to understand how returns are calculated and when protections apply.

Ask about:

- How much could I lose, especially if I withdraw early?
- How are gains limited?
- What fees and adjustments apply?
- What is guaranteed and for how long?
- How will index-linked credits be determined? Are there any options available?

Key Terms for RILAs

- **Buffer:** The amount of a market drop you can absorb without losing annuity value.
Example: 10% buffer → 5% market drop = no loss; 15% drop = 5% loss.
- **Floor:** The maximum loss you can take in a term.
Example: 10% floor → market drops 20%, your annuity drops 10%.
- **Negative Participation Rate:** The portion of a market loss applied to your annuity.
Example: 60% rate → 10% market drop = 6% annuity drop.
- **Caps / Participation / Spread:** Limits on how much of index gains your

- annuity actually credits.
- **Index Crediting Formulas:** Similar to FIAs, index-linked credit can be determined by the insurer in various ways based upon index performance during the index term. There may be more than one crediting option available under your contract.

VARIABLE ANNUITIES

A **variable annuity** does not earn interest and does not guarantee a minimum interest rate. For that reason, many experts consider variable annuities to be one of the riskier types of annuities. Instead, the value of the annuity depends on the performance of the investment portfolios you choose, these portfolios are called subaccounts. Your agent's recommendation should match your tolerance for market risk. Most subaccounts invest in underlying mutual funds and carry varying levels of risk.

The value of your annuity can change daily with the subaccounts' performance. If your subaccounts increase in value, your annuity may grow. If they decline, you could end up with less than you paid in, and any income or other benefit payments could be lower than expected. You bear all the risk of market losses.

Some variable annuities let you allocate part of your money to a fixed interest account, similar to a fixed deferred annuity. This portion earns a rate set by the insurer for a specified period.

Insurers may offer different versions of a variable annuity, often called share classes, which can vary in annual fees and rules for withdrawals. Always read the prospectus carefully and ask your agent to explain the differences.

Ask about:

- How do the subaccounts work, and what level of risk do they carry? Could I end up with less than I put in?
- What fees, charges, and costs will I pay each year, and how might they affect my account's growth?
- Which parts of the annuity are guaranteed, and how do surrender periods, riders, or withdrawal rules affect access to my money?
- If I choose a fixed account option, what is the guaranteed rate, and how long will it apply?
- Are there different versions (share classes) of this annuity? How do they differ in fees and withdrawal rules?

RIDERS

Some annuities offer optional benefits, called **riders**. Riders offer additional benefits, features or options to your annuity and many require an additional cost. Always review the contract and rider disclosure carefully before deciding to add a rider.

Long Term Care Rider – This rider can help you pay for long-term care (LTC) expenses. This rider can provide extra protection if you need care in the future, but it usually comes at an additional cost.



What this rider can do:

- **Long-Term Care Benefits:** Some annuities let you access extra funds from your annuity if you require long-term care, either in a facility or at home.
- **Accelerated Payments:** Instead of waiting for regular annuity income, the rider may allow you to receive payments sooner if you meet certain health conditions.
- **Coverage Limits:** Riders may cover a specific amount per day or per year for care, or a percentage of your annuity's value.

Ask about:

- How does this LTC rider work, and what triggers payments?
- How much extra does the rider cost, and how does it affect my annuity's growth?
- Are there limits on how much I can receive or how long payments last?
- What conditions or documentation do I need to access the rider benefits?
- If I don't need long-term care, does the rider provide any other benefits or return of value?

Important note: LTC riders are not the same as long-term care insurance. They are tied to your annuity and may reduce your account value if used.

Interim Value Adjustment (IVA) / Market Value Adjustment (MVA): Adjusts the amount of money withdrawn due to changes in interest or market rates, which can increase or decrease your withdrawal or surrender value.

Guaranteed Living Benefit Riders: These riders can guarantee benefits from your annuity in a variety of ways.

Guaranteed Living Withdrawal Benefit (GLWB): This rider guarantees to make income payments you can't outlive. This is different than annuitization. While you get payments, the money still in your annuity continues to accumulate. You can choose to

stop and restart the payments, or you might be able to take extra money from your annuity. Even if the payments reduce the annuity's account value to zero, you'll continue to get payments for the rest of your life. If you die while receiving payments, your beneficiaries may have access to the remaining contract value as a death benefit

Guaranteed Minimum Death Benefit (GMDB): this rider guarantees that a death benefit will be paid to your beneficiaries.

Guaranteed Minimum Accumulation/Income Benefit (GMAB/GMIB): This rider guaranteed the account value will grow and that amount will be available for income should you choose to annuitize.

Cost of Living Adjustment Rider (COLA): This rider allows for payments from your annuity to be adjusted because of the cost of living. This is typically a predefined percentage increase to reflect inflation.

HOW ANNUITIES MAKE PAYMENTS

Annuitize: At some future time, you can choose to **annuitize** your annuity and start to receive guaranteed income payments for life or a period of time you choose. After payments begin, you can't make any other withdrawals from the annuity. You also usually can't change the amount of your payments but payments can change if certain features are present such as cost of living adjustments or market adjustments. If you die before the payment period ends, your survivors may not receive any payments, depending on the payout option you choose.

Full Withdrawal: You can withdraw the cash surrender value of the annuity in a lump sum payment and end your annuity. *You'll likely pay a charge to do this if it's during the surrender charge period.* If you withdraw your annuity's cash surrender value, your annuity is cancelled. Once that happens, you can't start to receive regular income payments from the annuity. Some contracts, once you annuitize, restrict your ability to fully withdrawal or end the annuity.

Partial Withdrawal: You may be able to withdraw *some* of the money from the annuity's cash surrender value without ending the annuity. Most annuities with surrender charges let you take out a certain amount (usually up to 10%) each year without paying surrender charges on that amount. Check your contract and disclosure or prospectus.

Guaranteed Living Withdrawal Benefits: As noted in the Rider section above, guaranteed living withdrawal benefits allow for payments to be made from your account value without having to annuitize. .

Hardship Waiver: Some annuities offer a hardship waiver benefit that waives

surrender charges on full or partial withdrawals or accelerate income payments. Common hardship waivers include nursing home confinement and diagnosis of terminal illness though others may be available. There is typically a waiting period that applies before these benefits can be used.

HOW ANNUITIES ARE TAXED

Federal law allows you to defer income taxes on annuity earnings. That means you aren't taxed on any interest or investment returns while your money is in the annuity. This isn't the same as tax-free. You'll pay ordinary income tax when you take a withdrawal, receive an income stream, or receive each annuity payment. When you die, your survivors will typically owe income taxes on any death benefit they receive from an annuity.

When you take a withdrawal or receive payments, you'll pay ordinary income tax on all of the money you receive (not just the interest or the investment return). You also may have to pay a 10% tax penalty if you withdraw money before you're age 59½. There are other ways to save that offer tax advantages than just annuities, so you should consult a tax advisor on which options may be right for you.

QUESTIONS YOU SHOULD ASK

- Do I understand the risks of this annuity, including how they may differ between fixed, fixed indexed, variable, or RILA products? Am I comfortable with those risks?
- How will this annuity help me meet my overall financial objectives and time horizons?
- Will I use the annuity for a long-term goal, such as retirement? If so, what is my backup plan if the income from the annuity is less than expected?
- What features or benefits, other than tax deferral, make this annuity appropriate for me?
- Does my annuity offer a guaranteed minimum interest rate or other guarantees? If so, what are they?
- If the annuity includes optional riders, do I understand how they work, their costs, and any limitations?
- Am I taking full advantage of other tax-deferred opportunities, such as 401(k)s, 403(b)s, and IRAs, before buying this annuity?
- Do I understand all fees, charges, and adjustments, and how they may reduce the value of my annuity over time?
- What withdrawal limits exist each year and during the surrender period, and what penalties apply if I exceed them?

DRAFT 3/16/26

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- Do I intend to keep my money in the annuity long enough to avoid paying surrender charges?
- Have I consulted a tax advisor and considered how buying this annuity will affect my tax liability, including withdrawals and eventual income payments?
- How do I make sure my chosen beneficiaries will receive any remaining payments if I die?

WHEN YOU RECEIVE YOUR ANNUITY CONTRACT

When you receive your annuity contract, review it carefully. Make sure it matches your understanding and any guarantees or statements your agent made. Check the annuity type, fees, guarantees, riders, and any options you selected. Also, read the disclosure or prospectus and any other materials the insurance company provides, and ask your agent to explain anything you don't understand.

In many states, you have a set number of days (usually 10 to 30) to change your mind after receiving the contract. This period is the **free look** or **right-to-return** period. Your contract should clearly state your free look period. If you decide during that time that you no longer want the annuity, you can contact the insurance company to return the contract. Depending on the state and product, you'll either receive a full refund of your purchase price or your current account value.