July 17, 2026

Ben Slutsker
Chair, Life Insurance and Annuities Illustration (A) Working Group
National Association of Insurance Commissioners

Re: Exposure question

Dear Chair Slutsker:

On behalf of the Annuity Products Subcommittee (Subcommittee) of the American Academy of Actuaries,[1] we appreciate the opportunity to provide comments to the June 2, 2026, exposure of the Summary Guide and Flow Chart.

Before sharing our comments on the exposure, we do want to point out one thing related to the reference to a possible actuarial standard of practice (ASOP) related to annuity illustrations. As the Working Group is aware, ASOPs and state insurance laws and regulations serve fundamentally different purposes. ASOPs provide principles-based guidance to actuaries when performing *actuarial services,* as defined in the actuarial Code of Professional Conduct. Such actuarial services include the rendering of advice, recommendations, findings, or opinions *based on actuarial considerations* and using *professional judgment*. In contrast, state insurance laws and regulations establish specific, legally binding requirements that apply to all regulated entities, not just actuaries, in a much broader range of contexts (e.g., product, sales and marketing, consumer protection, solvency, etc.). ASOPs establish standards of actuarial practice and remind actuaries of their responsibility to simultaneously follow all applicable laws and regulations. However, it is very important to point out that ASOPs are not an appropriate substitute for laws and regulations.

As currently written, compliance with the NAIC's Annuity Illustration Model #245 does not require any actuarial considerations or professional judgment. This differs when considering compliance with the NAIC's Life Illustration Model #582, which requires testing and certification by an illustration actuary. Without rendering advice, recommendations, findings, or opinions based on actuarial considerations, an actuary supporting annuity illustrations would not be performing actuarial services as defined in the actuarial Code of Professional Conduct. Consequently, an ASOP could not provide supplemental actuarial guidance. The Subcommittee would be open to further discussion and would suggest including experts from the Actuarial Standards Board in the further conversation, if that would be helpful for the Working Group, particularly, if any actuarial considerations are identified for annuity illustrations.

Summary Guide

- *Please provide feedback on each idea included in the summary guide list of potential Model 245 modifications, including whether or not you support each idea, and any suitable alternatives as relevant.*

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[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.

Regarding Illustration Length: The Subcommittee supports greater consumer understanding based on the proposed insured's motivation for the annuity. Shortening the illustration may not be appropriate if there is desire to illustrate withdrawal benefits or other features of the annuity that may appear after the surrender charge period or a predefined shorter amount of time. Longer illustrations may be needed and perhaps required through a supplemental illustration if a shorter amount of time is desired for all basic annuity illustrations. The Subcommittee also supports removing unnecessary redundancies that may exist in the illustration, as well as the Buyers Guide, to reduce the length of material provided to consumers, and recommend the disclosures be dealt with in tandem.

Regarding Illustrated Rate: The Subcommittee supports being explicit about what and how composite indices are illustrated. For such composite indices, the Subcommittee supports finding ways to illustrate indices that are a formulaic blend of older existing indices or components of existing indices that have the appropriate historical data of at least 10 years under Model 245. Indices that are more complex, with algorithms and volatility control features, will need to be addressed separately and with revised disclosures. This is an area that would benefit from providing additional clarity within Model 245. Language used in AG 49-A may be useful in addressing what constitutes an index with actual market history that can be illustrated.

Regarding Crediting Rates: The Subcommittee continues to emphasize the illustration's purpose is to show how the product works and should not be used to project future values or anticipate future outcomes. Crediting rates are highly unpredictable. Focusing on variability in the credited rates may be of most use to consumers rather than trying to set a more "realistic expectation". Options for reflecting credited rates could include evaluating product features and nonguaranteed elements through historical rates or a prescribed set of rates or scenarios that reflect variable market behavior.

We remain supportive of the principles stated in our May 18, 2026, letter pertaining to how illustrations may be set up. Our comments encourage the Working Group to consider the principles, creation of accountability, and the annual certification of illustrations.

Regarding a Table of Nonguaranteed History and Crediting Rates: The Subcommittee believes that it would be difficult to define the history of a specific annuity product genre, as annuity product features change. Nonguaranteed Elements for newly issued policies can change as often as the company sets rates, which may even be weekly. The annuity may be under the same policy form, which is filed with variability to allow product features to change for new issues creating a new genre.

Regarding Disclosures: The Subcommittee agrees that any products with enhanced initial credited rates need to be clearly disclosed, and renewal year illustrated rates need to reflect a lower rate in renewal contract years. These disclosures could be reviewed and updated.

Regarding applicability to RILAs: The Subcommittee would not recommend expanding Model 245's scope to include RILAs. RILAs should be excluded from any further discussions related to Model 245 changes. Given that RILAs are variable products and governed by other rules, we are concerned about conflicting requirements between governing organizations.

Flow Chart

- *Please provide feedback on whether you support using an actuarial guideline as a stopgap until states adopt an updated model. If you do not support this idea, please provide an alternative that can serve as an effective stopgap solution.*

Actuarial guidelines interpret actuarial issues within regulations to create uniformity across state insurance departments. We do not find any actuarial issue within Model 245, nor do we find any within Model 275 (Best Interest). As such, we have concerns about using an Actuarial Guideline or an ASOP when actuarial issues do not exist within the current Models.

We suggest exploring the creation of a NAIC Model Bulletin as a possible effective stopgap solution. A Model Bulletin provides regulatory guidance even if a corresponding NAIC Model Regulation has not been adopted. States that adopt the Model Bulletin could determine how desirable and necessary an update to Model 245 might be.

We appreciate the ongoing collaboration with the Working Group on this issue and look forward to continued discussions. If you have any questions or would like to discuss these comments further, please contact Fabienne Amisial, the Academy's life policy project manager (amisial@actuary.org).

Sincerely,

Beth Keith, MAAA, FSA
Chairperson Annuity Products Subcommittee
American Academy of Actuaries