June 8, 2020

Mr. Mike Boerner  
Chair, Life Actuarial Task Force  
NAIC

Re: ACLI Proposal Regarding Non-Forfeiture Rates

Dear Mike:

I am writing on behalf of the members of the National Alliance of Life Companies (the NALC), a trade group composed of small and mid-sized life and health insurers across the United States. Our members focus on addressing the life insurance needs of middle income and working class Americans, and are pleased to offer comments on behalf of the policyholders we serve to the proposal by the American Council of Life Insurance (the ACLI) to eliminate the 4% floor for non-forfeiture interest rates set out in the Valuation Manual.

After carefully considering the proposal, we must share our opposition to its adoption until more a more thorough study is completed. Many of the customers of our member companies are working class Americans who buy basic whole life policies. We have concerns that pricing may increase for these customers as a result of these changes, and would encourage the Committee to thoroughly and carefully evaluate the potential impact of this proposal on this group of customers.

Basic whole life customers are price sensitive and budget conscious, and these changes may possibly mean less coverage or higher premiums. The problems associated with millions of underinsured Americans in this demographic are well documented and have been a concern of state insurance regulators for years.

There is a more comprehensive solution to this dilemma- modernizing the Model Non-Forfeiture Law to better address changes in the economy as well as the way life insurers now do business.
Everyone would benefit from this approach. In the interim, we could support a temporary step that carves out basic whole life from this proposal.

On a final note, we understand the hurried nature of this proposal is because of efforts by proponents to align discussions with current efforts to enact tax law changes in the U.S. Congress. To use a well-worn phrase, we seem to be “putting the cart before the horse.” The NAIC should be waiting for Congress to act, rather than making changes in the Valuation Manual that are dependent on congressional activity that may never take place.

Thank you for allowing the NALC to comment.

Sincerely,

Jim Hodges
Executive Director
NALC