

OUTSTANDING ISSUES
May 20, 2019 Draft Revisions to Model #580
Draft 9/5/19

Overarching Comment

1. Should the Disclosure Model (#580) and the Illustrations model (#582) be combined into a single model? - CEJ

Section 2. Purpose

2. 2A - Add “facilitate comparison of products across insurers” to the purpose section. - CEJ
3. 2B – Move to Section 7 (because it is not a purpose statement) and revise as follows: - CEJ

This regulation does not prohibit the use of additional material beyond the information required in this regulation if such information otherwise complies with that is not a violation of this regulation or any other [state] statutes or regulations and does not conflict with the purposes or requirements of this -regulation.

Section 3. Scope

4. 3B(5) – Delete statement that Model #580 does not apply to “Variable life insurance under which the amount or duration of the life insurance varies according to the investment experience of a separate account.” Because there is no reason not to give these consumers a buyer’s guide and policy overview, even if other provisions in the model don’t apply. - CEJ

Section 4. Definitions

5. New 4C - Add definition of “guaranteed elements” because used in the model and not defined. – CEJ (**Jennifer’s note:** I used the find feature and did not see “guaranteed elements” used in the model, although “guaranteed” is used in 4E definition of “policy data” and in the term “guaranteed premium and benefit patterns summary” is defined.
6. Add definition of term “marketed with an illustration” - CEJ
7. 4C - **Discussed** adding to the May 20 draft definition of “Illustration” the three types included in the definition of that term in Model #582 – ACLI

Resolution: The definition of “Illustration” does not change from the May 20 draft

8. 4G - **Discussed** changing the definition of “Guaranteed Premium and Benefit Pattern Summary” to allow insurers to combine the Guaranteed Premium and Benefit Patterns Summary with the Policy Overview when there is no Illustration. - ACLI

Resolution: The definition of “Guaranteed Premium and Benefit Pattern Summary” does not change from the May 20 draft

9. 4F - **Discussed** changing “Policy Overview” definition to require information be provided in a manner “substantially similar to the model forms provided in the appendix, as opposed to including a reference to examples in the Appendix– CEJ

Resolution: The definition of “Policy Overview” does not change from the May 20 draft.

Section 5. Duties of Insurer

10. 5A(1) and (2) Should the timing requirements for delivery of the Policy Overview (and by extension the buyer’s guide if the two documents are delivered together as it is structured in the May 20 draft) change from delivery at the time of application or, if there is a free look period, at the time of policy delivery, to at the time of application.

ACLI and Pacific life oppose changing the timing requirements because it is 1) beyond the scope of the WG charge; 2) would substantially disrupt current operations; 3) consumer-specific information included in the policy overview is unavailable at the time of application.

CEJ supports changing the timing because 1) it defeats the purpose of the Policy Overview and Buyer’s Guide if not delivered until after purchase; 2) it is illogical and anti-consumer to encourage buying and cancelling a policy as the way to learn about the policy; 3) With the widespread use of computers by agents and consumers, it is no longer reasonable to permit delivery of the Buyer’s Guide after purchase due to logistical constraints of delivery.

Resolution: Ms. Mealer make a motion, seconded by Ms. Winer, to make a recommendation to the Life Insurance and Annuities (A) Committee to give the Working Group more direction or establish a separate group to review the timing of delivery requirements of consumer life insurance documents.

11. 5A(2) change language to require “format substantially similar to model forms” and delete language saying the overview does not have to follow a specific format. – CEJ

Resolution: Change was discussed at same time the definition of “Policy Overview” Working Group did not agree to this change.

12. 5A(2)(b) suggest rewriting this section

(b) The name and address of the insurance company and insurance agent, if an agent is involved and the name of the insured for whom the Policy Overview was prepared and the e-mail and phone contact information of the insurer and insurance agent.; or, if no agent is involved, a statement of the procedure to be followed in order to receive responses to inquiries regarding the Policy Overview. The full name and home office or administrative office address of the company in which the life insurance policy is to be or has been written;

Resolution: The Working Group agreed to make this change.

13. 5A(2)(c) (ii) – change “gender” to “sex” – consistent with genetic sex at birth which is used in underwriting - Pacific Life

Resolution: The Working Group agreed to give California time to look into its laws and revisit this issue on its next call.

14. 5A(2)(c)(iii) – keep only reference to “risk class” and delete “with a statement as to where the insured can find additional information” because only illustrated products might have additional information and non illustrated products risk classifications are too complicated to be useful. Suggest basic class distinctions only, like smoker/ non smoker. – ACLI & Pacific Life

Resolution: The Working Group agreed to make this change

15. 5(a)(2)(c)(iv) – Delete completely because policy overview is to provide salient policy benefits and values, not underwriting methodologies – Pacific Life

Because the specific information contemplated in the policy overview can only be provided after underwriting, this section should be revised to acknowledge that underwriting has already taken place and the consumer has consented to the use of that information. – ACLI

The following statement: “In the course of considering an insured’s application, ~~an~~ the insurer may request ~~or collect~~ have requested and collected health information about the insured in variety of ways.” The statement shall indicate ~~whether a physical examination or questionnaire may be required.~~ If information was collected, the insured provided consent for the insurer to collect that information.

Resolution: The Working Group agreed to delete this requirement because there is no reason to include the statement that the insurer may request or collect health information.

16. 5(d)(iii) – delete the element list “available options for premium funding” because the consumer will have already chosen it by time of policy delivery and relevant info is in (ii) which includes “A short statement describing if the premium varies after the first year, and, if so, a statement as to where the insured can find information as to how the premium will be determined after the first year” – ACLI & Pacific Life
17. 5(d)(v) – reword “description of surrender charges and the period of time surrender charges apply” to “a yes or no indication as to whether there are surrender charges and, if so, how long they apply.” – ACLI & Pacific Life
18. 5(e)(vi) – delete “policy effective date” because that is obvious at time of delivery. – ACLI & Pacific Life
19. 5(f)(i)-(ix) – re-word these elements so they all have a consistent formation of “a yes or no indication” – ACLI [group yes or no items first – CEJ]
- (i) ~~Eligibility for a dividend~~ A yes or no indication as to whether the policy is eligible for a dividend;
 - (ii) A yes or no indication as to whether ~~the policy Conversion options that may be exercised~~ exist;
 - (iii) A yes or no indication as to whether the policy provides Options to extend the term of the coverage;
 - (iv) A yes or no indication as to whether the policy provides Any available optional as requested by the insured, and an indication if there is an additional cost;

- (vi) A yes or no indication as to whether the policy provides Living benefit option(s);
- (vii) A yes or no indication as to whether the policy provides any Option to lower benefits to reduce premium;
- (viii) A yes or no indication as to whether the policy can accumulate cash value;
- (ix) A yes or no indication as to whether the policy provides Guaranteed interest rates on fixed accounts and any indexed account options ~~as requested by the insurer.~~

20. 5A(2)(a)-(f) Re-order the and rename the information: - CEJ (Best understood by reviewing comment letter and revisions to model form) But in summary,

- 1) The information should be presented in the following order:
 - (c) Policy Information and Death Benefit
 - (d) Cost Information
 - (e) Information We use to Set Your Premium; and
 - (f) Additional Policy Benefits and Options.

- 2) Some data elements should be deleted because they are already encompassed in other data elements:
 - (d)(ii) last sentence regarding short statement if premium varies after first year covered in 5(b) introductory statement.
 - (d)(iii) available options for premium funding covered in (d)(i)
 - (e)(i) product type is at the top of the document
 - (e)(ii) form number is not needed

- 3) Some data elements belong under different headings:
 - (d)(iv) “A yes or no indication whether a waiver of premium or deductions option is available” should move to new (f) Additional Policy Benefit and Options.
 - (e)(viii) “Policy loan option and applicable charges” should move under (f) Additional Policy Benefits and Option
 - (f)(vii) “Options to lower benefits to reduce premiums” should be moved to (e) Information We use to Set Your Premium

21. Add a section to model “Additional Information Required for Other Types of Life Insurance” to address additional elements for other than term life insurance policies. – CEJ

22. 5A(3) Add the following language to provide flexibility in showing the absence of information: Pacific Life

“Zero amounts shall be displayed in an unambiguous manner, with consistent use of either zeros or blanks in a summary document as a blank space”

23. 5A(3)(b) – Add “if any” after “the annual premium for each optional rider” – ACLI & Pacific Life

(b) The annual premium for each optional rider, if any

24. 5A(3)(d) Add “each policy” and “that has a cash surrender value” to reduce the need to generate non-applicable information. - ACLI & Pacific Life

(d) The total guaranteed cash surrender values at the end of each policy year with values shown separately for the basic policy and each rider that has a cash surrender value;

25. 5A(3)(f) revise to be consistent with use of guaranteed elements only: ACLI & Pacific Life

(f) The maximum effective policy loan annual percentage interest rate, if the policy contains this provision, specifying whether this rate is applied in advance or in arrears. If the policy loan interest rate is adjustable, the Guaranteed Premium and Benefits Patterns Summary shall also indicate that the

annual percentage rate will be determined by the company ~~in accordance with the provisions of the policy and the applicable law.~~

26. 5B(1)(d) - revise because it is better for consumer to receive in force guaranteed quote based on most recent values: ACLI & Pacific Life

(d) Unless otherwise requested, the policy data shall be provided for twenty (20) consecutive years beginning with the previous policy anniversary or later but prior to the in force statement date. The statement of policy data shall include nonguaranteed elements according to the current scale, the amount of outstanding policy loans, and the current policy loan interest rate. Policy values shown shall be based on the current application of nonguaranteed elements in effect at the time of the request. The insurer may charge a reasonable fee, not to exceed \$[insert amount], for the preparation of the statement.