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Richard Wicka, Chair (WI)
NAIC Life Insurance Illustrations Issues (A) Working Group
c/o Jennifer Cook, NAIC
Via JCook@NAIC.org

RE: Draft 5-20-19 Revisions NAIC Life Insurance Disclosure Model Regulation (#580)

Dear Chairman Wicka & Members of the Working Group:

The ACLI understands that the Working Group will resume discussion of the timing for delivery of policy overviews on the call scheduled for September 3. This commentary addresses this issue first and then expands to inform the Working Group of new ACLI considerations, including a proposal for an innovative resolution of the Working Group charge and conclusion of deliberations before the Fall National Meeting.

Timing of Policy Overview Delivery

The ACLI respectfully repeats that the Working Group should not propose revising the model regulation to change the timing of delivery of the policy overview, guaranteed premium and benefit patterns summary or Buyers Guide. *Life Insurance Disclosure Model Regulation* § 5A(1) should be respected and sustained. Delivery of the policy overview and guaranteed premium and benefit patterns summary should be based upon it for the following reasons:

Timing of document delivery is beyond the Working Group's Charge: The Working Group is charged to "Explore **how** the **narrative summary** required by **Section 7B** of the *Life Insurance Illustrations Model Regulation* (#582) and the **policy summary** required by **Section 5A(2)** of *Life Insurance Disclosures Model Regulation* (#580) **can be enhanced to promote consumer readability and understandability** of these life insurance policy summaries, including **how** they are designed, formatted and accessed by consumers" (emphasis added). The charge does not request the Working Group to address when an enhanced policy summary is to be published to consumers. To the contrary, Section 5A(2) mandates that "Delivery of the policy summary shall be consistent with the time for delivery of the Buyer's Guide as specified in Paragraph (1)." Simply put, changing the timing of delivery of the policy overviews or the Buyers Guide is beyond the scope of the Working Group's charge.

Early Delivery of the Policy Overviews Will Empty Them of Consumer Value: The pending Term Life Policy Overview – and all discussion about all policy overviews thus far – is premised on receipt by the insurer of consumer information sufficient for the insurer to provide *personalized* information in the consumer's policy overview. If the Working Group is inclined to change the timing of policy delivery to no later than the time of policy application, the insurance company simply will not have data to provide personalized policy overviews.

Policy Overviews Diminished for Lack of Personal Data Revives Consideration of the Charge: If the Working Group changes the timing for delivery of the planned policy overviews, it will have to diminish the information provided in the planned policy overview to the same as the information provided in the existing policy summary. It is within the Working Group's charge to re-format the policy summary as a policy overview. Appreciation of this point might lead to agreement about re-formatting of the policy summary (and policy narrative for illustrated products) to enhance consumer readability and understanding.

New ACLI Considerations

The surprising expansion of Working Group discussion to matters beyond its charge, ongoing appeals by a consumer representative to ignore the scope of the charge and other developments during three years of labor by the Working Group and interested parties were discussed recently by ACLI members. The ACLI is concerned lest the entire work effort be headed toward the wilderness. Even if the efforts of the Working Group are re-focused on its charge, the ACLI has long understood that the Working Group's efforts would include development of the elements for separate, sample policy overviews for Term, Whole and Universal Life Insurance. While the exposed sample policy overview for Term Life Insurance might be considered substantially finished, there may not be sufficient time to develop sample policy overviews for more complicated Whole Life and Universal Life Insurance policies before the Fall National Meeting.

Most concerning to the ACLI is whether the work product is actually trending toward enhancing the policy summary and the narrative summary "to promote consumer readability and understandability." It is not clear that the policy summary required by Model #580 and the narrative summary of Model #582 are, in fact, unreadable or incomprehensible to consumers. If the Working Group decides to change the timing for delivery of the policy overview to no later than the time of policy application, efforts at improving clarity will be frustrated because substantive information about a yet-to-be-issued policy will be unavailable. The information that will be available will be about that which is applied-for, which is less than the buyer-specific information currently delivered at the time of policy delivery. This will not be an improvement at all towards helping consumer understanding.

Meanwhile, the ACLI has considered whether changed circumstances may have obviated any perceived need to change the timing of delivery of the Buyers Guide to benefit consumers. The NAIC recently revised the Buyers Guide. Satisfaction with the revised Buyers Guide combined with an appreciation that it remains in familiar, written format led to establishment of the Life Insurance Online Buyers Guide (A) Working Group. The new working group is charged to develop an online resource on life insurance to be published digitally for the benefit of the public. It occurs to the ACLI that the new, Online Buyers Guide (or, perhaps more aptly, *Consumer's Guide*) creates a fresh opportunity for the success of the Life Insurance Illustrations Working Group.

The Online Buyers Guide Provides a Solution to the Illustrations Working Group

Information about the Life Insurance Online Buyers Guide (A) Working Group can be obtained [here](#). It is chaired by Mary Mealer (MO), who is also a member of the Life Insurance Illustrations Issues (A) Working Group. ACLI understands that Chairwoman Mealer aspires to advance the Life Insurance Online Buyers Guide Working Group work product to completion by the Fall National Meeting. The goals shared by the two working groups are serendipitous. The regulator members of both working groups should consider becoming mutually supportive of a common goal of promoting consumer readability and understanding of basic life insurance product information available to prospective purchasers in a modern, accessible, online format.

The ACLI respectfully recommends that the Illustrations Working Group pivot to consideration of the proposed online guide as the solution to its charge. Further, the ACLI proffers that consideration should be given to encouraging insurance carriers to make available to consumers, *no later than by the time of application* for life insurance, information about the online guide and even hyperlinked access to the guide once it is available on the NAIC website. This concession by the life insurance industry is believed to be manageable from cost considerations.

The ACLI appreciates your consideration of these ideas and looks forward to discussing them with you during the teleconference scheduled for September 3.

Sincerely,

THE AMERICAN COUNCIL OF LIFE INSURERS

A handwritten signature in black ink, appearing to read "Michael Lovendusky", written over the printed name and title below.

Michael Lovendusky
Vice President & Associate General Counsel

The American Council of Life Insurers (ACLI) advocates on behalf of 280 member companies dedicated to providing products and services that promote consumers' financial and retirement security. 90 million American families depend on our members for life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, dental and vision and other supplemental benefits. ACLI represents member companies in state, federal and international forums for public policy that supports the industry marketplace and the families that rely on life insurers' products for peace of mind. ACLI members represent 95 percent of industry assets in the United States. Learn more at www.acli.com.