



Comments of the Center or Economic Justice
To the NAIC Life Insurance Illustrations Working Group
Regarding Timing of Delivery of Life Disclosure Model Consumer Disclosures
November 15, 2019

CEJ offers the following comments in response to the working group's request. The Life Insurance Disclosure model regulation includes the following:

The purpose of this regulation is to require insurers to deliver to purchasers of life insurance *information that will improve the buyer's ability to select the most appropriate plan of life insurance for the buyer's needs* and improve the buyer's understanding of the basic features of the policy that has been purchased *or is under consideration*.

The insurer shall provide a Buyer's Guide to all *prospective* purchasers, prior to accepting the applicant's initial premium or premium deposit.

The insurer shall provide a policy summary to *prospective* purchasers where the insurer has identified the policy form as one that will not be marketed with an illustration.

Clearly, the purpose of the regulation and of the Buyer's Guide and policy summary is to assist the consumer in shopping for insurance.

The last major revision to this model (other than changes to the content of the Buyer's Guide occurred over 19 years ago in June 2000. One of the changes at that time was the following:

The insurer shall provide, [a Buyer's Guide](#) to all prospective purchasers, ~~a Buyer's Guide and a policy summary~~ prior to accepting the applicant's initial premium or premium deposit; ~~provided, however, that:~~ ~~However, (a) —~~ ~~If~~ if the policy for which application is made ~~or its policy summary~~ contains an unconditional refund provision of at least ten (10) days, the Buyer's Guide ~~and policy summary must~~ may be delivered with the policy or prior to delivery of the policy.

Now, almost 20 years later, it is clear that there is no technology impediment to delivery of the Buyer's Guide, the Policy Overview and the Guaranteed Premium and Benefit Pattern Summary can be provided prior to accepting the applicant's initial premium payment. Retaining the current permission to delay delivery of these key documents until the delivery of the policy creates a loophole that swallows the primary directive of the section – to deliver the consumer disclosures critical to empower a consumer to select the most appropriate plan of life insurance for their needs.

It is illogical to provide these documents only after the consumer has purchased the product. While it may have been reasonable at one point in time to permit delivery of the Buyer's Guide after purchase due to logistical constraints, that is surely no longer the case and this provision is profoundly anti-consumer and must change. It is not only illogical and inefficient – it encourages the use of buying and cancelling a policy as the way to learn about the policy – but also directly contradicts the purpose of the model set out in 2A. Since the delivery of the Buyer's Guide is tied to the delivery of the Policy Overview and the purpose of the Policy Overview would be defeated if not delivered until after purchase, the two documents should be delivered prior to purchase. The delivery of the Buyer's Guide prior to purchase is further supported by the recent revisions to the Buyer's Guide – moving from a 20-page document to a two-page set of questions and answers.

ACLI's has previously argued that delivering the Policy Overview and the Buyer's guide prior to delivery of the policy will “empty them of consumer value.” This claim will certainly be a surprise to all property/casualty insurers who are somehow able to deliver quotes to consumers prior to purchase that appear to have value to the consumer shopping for coverage. And it should also surprise life insurers who currently prepare – prior to a consumer's purchase – illustrations for some types of life insurance and policy summary tables of premiums and benefits for other types of life insurance.