



**Comments of the Center for Economic Justice**  
**To the NAIC Life Insurance Illustrations Working Group**  
**Regarding Improvements to the Life Insurance Disclosure and Illustration Models**  
**November 7, 2018**

CEJ writes with comments on the October 9, 2018 exposure draft of revisions to the NAIC Life Insurance Disclosure Model # 580.

CEJ supports the general structure of the proposed draft.

Thank you for your consideration of our prior comments.

CEJ suggest removing Section 2.B., which states, “This regulation does not prohibit the use of additional material that is not a violation of this regulation or any other [state] statute or regulation.”

This is an odd provision. First, it is circular – this regulation does not prohibit anything that is not prohibited. Second, certainly additional material that, while not a violation of the regulation, contradicts or undermines the purpose of the regulation should not be permitted in combination with the information and disclosures required by this regulation.

CEJ suggests clarifying the phrase in 3.A. “regulation shall apply to any solicitation, negotiation or procurement of life insurance” to “any offer of life insurance.”

The current language is strange terminology given the purpose in Section 2.A. We ask how regulators and industry interpret the current language.

CEJ suggests deleting Section 3.B.5 – the exemption for variable life insurance:

It is unclear why variable life insurance is exempt, since it is sold as individual life insurance and the policy overview information is just as relevant for variable life as for other individual life insurance products. Moreover, the policy overview for variable life will be no more complicated than for other complex accumulation-type life insurance products like, say, indexed universal life.

CEJ suggests the addition of a definition for “Illustration”

The term “illustration” has significant impact on and use in the model as there are separate requirements for policies sold or marketed with illustrations versus policies sold or marketed without illustrations. It would provide better clarity to define “illustration,” perhaps by reference to the Illustration model. Such a definition would also help clarify the respective roles of the two models.

CEJ suggests the following definition of “Policy Overview”:

“Policy overview” means a document describing the basic features of the policy presented in a manner to facilitate the purposes of this model, containing the elements required in Section 5.A. and substantially similar to the model forms in Appendix X.written statement describing the elements of the policy, including, but not limited to:

We disagree with the “consumer-oriented” in the proposed draft as the term is quite subjective and, consequently, does not provide useful guidance.

We suggest “describing the basic features of the policy” because that language tracks the language in the Section 2.A. purpose “to improve the buyer’s understanding of the basic features of the policy.”

We also suggest the requirement that insurers’ policy overviews be substantially similar to the prototypes in the appendices to the model. Industry opposes a template, arguing that insurers have different products and want to present them in different ways. While this argument may have some merit for illustrations, it does not make sense for a policy overview designed to facilitate comparison shopping and consumer understanding. The tool for these purposes should be very similar across insurers for similar products. The way to address industry concern about one-size fits all is to develop templates for different categories of products.

CEJ suggest the following definition of “Guaranteed Premium Payments and Benefits”:

“Guaranteed Premium Payments and Benefit” is a separate document that accompanies the Policy Overview only for those policies which are not marketed or sold with an illustration.

We suggest the term “Premium and Benefits Pattern Summary” is obscure to a consumer. We suggest “Guaranteed Premium Payments and Benefits” because the specifications for this document permit only the use of guaranteed element values – “shall show guarantees only.”

See our comments above regarding the need for a definition of “illustration.” In addition, the current language “which the insurer has identified the policy as one that will not be marketed with an illustration” is vague. Identification of a policy as one that is or not marketed or sold with an illustration is a fact that doesn’t require insurer interpretation.

CEJ suggests the following language for Section 5.A.1:

A. Requirements Applicable Generally

- (1) The insurer shall ~~deliver~~provide a Buyer's Guide to all prospective purchasers, prior to accepting the applicant's initial premium or premium deposit. ~~However, if the policy for which application is made contains an unconditional refund provision of at least ten (10) days, the Buyer's Guide may be delivered with the policy or prior to delivery of the policy. If agreed to in writing or by electronic means, the insurer may deliver the Buyer's Guide to a prospective purchaser in electronic or digital format.~~

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 must 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.

CEJ suggests the following language for Section 5.A.2:

- (2) The insurer shall ~~deliver~~provide a ~~Policy Overview summary~~Policy Overview summary to all prospective purchasers for all policy forms subject to this regulation prior to accepting the applicant's initial premium or premium deposit where the insurer has identified the policy form as one that will not be marketed with an illustration. If agreed to in writing or by electronic means, the insurer may deliver the policy overview to a prospective purchaser in electronic or digital format.

Note: If the language in our proposed definition of policy overview -- substantially similar to the model forms in Appendix X – is not included in the definition, it should be included in Section 5.A.

We discussed the need for requiring consistent presentation of similar products and delivery prior to purchase above. The use of a template renders any language about the length of the policy overview or font size unnecessary. It is important to repeat, however, that a document intended to promote consumers' ability for comparison shopping and for understanding the basic features of a product requires more guidance to insurers than a list of items to include and a page length. We know that such "guidance" produces wide disparities in the presentation of information about the same product types. The fundamental purpose of the policy overview is to address this problem and, consequently, that problem should not be recreated through the same guidance that led to the problem. We also suggest adding "all" before "prospective purchasers" for consistency with 5.A.

CEJ reserves further comments on Sections 5.B.(a) through (g) until the working develops the relevant prototypes and/or templates.

However, we wish to point out that the term “Generic name” is defined in Section 3.C., but there is no use of the term in the revised requirements for the policy overview. The term should either be deleted from the definitions section of the model or used in Section 5 of the model.

CEJ suggests the following first sentence for Section 5.C.:

For any policy not marketed or sold with an illustration, the insurer shall deliver to all prospective purchasers a Guaranteed Premium Payments and Benefits prior to accepting the applicant’s initial premium or premium deposit. If agreed to in writing or by electronic means, the insurer may deliver the policy overview to a prospective purchaser in electronic or digital format.

As discussed above, the current wording “insurer identified the policy form as one that will not be marketed with an illustration” is problematic and should be changed simply to any policy not marketed or sold with an illustration.

CEJ reserves further comment on Section 5.C. at this time.

Thank you for your consideration of our comments.