

## **LIFE INSURANCE AND ANNUITIES (A) COMMITTEE**

Life Insurance and Annuities (A) Committee Dec. 7, 2020, Minutes

Life Insurance and Annuities (A) Committee Nov. 10, 2020, Minutes (Attachment One)

Life Insurance and Annuities (A) Committee Proposed 2021 Charges (Attachment One-A)

Accelerated Underwriting (A) Working Group Nov. 17, 2020, Minutes (Attachment Two)

Life Insurance Illustration Issues (A) Working Group July 24, 2020, Minutes (Attachment Three)

Life Insurance Illustration Issues (A) Working Group March 10, 2020, Minutes (Attachment Four)

Life Insurance Online Guide (A) Working Group Oct. 20, 2020, Minutes (Attachment Five)

Life Insurance Online Guide (A) Working Group Feb. 24, 2020, Minutes (Attachment Six)

## Draft Pending Adoption

Date: 12/9/20

Life Insurance and Annuities (A) Committee  
Virtual 2020 Fall National Meeting  
December 7, 2020

The Life Insurance and Annuities (A) Committee met Dec. 7, 2020. The following Committee members participated: Marlene Caride, Chair (NJ); Doug Ommen, Vice Chair, and Mike Yanacheak (IA); Jim L. Ridling (AL); Alan McClain (AR); Trinidad Navarro represented by Fleur McKendell (DE); Dean L. Cameron (ID); Vicki Schmidt (KS); James J. Donelon (LA); Jon Godfread (ND); Bruce R. Range (NE); Chris Nicolopoulos represented by Maureen Belanger and Roni Karnis (NH); Barbara D. Richardson (NV); Linda A. Lacewell represented by Mark McLeod (NY); Tynesia Dorsey (OH); and Mark Afable and Richard Wicka (WI). Also participating were: David Altmaier (FL); Robert H. Muriel (IL); Jessica K. Altman (PA); Elizabeth Kelleher Dwyer and Sarah Neil (RI); Larry D. Deiter (SD); Mike Boerner (TX); and Tanji J. Northrup (UT).

### 1. Adopted its Nov. 10 and Summer National Meeting Minutes

The Committee met Nov. 10 and Aug. 11. During its Nov. 10 meeting, the Committee took the following action: 1) adopted its July 10 minutes; 2) adopted its 2021 proposed charges; 3) adopted the Life Actuarial (A) Task Force's 2021 proposed charges; 4) adopted revisions to the *Standard Nonforfeiture Law for Individual Deferred Annuities* (#805); 5) adopted the 2021 Generally Recognized Expense Tables (GRET); 6) adopted revisions to *Actuarial Guideline XLIX—The Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest* (AG 49); and 7) adopted technical revisions to *Actuarial Guideline XLIX-A—The Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest Sold On or After November 25, 2020* (AG 49-A).

Director Cameron made a motion, seconded by Commissioner Schmidt, to adopt the Committee's Nov. 10 (Attachment One) and Aug. 11 (*see NAIC Proceedings – Summer 2020, Life Insurance and Annuities (A) Committee*) minutes. The motion passed unanimously.

### 2. Adopted the Reports of its Working Groups and Task Force

#### a. Accelerated Underwriting (A) Working Group

Director Muriel said the Accelerated Underwriting (A) Working Group met Nov. 17. He said during this meeting, the Working Group adopted its minutes from the Summer National Meeting. The Working Group also received updates on the progress of its two ad hoc groups—the Ad Hoc Drafting Subgroup and the Ad Hoc Liaison Subgroup. The Ad Hoc Liaison Subgroup continues to monitor the activities of other NAIC groups working on related issues and sharing that information with the Ad Hoc Drafting Subgroup. He said the Ad Hoc Drafting Subgroup is working on an educational report that will include recommendations for state insurance regulators. He noted that the Ad Hoc Drafting Subgroup has agreed, at this time, not to pursue developing a new NAIC model.

Director Muriel said the Ad Hoc Drafting Subgroup also shared a draft outline of its educational report with the Working Group. He said, however, the Ad Hoc Drafting Subgroup is not exposing the outline for a formal public comment period. He said the Ad Hoc Drafting Subgroup is accepting informal comments on items that may be missing from the outline. Anyone who has comments can send those comments to NAIC staff. He said the Ad Hoc Drafting Subgroup plans to expose sections of the educational report for a formal public comment period as those sections are drafted.

#### b. Annuity Disclosure (A) Working Group

Mr. Yanacheak said the Annuity Disclosure (A) Working Group has not met since March 13 because Working Group members have continued to focus on issues related to the pandemic in their own states. He said the Working Group's March 13 minutes are included in the Committee's meeting materials.

Mr. Yanacheak said that during its March 13 meeting, the Working Group agreed to some language revisions to the *Annuity Disclosure Model Regulation* (#245), but the Working Group also identified a few additional issues that remain unresolved. He said that given this, the Working Group has been unable to finalize its work and is requesting an extension of its Request for NAIC Model Law Development in anticipation of the Committee reviewing its 2021 charges early next year and discussing issues related to the Working Group's work as related to its charge.

## Draft Pending Adoption

### c. Annuity Suitability (A) Working Group

Commissioner Ommen said the Annuity Suitability (A) Working Group has not met since the Summer National Meeting. He said that during that meeting, the Working Group discussed its work for 2020. The Working Group agreed to develop a frequently asked questions (FAQ) document to assist the states as they move forward with adopting the revised *Suitability in Annuity Transactions Model Regulation* (#275) as part of completing the second part of its 2020 charge to “consider how to promote greater uniformity across NAIC-member jurisdictions.”

Commissioner Ommen said that following the meeting, the Working Group exposed a draft FAQ document for a 30-day public comment period ending Oct. 2. He said the Working Group plans to discuss the comments received on the draft FAQ document and its next steps during a meeting on Dec. 14.

### d. Life Insurance Illustration Issues (A) Working Group

Mr. Wicka said the Life Insurance Illustration Issues (A) Working Group has not met since the Summer National Meeting, but the Working Group has minutes from its July 24 and March 10 meetings for the Committee to adopt. He said during these meetings, the Working Group discussed and reviewed two alternate versions of revisions to the *Life Insurance Disclosure Model Regulation* (#580). He said one version retains the current time frame for delivery of the policy overview at the same time as the buyer’s guide (either at the time of application or at the time of policy delivery if there is a free-look period). The other version has the policy overview delivered at the time of application.

Mr. Wicka said the Working Group also reviewed two alternative versions of the sample policy overview for term life insurance policies. One version shows the sample pre-underwriting; the other shows the sample after underwriting. He said the Working Group exposed the sample policy overview for a public comment period ending Aug. 28. He explained that during its discussions of the sample policy review, interested parties and other stakeholders raised questions about the Working Group’s work. As a result, the Working Group temporarily suspended its work until it receives additional guidance from the Committee. Mr. Wicka said that given this, the Working Group also is requesting an extension of its Request for NAIC Model Law Development while the Committee discusses the Working Group’s work and potential changes to its charges.

### e. Life Insurance Online Guide (A) Working Group

Ms. Neil said the Life Insurance Online Guide (A) Working Group met Oct. 20 and Feb. 24. She said that the Working Group has struggled with how to coordinate discussions on the format and functionality of a life insurance online guide, including what content should be included in such a guide. She said that during the Summer National Meeting, the Working Group received guidance from the Committee on what should be the Working Group’s focus and potential next steps, including leveraging the expertise of the NAIC Communications Division to assist the Working Group in developing the format and functionality of an online guide.

Ms. Neil said that during the Working Group’s Oct. 20 meeting, the Working Group heard a presentation from Laura Kane (NAIC) on the upcoming changes the NAIC Communications Division plans to make to the NAIC website. She said the Working Group’s next steps are to review the content currently on the NAIC website and suggest additional content to the NAIC Communications Division. The Working Group also plans to work with the NAIC Communications Division as it develops options for the Working Group to consider for displaying any additional content it suggests being added to the NAIC website.

### f. Life Actuarial (A) Task Force

Mr. Boerner said the Life Actuarial (A) Task Force met Dec. 3. He said during this meeting, the Task Force adopted its Nov. 12, Nov. 5, Oct. 29, Oct. 27, Oct. 22, Oct. 8, Oct. 1, Sept. 24 and Aug. 27 minutes, which included the following action: 1) adopted its Summer National Meeting minutes; 2) adopted its 2021 proposed charges; 3) adopted the 2021 GRET; 4) adopted revisions to AG 49; 5) adopted changes to Model #805; 6) adopted amendment proposal 2020-02, which clarifies guidance on the boundaries of a company’s latitude in following VM-20, Requirements for Principle-Based Reserves for Life Products, steps; 7) adopted amendment proposal 2020-03, which clarifies net premium reserve (NPR) calculation requirements; and 8) adopted amendment proposal 2020-09, which modifies the life principle-based reserving (PBR) exemption.

## Draft Pending Adoption

Mr. Boerner said the Task Force also adopted reports from several of its groups including: 1) the Longevity Risk (E/A) Subgroup; 2) the Guaranteed Issue (GI) Life Valuation (A) Subgroup; 3) the Experience Reporting (A) Subgroup; 4) the Indexed Universal Life (IUL) Illustration (A) Subgroup; 5) the Variable Annuities Capital and Reserve (E/A) Subgroup; and 6) the Valuation Manual (VM)-22 (A) Subgroup, including its Oct. 28, Oct. 26, Oct. 21 and Sept. 29 minutes. The Task Force also adopted amendment proposal 2020-08, which provides an alternative method for mortality aggregation.

Mr. Boerner said the Task Force received updates from several groups, including an update from the Interstate Insurance Product Regulation Commission (Compact) and the American Academy of Actuaries (Academy) Life Practice Council. The Task Force also heard a report from the NAIC Legal staff on the application of Health Insurance Portability and Accountability Act of 1996 (HIPAA) privacy and security to the NAIC as the experience reporting agent under VM-50, Experience Reporting Requirements, and VM-51, Experience Reporting Formats, of the *Valuation Manual*. The Task Force also heard an Academy proposal requesting that the Task Force consider a one-year time lag for PBR mortality reporting. Additionally, the Task Force received an overview of the economic scenario generator (ESG) timeline and model.

Mr. Boerner said the Task Force re-exposed amendment proposal 2019-33, which provides for the application of PBR requirements for group life insurance contracts with individual risk selection criteria issued under insurance certificates. The Task Force also exposed amendment proposal 2020-11, which allows exemption of policies from prior issue years when there is a change in the life PBR exemption requirements.

Director Ramge made a motion, seconded by Director Cameron, to adopt the following reports: the Accelerated Underwriting (A) Working Group, including its Nov. 17 (Attachment Two) minutes; the Annuity Disclosure (A) Working Group, including an extension of the Request for NAIC Model Law Development; the Annuity Suitability (A) Working Group; the Life Insurance Illustration Issues Working Group, including its July 24 (Attachment Three) and March 10 (Attachment Four) minutes and an extension of the Request for NAIC Model Law Development; the Life Insurance Online Guide (A) Working Group, including its Oct. 20 (Attachment Five) and Feb. 24 (Attachment Six) minutes; and the Life Actuarial (A) Task Force. The motion passed unanimously.

Having no further business, the Life Insurance and Annuities (A) Committee adjourned.

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Draft: 11/13/20

Life Insurance and Annuities (A) Committee  
Virtual Meeting  
November 10, 2020

The Life Insurance and Annuities (A) Committee met Nov. 10, 2020. The following Committee members participated: Marlene Caride, Chair, (NJ); Doug Ommen, Vice Chair (IA); Jim L. Ridling represented by Steve Ostlund (AL); Alan McClain (AR); Trinidad Navarro represented by Fleur McKendell (DE); Dean L. Cameron (ID); Vicki Schmidt (KS); James J. Donelon (LA); Jon Godfread (ND); Bruce R. Ramge (NE); Barbara D. Richardson (NV); Linda A. Lacewell represented by Bill Carmello (NY); Tynesia Dorsey (OH); and Mark Afable (WI). Also participating were: Elizabeth Kelleher Dwyer (RI); and Mike Boerner (TX).

1. Adopted Revisions to Model #805

Mr. Boerner explained that the revisions to the *Standard Nonforfeiture Law for Individual Deferred Annuities* (#805) arise out of concern with the 1% minimum nonforfeiture rate, which is difficult for insurers to achieve in the current very low interest rate environment. He said these revisions address this concern by reducing the minimum nonforfeiture rate to 0.15%. He said industry supported dropping the minimum to 0%, but after several calls, the compromise of 0.15% was reached. He explained that the minimum of 0.15% does not prohibit a company from guaranteeing more than that.

Superintendent Dwyer explained that the Interstate Insurance Product Regulation Commission (Compact) references Model #805 in the Core Standards for Individual Deferred Non-Variable Annuity Contracts. In the event the NAIC adopts the revisions, it takes immediate effect under the operations of the Uniform Standards, as this is the referenced model with respect to the applicable nonforfeiture rate. This is concerning to several states, as some states may not enact the amendment in their statutes and others may not be able to do it in this session or the next. In addition, the Colorado Supreme Court opinion from April, holding that a Compact standard cannot overrule a conflicting state law, has some states concerned with this implementation gap. Superintendent Dwyer said she wants to make sure states are aware and that the Compact plans to work with compacting states to address this issue.

Commissioner Ommen and Commissioner Afable said they share the concerns raised by Superintendent Dwyer. Commissioner Ommen said he supports the substance of the revisions and will be working with his legislature to make the changes in Iowa. Mr. Carmello said New York is opposed to the revisions to Model #805 because these products can have very high surrender charges, and when coupled with the reduced minimum, they are not comfortable.

Director Cameron asked about the urgency to adopt the revisions at this meeting and whether it made sense to delay adoption until a solution could be worked out at the Compact. Mr. Boerner said it is his understanding that insurers are having to withdraw a number of annuity products due to the financial strain caused by the 1% minimum in this current very low interest rate environment. Paul S. Graham (American Council of Life Insurers—ACLI) confirmed what Mr. Boerner said. Mr. Graham said the ACLI is committed to helping get the legislation passed in the states once it is adopted by the NAIC. He reiterated that certain products will not be available without this change, and he encourages the adoption of these revisions as soon as possible so the ACLI can help get state legislatures ready to adopt the revisions as early in 2021 as possible.

Commissioner Schmidt made a motion, seconded by Commissioner Donelon, to adopt the revisions to Model #805 (*see NAIC Proceedings – Fall 2020, Executive (EX) Committee and Plenary, Attachment Six*). The motion passed with Nevada and New York dissenting.

2. Adopted the 2021 GRET

Mr. Boerner explained that the Generally Recognized Expense Table (GRET) is updated by the Society of Actuaries (SOA) every year, and it is adopted by the Committee and NAIC membership. He said the GRET is referenced in the *Life Insurance Illustrations Model Regulation* (#582) to be used as assumed experience in illustrations, and it is used by 25–28% of companies.

Commissioner Ommen made a motion, seconded by Director Cameron, to adopt the 2021 GRET (*see NAIC Proceedings – Fall 2020, Executive (EX) Committee and Plenary, Attachment Four*). The motion passed unanimously.

3. Adopted Revisions to AG 49

Mr. Boerner explained that the revisions to *Actuarial Guideline XLIX—The Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest* (AG 49) are to coordinate the effective date of AG 49 with the effective date of the updated *Actuarial Guideline XLIX-A—The Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest Sold On or After Dec. 14, 2020* (AG 49-A), which was adopted by the NAIC at the Summer National Meeting. AG 49 will apply to policies issued before Dec. 14, and AG 49-A will apply to policies issued after that date. Companies may choose to follow AG 49-A for policies issued before Dec. 14. Mr. Carmello explained that New York opposes the revision to be consistent with its previous opposition to AG 49.

Mr. Ostlund made a motion, seconded by Director Ränge, to adopt the revisions to AG 49 (*see NAIC Proceedings – Fall 2020, Executive (EX) Committee and Plenary, Attachment Five*). The motion passed with New York dissenting.

4. Adopted a Technical Change to AG 49-A

Mr. Boerner explained that the technical change to AG 49-A is intended to coordinate with the effective date in AG 49, and it applies to policies issued on or after Dec. 14. This timing needs to be adjusted from the date anticipated when it was adopted at the Summer National Meeting because the Fall National Meeting date was changed. Mr. Carmello said New York opposes this technical revision to be consistent with its previous opposition to AG 49-A.

Director Ränge made a motion, seconded by Commissioner Donelon, to adopt the technical change to AG 49-A (*see NAIC Proceedings – Fall 2020, Life Actuarial (A) Task Force, Attachment Six*). The motion passed with New York dissenting.

5. Adopted the Life Actuarial (A) Task Force’s 2021 Proposed Charges

Mr. Boerner explained that the Life Actuarial (A) Task Force’s charges were updated to reflect the completion of AG 49 and AG 49-A, and adjustments were made to the timelines for some subgroups. He said an important new charge was added to “[w]ork with the selected vendor to develop and implement a new economic scenario generator (ESG) for use in regulatory reserve and capital calculations.”

Commissioner Ommen made a motion, seconded by Director Cameron, to adopt the Life Actuarial (A) Task Force’s 2021 proposed charges (*see NAIC Proceedings – Fall 2020, Life Actuarial (A) Task Force, Attachment Seven*). The motion passed unanimously.

6. Adopted its 2021 Proposed Charges

Commissioner Caride explained that the Committee’s 2021 proposed charges are unchanged from its 2020 charges. She said the Committee will likely revisit and make amendments to the charges in the coming months. She said she was asked to chair the Committee for the few months until the new year, and there are a lot of issues to consider. She said Birny Birnbaum (Center for Economic Justice—CEJ) is presenting to the Committee, and he has suggested some changes to the charges. She said with the coronavirus resurging in many states, it makes sense for the Committee to take time to consider any changes, and the Committee will plan to consider amending the charges, likely in the new year.

Director Ränge made a motion, seconded by Commissioner Schmidt, to adopt the Committee’s 2021 proposed charges (Attachment One-A). The motion passed unanimously.

7. Heard a Presentation on Re-Engineering Life and Annuity Illustrations and Disclosures

Mr. Birnbaum gave a presentation on re-engineering life and annuity illustrations and disclosures. He said there are many NAIC models and actuarial guidelines that touch on illustrations, disclosures and advertising, such as the *Life Insurance Disclosure Model Regulation* (#580), Model #582, the *Annuity Disclosure Model Regulation* (#245), AG 49, and AG 49-A. He said each of these models and guidelines has a purpose to inform and guide consumers, but the promise of their purposes has not been realized.

Mr. Birnbaum said the current practice of marketing and illustrating investment-type life and annuities fails to meet the purposes outlined in each model. He said illustrations obscure the operation of the policy, present misleading information about risk and return, and create unrealistic expectations for consumers about policy accumulation values. He said products and related

illustrations are relying more and more on the use of custom indexes produced by data mining historical results resulting in: 1) back-testing, not permitted for any other type of investment product, based on hypothetical results before the index was created; and 2) conflicts of interest created when the provider of the index is also providing the hedging program to support the insurers' products.

Mr. Birnbaum outlined the concepts that need to be implemented to re-engineer illustrations. He said illustrations need to: 1) provide a simpler explanation about how the product operates; 2) include apples to apples comparisons of product accumulation with alternative investments; 3) show the cost and value of insurance; 4) show meaningful measures of risk and return; and 5) set realistic expectations for policyholders. In addition, he said consumer protection and fair competition measures need to occur, including: 1) encouraging product and insurer competition, while discouraging illustration competition; 2) discouraging product design to juice illustrations; 3) prohibiting back-testing; 4) prohibiting index providers from providing the hedging program to support the product using that index; 5) prohibiting indexes that are not transparent and allowing the consumer to independently verify the stated results; 6) finishing life insurance policy overview work in the Life Insurance Illustration Issues (A) Working Group and creating similar policy overviews for annuities; and 7) providing a buyer's guide and policy overview prior to purchase.

Mr. Birnbaum said a chart may be a possible way to explain how a product operates by showing how a product would operate in key areas—i.e., value at start, changes in value with policy features, changes in value from fees or charges, and product value at the end of the period—in different interest rate environments (e.g., index increases by 3%, index increases by 15%, index stays the same, index decreases by 3%, and index decreases by 15%). He said a similar chart could compare the same changes in the value under the varying index interest rates for particular policy features, like participation rates, multipliers, caps or floors to show how each product feature may affect the account value calculation.

Mr. Birnbaum said illustrations should show meaningful measures of risk and return, including: 1) an explanation that changes in the product's account value are tied to changes in the index; 2) how long the index has been in existence; 3) a comparison of the index to the Standard & Poor's 500 index (S&P 500); 4) an explanation of why a comparison to the S&P 500 is meaningful in showing the value in the insurance as opposed to investing in the market directly; 5) mention of possible tax advantages; 6) a statement that past performance is not a guarantee of future outcomes; and 7) a chart of the historical performance of the product compared to the S&P 500 over the worst and best one, five and 10 year time frames.

Mr. Birnbaum showed an example of a graphic representation in an insurer's marketing materials that presented a picture that he said was deceptive and misleading. He said the benefits of purchasing an insurance product as opposed to investing directly in the S&P 500 should be explicitly listed—i.e., protection against loss when the market or investments go down, tax advantages, death benefit, etc.—as well as the cost of insurance; i.e., percentage of the return, annual charges, early withdrawal penalties, and other costs and charges.

Mr. Birnbaum suggested that in support of the re-engineering of life and annuity illustrations, the Committee should: 1) establish a charge and working group to re-engineer life and annuity illustrations and disclosure, including the convergence of illustration concepts for life and annuities; 2) complete the life insurance policy overview project currently underway in the Life Insurance Illustration Issues (A) Working Group and develop similar brief product overviews for annuities; 3) stop the work of the Annuity Disclosure (A) Working Group pending the recommendations and work product of the illustration re-engineering effort; 4) complete the work of the Life Insurance Online Guide (A) Working Group and develop a similar online guide for annuities; and 5) consumer test life and annuity illustrations and disclosures.

Commissioner Ommen asked whether Mr. Birnbaum is aware of any consumer testing of illustrations or research that has already been done that looks at consumer understanding in this area. Mr. Birnbaum said there has been consumer testing of consumer disclosures involving other financial products by the U.S. Securities and Exchange Commission (SEC) and the Consumer Financial Protection Board (CFPB), but he is not aware of any consumer testing in this area.

Having no further business, the Life Insurance and Annuities (A) Committee adjourned.

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Draft: 11/2/20

Adopted by the Executive (EX) Committee and Plenary, Dec. 9, 2020

Adopted by the Life Insurance and Annuities (A) Committee, Nov. 10, 2020

## 2021 Proposed Charges

### LIFE INSURANCE AND ANNUITIES (A) COMMITTEE

The mission of the Life Insurance and Annuities (A) Committee is to: 1) consider issues relating to life insurance and annuities; and 2) review new life insurance products.

#### Ongoing Support of NAIC Programs, Products or Services

1. The **Life Insurance and Annuities (A) Committee** will:
  - A. Monitor the activities of the Life Actuarial (A) Task Force.
2. The **Accelerated Underwriting (A) Working Group** will:
  - A. Consider the use of external data and data analytics in accelerated life underwriting, including consideration of the ongoing work of the Life Actuarial (A) Task Force on the issue; and, if appropriate, draft guidance for the states.
3. The **Annuity Disclosure (A) Working Group** will:
  - A. Review and revise, as necessary, Section 6—Standards for Annuity Illustrations in the *Annuity Disclosure Model Regulation* (#245) to take into account the disclosures necessary to inform consumers in light of the product innovations currently in the marketplace.
4. The **Annuity Suitability (A) Working Group** will:
  - A. Review and revise, as necessary, the *Suitability in Annuity Transactions Model Regulation* (#275).
  - B. Consider how to promote greater uniformity across NAIC member jurisdictions.
5. The **Life Insurance Illustration Issues (A) Working Group** will:
  - A. 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 the *Life Insurance Disclosure 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.
6. The **Life Insurance Online Guide (A) Working Group** will:
  - A. Develop an online resource on life insurance, including the evaluation of existing content on the NAIC website, to be published digitally for the benefit of the public.
7. The **Retirement Security (A) Working Group** will:
  - A. Explore ways to promote retirement security consistent with the NAIC's continuing "Retirement Security Initiative."

NAIC Support Staff: Jennifer R. Cook/Jolie H. Matthews

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Draft: 11/19/20

Accelerated Underwriting (A) Working Group  
Virtual Meeting  
November 17, 2020

The Accelerated Underwriting (A) Working Group of the Life Insurance and Annuities (A) Committee met Nov. 17, 2020. The following Working Group members participated: Robert H. Muriel, Chair, (IL); Grace Arnold, Vice Chair (MN); Jason Lapham (CO); Russ Gibson (IA); Rich Piazza (LA); Cynthia Amann (MO); Ross Hartley (ND); Rhonda Ahrens and Laura Arp (NE); Lori Barron (OH); Elizabeth Kelleher (RI); Lichiou Lee (WA); and Mark Afable (WI). Also participating were: Steve Ostlund (AL); Vanessa Darrah (AZ); Perry Kupferman (CA); Andrew Greenhalgh (CT); Karl Knable (IN); Brenda Johnson (KS); Nour Benchaaboun (MD); Karen McCallister (NH); Mona Bhalla (NY); and Tomasz Serbinowski (UT).

1. Adopted its Summer National Meeting Minutes

Commissioner Arnold made a motion, seconded by Commissioner Afable, to adopt the Working Group's July 31 minutes (*see NAIC Proceedings – Summer 2020, Life Insurance and Annuities (A) Committee, Attachment Two*). The motion passed unanimously.

2. Heard an Update on the Work of the Ad Hoc Liaison Group

Ms. Amann, Ad Hoc Liaison Group chair, said the members of the Ad Hoc Liaison Group are Illinois, Nebraska, Rhode Island and Washington, and the interested state insurance regulators who participate are Idaho, Indiana, Kansas and Minnesota.

Ms. Amann said the Ad Hoc Liaison Group discussed how it can provide information to the Ad Hoc Drafting Group. Each group member volunteered to keep track of an NAIC group and update the information in the regulator-only collaboration space. She said the Ad Hoc Liaison Group developed a catalog of the presentations made to the Working Group to date. She said the catalog will provide a good reference point, and that Artificial Intelligence (AI) Principles, in particular, will be useful. She said a request was made to the NAIC Research Division to search NAIC *Proceedings* for key search terms, and those will be summarized.

3. Heard an Update on the Work of the Ad Hoc Drafting Group

Commissioner Arnold said the members of the Ad Hoc Drafting Group are Connecticut, Colorado, Iowa, Illinois, Missouri, North Dakota and Wisconsin, and the interested state insurance regulators who participate are Nebraska, New Hampshire and New York.

Commissioner Arnold said the Ad Hoc Drafting Group discussed what kind of work product the Working Group should develop. She said the Ad Hoc Drafting Group discussed a number of topics to cover in the work product, including that: 1) the work product should convey key information from the presentations—information that would be helpful to state insurance regulators looking at accelerated underwriting programs; 2) the work product should highlight issues that state insurance regulators should be aware of, including consumer concerns; 3) the work product should acknowledge existing laws and identify any gaps; and 4) the work product should offer some guidance to state insurance regulators—not a model law, but key principles or possibly best practices. Commissioner Arnold said the Ad Hoc Drafting Group coalesced around the development of an educational report that explores accelerated underwriting in life insurance and offers guidance to state insurance regulators, industry, and consumer advocates and other stakeholders. She said the Ad Hoc Drafting Group developed a draft outline, which it has circulated to the Working Group.

Commissioner Arnold said if the Working Group agrees, the Ad Hoc Drafting Subgroup will continue to develop language to share with this group as it continues. She said any comments on the general direction or specific items that are missing from the outline could be sent to Jennifer Cook (jcook@naic.org) and David Torian (dtorian@naic.org). Director Muriel asked if there were any comments on the work of either the Ad Hoc Liaison Group or the Ad Hoc Drafting Group. He also asked if there were any other issues the Working Group would like to discuss. No comments were heard.

Having no further business, the Accelerated Underwriting (A) Working Group adjourned.

Draft: 11/2/20

Life Insurance Illustration Issues (A) Working Group  
Virtual Meeting  
July 24, 2020

The Life Insurance Illustration Issues (A) Working Group of the Life Insurance and Annuities (A) Committee met July 24, 2020. The following Working Group members participated: Richard Wicka, Chair (WI); Jodi Lerner (CA); Chris Struk (FL); Teresa Winer (GA); Bruce R. Ramge (NE); and Jana Jarrett (OH). Also participating were: Denise Lamy (NH); Sarah Neil (RI); John Carter (TX); James Young (VA); and David Hippen (WA).

1. Reviewed its Charge and Work Plan

Mr. Wicka reminded the Working Group of its charge 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 the *Life Insurance Disclosure 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.” He reminded the Working Group that it had initially decided to add a requirement for a policy overview document in both Model #580 and Model #582 to fulfill the Working Group’s charge. However, in September 2018, the Working Group agreed to simplify its approach by revising Model #580 to include the requirement of a policy overview document to accompany all life insurance policies for delivery with the *Life Insurance Buyer’s Guide* (Buyer’s Guide). This new approach eliminates the need for revisions to Model #582.

Mr. Wicka reminded the Working Group that the issue of timing for the delivery of the policy overview was an issue that the Working Group continues to discuss. He said that he consulted with Director Jillian Froment (OH) as chair of the Life Insurance and Annuities (A) Committee, and her suggestion was to develop alternate versions of revisions to Model #580, as well as Sample Policy Overview documents. He said one version maintains the delivery requirements set out in Model #582 that tie delivery of the policy overview to the delivery of the Buyer’s Guide, which under certain circumstances can be delivered as late as the time of delivery of the policy. The other version requires delivery of the policy overview at the time of application.

Mr. Wicka said the purpose of this meeting is to review the four documents that reflect these two versions, which had been distributed to the Working Group, interested state insurance regulators and interested parties and posted on the NAIC website. He explained that all the revisions that the Working Group made during its previous meetings have been included in both versions. The only difference is in the modifications to the drafts that have delivery at the time of application to reflect that the insurer would not have certain data before underwriting. He said where certain requirements conflicted with the new delivery requirements, he used language Section 5A(1) and Section 5A(2) in the *Annuity Disclosure Model Regulation* (#245), which is highlighted in the draft.

Mr. Wicka pointed out that the sample overview documents have not been formatted, but rather are simple Microsoft Word documents so that people can easily comment on the substance. However, because the Working Group’s charge contemplates improving the design and format of these documents to promote consumer readability, comments or suggestions on formatting are welcome. He said he is exposing the alternative term life sample overview documents for a public comment period ending Aug. 28. He said draft sample templates for whole life and universal life with alternative versions based on the delivery requirements will be exposed once comments have been received and incorporated into the term life sample templates. He said he hopes that the Working Group will be able to come to a consensus on the timing of delivery after reviewing and discussing the alternative drafts, but if that is not possible, the Life Insurance and Annuities (A) Committee will make a decision based on the alternative versions.

Ms. Lerner and Ms. Winer said the plan sounds good. Ms. Lerner said she has some language suggestions that she will submit to the Working Group. Birny Birnbaum (Center for Economic Justice—CEJ) asked what is delivered at the time of application in Model #245. Mr. Wicka said it is a summary disclosure document, similar to the policy overview. Patrick Reeder (American Council of Life Insurers—ACLI) said the ACLI believes an informed consumer is critical and very important to companies and the ACLI. He said the ACLI has three recommendations to include in the plan that Mr. Wicka outlined: 1) there needs to be consumer testing to ensure this form will enhance the customer’s experience (putting aside whether the existing process is lacking); 2) include adopting and enhancing electronic delivery in to streamline the process and take into account the way people want to receive their information; and 3) have a fulsome discussion about the about the buying process, backed by data,

to discern whether improvements are needed. Mr. Reeder said the ACLI still has concerns with layering another regulated disclosure on top of the illustration. He said that the description of the process is inaccurate and needs to explain that both medical and financial information will be collected during the application process. He said the ACLI also has concerns with the policy overview as drafted because it contains a lot of “yes or no” questions, and he said he is not sure this is an appropriate place for the binary questions.

Mr. Wicka agreed that consumer testing has been mentioned before and would be helpful. He said that although it is not something this Working Group can do, it would be able to include consumer testing in a recommendation to the Life Insurance and Annuities (A) Committee. Mr. Wicka pointed out that there seems to be a “chicken and the egg” tension with the recommendation that a review of the buying process needs to occur to determine if the policy overview is necessary and the recommendation that there needs to be consumer testing of the policy overview. In any event, both of these recommendations are beyond the scope of this Working Group, but he said he appreciates how this work affects these larger issues.

Mr. Birnbaum agreed that the Life Insurance and Annuities (A) Committee should address the recommendations that the ACLI forwarded. He said the CEJ always supports consumer testing and has already made a recommendation to the Committee to review illustrations. Ms. Lerner agreed that consumer testing would be very useful. Mr. Wicka asked for comments to be limited to the two alternative sample documents. He explained that any changes made to the samples will be incorporated into Model #580 and that a final comment period will be afforded once all the samples have been reviewed.

Having no further business, the Life Insurance Illustration Issues (A) Working Group adjourned.

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Draft: 4/22/20

Life Insurance Illustration Issues (A) Working Group  
Conference Call  
March 10, 2020

The Life Insurance Illustration Issues (A) Working Group of the Life Insurance and Annuities (A) Committee met via conference call March 10, 2020. The following Working Group members participated: Richard Wicka, Chair (WI); Chris Struk (FL); Teresa Winer (GA); Mike Yanacheak (IA); Jana Jarrett (OH); Brian Hoffmeister (TN); and Doug Danzeiser and Phil Reyna (TX). Also participating were: Brenda Johnson and Tate Flott (KS); Camille Anderson-Weddle and Marjorie Thompson (MO); Denise Lamy (NH); Jeffrey Rohaly (PA); James Young (VA); and David Hippen (WA).

1. Reviewed its Charge and Work Plan

Mr. Wicka reminded the Working Group of its charge 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 the *Life Insurance Disclosure 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.” He reminded the Working Group that it had initially decided to add a requirement for a policy overview document in both Model #580 and Model #582 to fulfill the Working Group’s charge. However, in September 2018, the Working Group agreed to simplify its approach by revising Model #580 to include the requirement of a policy overview document to accompany all life insurance policies for delivery with the *Life Insurance Buyer’s Guide* (Buyer’s Guide). This new approach eliminates the need for revisions to Model #582.

Mr. Wicka reminded the Working Group that the issue of timing for the delivery of the policy overview remains an outstanding issue. The first option is to continue the delivery requirements set out in Model #582 that tie delivery of the policy overview to the delivery of the Buyer’s Guide, which under certain circumstances can be delivered as late as the time of delivery of the policy. The other option is to require delivery of the policy overview at the time of application.

On the Working Group’s last call, there was agreement to ask the Life Insurance and Annuities (A) Committee to provide guidance to the Working Group on the issue of timing for the delivery of the policy overview. Mr. Wicka said he spoke with Director Jillian Froment (OH), chair of the Committee, who said she would prefer that the Working Group find consensus on the issue. However, if that is not possible, she asked that the Working Group develop alternative drafts to submit to the Committee for a later decision. Mr. Wicka said he will distribute two versions for the Working Group to discuss. He said there will be additional modifications to the draft that has delivery at the time of application to reflect that the insurer would not have certain data before underwriting. He said he will also develop draft sample templates for Whole Life and Universal Life and alternative versions based on the delivery requirements. He said he hoped that the Working Group would be able to come to a consensus on the timing of delivery after discussing the alternative drafts.

Mr. Wicka mentioned two outstanding issues for the Working Group to discuss. The first issue involves a sample table of surrender fees developed by Jodi Lerner (CA) to include in the policy overview document. The second issue is whether the Working Group wants to recommend that the sample policy overview documents go through consumer testing. Mr. Wicka said he hoped to have recommendations for the Life Insurance and Annuities (A) Committee by the Summer National Meeting. Michael Lovendusky (American Council of Life Insurers—ACLI) stressed the importance of providing sufficient time for comment. Mr. Wicka assured Mr. Lovendusky that there would be plenty of time given for comments.

Having no further business, the Life Insurance Illustration Issues (A) Working Group adjourned.

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Draft: 11/18/20

Life Insurance Online Guide (A) Working Group  
Virtual Meeting  
October 20, 2020

The Life Insurance Online Guide (A) Working Group of the Life Insurance and Annuities (A) Committee met Oct. 20, 2020. The following Working Group members participated: Sarah Neil, Chair (RI); Jason Lapham (CO); John Robinson (MN); Laura Arp (NE); Jeffrey Rohaly (PA); Christine Menard-O'Neil (VT); and Susan Campbell (WA).

1. Reviewed its Work Plan for the Online Guide

Ms. Neil explained the origins of the Working Group. She said the Working group is an outgrowth of the Buyer's Guide (A) Working Group that developed a short guide focusing on information for first-time life insurance purchasers. The Buyer's Guide (A) Working Group realized that there was a lot of detailed information about life insurance that consumers might want to know about, and it agreed that an online guide might be a good way to get that information to consumers. Once the Buyer's Guide was finished, the Life Insurance Online Guide (A) Working Group was created and received its charge to "develop an online resource on life insurance, including the evaluation of existing content on the NAIC website, to be published digitally for the benefit of the public."

Ms. Neil said the Working Group has struggled with how to structure an online guide and how that coordinates with developing language. The Working Group drafted language in the past, but it still ran into issues with the format of the online guide. At the Summer National Meeting, Director Jillian Froment (OH), then chair of the Life Insurance and Annuities (A) Committee, provided guidance to the Working Group. She said the Working Group should focus on the content for the online guide and leverage the expertise of the NAIC Communications Division to develop the format and function of it.

Ms. Neil said consequently, she would like for the focus of the meeting to be on the part of the charge that has the Working Group evaluating existing content on the website. She said she would like for the Working Group to review the information currently on the website before deciding what to add. She said Laura Kane (NAIC), the Director of the Communications Division, is going to discuss the content on the website and explain some of changes that are underway. Ms. Neil said the Buyer's Guide is narrowly tailored to first time buyers, but the audience of the online guide could be broader. Birny Birnbaum (Center for Economic Justice—CEJ) said it is his understanding that the online guide would go beyond the limited information in the Buyer's Guide about how to buy a product. He said the online guide is intended to include information about life insurance products and how to use and understand a product once it is bought. Michael Lovendusky (American Council of Life Insurers—ACLI) suggested starting with the Buyer's Guide as a first page of an online guide and building out additional information from there, perhaps using hyperlinks to additional information about the types of policies.

Ms. Kane explained that the NAIC website is undergoing a rebranding and overall revamping. She said the consumer pages are being evaluated as well. She said material that was formally part of InsureU is being migrated over to the new website. She explained that the NAIC is looking forward to feedback from subject matter experts (SMEs) like this group to inform decisions about what information needs to be included. She said if the Working Group provides content, the NAIC will work to bring the grade level down. She said a great thing about an online guide is the ability to link to definitions of terms like "beneficiary" or "deductible" that may be necessary to include. She said if the Working Group provides some content, she would work with her team and outside consultants to develop some options of layouts and formats to present to the Working Group. She said the information on the website is very basic right now and generally comes from the information in the Buyer's Guide.

Mr. Birnbaum said life insurance has really changed over the past 30 years, and there are many more complex product types than there used to be. He said it is important that the online guide helps consumers sort through all the information. He suggested that a decision tree approach would guide consumers through the information to find what they are looking for quickly and meaningfully. Jerry Nevins (NAIC) said the NAIC is exploring the use of chatbots. He said chatbots can analyze a document and answer questions posed in natural language. He said a decision tree could be built into that, but it would be different from an online guide. He said chatbots can either point people to a document for an answer or take language from a document to directly provide an answer. Mr. Robinson said things get complicated because content is inextricably linked to format. He said the chatbot will have to be programmed to only answer certain questions due to the complexity of life insurance products. He said it could provide useful information to consumers, but it would not be a manual on life insurance.

Ms. Kane suggested focusing on developing the content the consumer needs to know and coming up with some options. The chatbot discussions can happen later. Mr. Birnbaum asked if Ms. Kane knows how often this information is being accessed on the NAIC website. Ms. Kane said she would provide this data to the Working Group. Ms. Neil asked the Working Group to review the life insurance content on the NAIC website and decide whether there should be additional information added. She said the Working Group can discuss any observations on its next call.

Having no further business, the Life Insurance Online Guide (A) Working Group adjourned.

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Draft: 3/4/20

Life Insurance Online Guide (A) Working Group  
Conference Call  
February 24, 2020

The Life Insurance Online Guide (A) Working Group of the Life Insurance and Annuities (A) Committee met via conference call Feb. 24, 2020. The following Working Group members participated: Sarah Neil, Chair (RI); Teresa Winer (GA); Bob Harkins (NE); Jana Jarrett (OH); and David Buono (PA). Also participating were: Perry Kupferman (CA); Camille Andersen-Weddle (MO); and Phil Reyna (TX).

1. Reviewed its Work Plan for the Online Guide

Ms. Neil reminded the Working Group that it had last met July 24, 2019. She explained that the Working Group had agreed to focus on drafting language rather than debating the layout or look of an online guide. She said that the NAIC is in the process of revamping the entire website, including the consumer sections of the website, which provides the Working Group with an opportunity to work with the NAIC Communications division on the look and functionality of the online guide.

The Working Group discussed how it came to receive its charge to “develop an online resource on life insurance, including the evaluation of existing content on the NAIC website, to be published digitally for the benefit of the public.” Birny Birnbaum (Center for Economic Justice—CEJ) said his recollection was that the written *Life Insurance Buyer’s Guide* (Buyer’s Guide) needed to be updated, and the Working Group at that time talked about expanding the Buyer’s Guide to help consumers navigate the complexities of life insurance. Ultimately, the Working Group at that time decided it made sense to develop a simplified written Buyer’s Guide. That Working Group also agreed that in light of the advances in technology and the potential for conveying large amounts of information more simply in an electronic format, it made sense for an online guide to be developed after the written Buyer’s Guide was completed to provide consumers with more detailed information.

Ms. Neil said she agreed that the original intent was for the online guide to supplement the information in the Buyer’s Guide. She said that this is the reason behind the draft outline that was distributed to Working Group members, interested state insurance regulators and interested parties and was posted on the Working Group’s web page in preparation for today’s conference call. She explained that she outlined the current Buyer’s Guide and then added in the terms and topics from the draft language discussed by the Working Group last July.

Ms. Winer asked whether there was a reason that the old website tools, like InsureU, were being abandoned and were there lessons that the Working Group could learn from. Jennifer Cook (NAIC) explained that the removal of InsureU from the NAIC website is part of a larger rebranding and overall revamping of the NAIC website. Ms. Neil said that was her understanding as well. Ms. Winer asked whether there were existing resources developed by other groups that the NAIC could use to convey this information. Brenda J. Cude (University of Georgia) said that, in her view, it is very important that the information come from the NAIC as an unbiased resource for consumers. Ms. Neil said that based on the Working Group’s charge, it needs to develop an NAIC online guide that will be integrated into the NAIC website. Ms. Neil said that she and Ms. Cook have been talking with Laura Kane, who is the NAIC Communications Director. Ms. Kane has participated in earlier Working Group conference calls and has agreed to help the Working Group fulfil its charge to develop an online resource on life insurance in the context of the overall NAIC website. Ms. Neil said she would like to focus on developing language in order to have material for the NAIC Communications team to use to provide the Working Group with some examples of possible layouts and formats. Mr. Birnbaum said he would like to revisit his earlier suggestion for a decision-tree organizational structure for the online guide.

The Working Group agreed to meet again via conference call the week of March 8. In preparation for that conference call, Ms. Neil asked for comments on the draft language from July 24, 2019. She also asked for comments on the draft outline with respect to any missing topics or organizational suggestions.

Having no further business, the Life Insurance Online Guide (A) Working Group adjourned.

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