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December 14, 2017

Ms. Mary Mealer
Chair, Life Insurance Buyer's Guide (A) Working Group
National Association of Insurance Commissioners
Via email: Jennifer Cook (jcook@naic.org)

Re: Comments on the "10 Things You Should Know Before Purchasing Life Insurance"
Exposure Draft

Dear Ms. Mealer,

On behalf of the Non-Guaranteed Elements Work Group of the American Academy of Actuaries,¹ I want to thank you for the opportunity to discuss our comments on the Nov. 20 call. After reviewing the "10 Things You Should Know Before Purchasing Life Insurance," we agree with the suggestion made during that call to add a short description of life insurance and its uses. We recommend adding the following language to Section 1 to accomplish this objective:

1. Review Your Insurance Needs

Life insurance pays a death benefit if you die while the policy is in effect, in exchange for premiums you pay prior to your death. The death benefit can be used to protect against financial hardships such as loss of your income, funeral expenses, medical or nursing care expenses, debt repayments, and child care costs. Talk to an insurance agent. He or she can help you evaluate your insurance needs and give you information about available policies.

We also recommend the following edits to Sections 2 and 9 to improve clarity:

2. Decide How Much Coverage You Need

How much of the family income do you provide? Does anyone else depend on you financially? How will your family pay final expenses and repay debts after your death? The answers to these questions can help you decide how much coverage you need and how long you need it. ~~Based on the answers to these questions, decide how much coverage you need, for how long and what you can afford to pay.~~ Keeping in mind what you can afford to pay, ~~Y~~ou want to make sure that you buy enough life insurance to cover the financial effects of an unexpected or untimely death.

¹ The American Academy of Actuaries is a 19,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

9. Read Your Policy Carefully

Do premiums or benefits vary from year to year? How much do the benefits build up in the policy? What part of the premiums or benefits is not guaranteed? ~~What is the effect of interest on money paid and received at different times on the policy?~~ How will the timing of money paid and received affect interest earned in the policy? These are all questions that you should be able to answer by reading your policy thoroughly. Your agent can help you understand things that are unclear.

We hope these comments are helpful, and look forward to continue supporting the NAIC Life Buyer's Guide working group's efforts. Please contact Ian Trepanier, the Academy's life policy analyst (trepanier@actuary.org; 202-785-7880), if you have any questions.

Sincerely,

Gabe Schiminovich, MAAA, FSA
Chairperson, Non-Guaranteed Elements Work Group
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