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November 15, 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](mailto:jcook@naic.org))

Re: Life Insurance Buyer's Guide Q&A Draft 8/1/17

Dear Ms. Mealer,

The Non-Guaranteed Elements Work Group of the American Academy of Actuaries<sup>1</sup> appreciates the opportunity to discuss our comments from the Nov. 6 call. We support the efforts of the Life Insurance Buyer's Guide Working Group to develop a guide that is helpful for consumers, and we understand the challenge of finding the right balance of simplicity and completeness.

After the call, we reviewed the information on the NAIC's "Insure U" website. We believe the document titled "10 Things You Should Know Before Purchasing Life Insurance" could be effective as a short buyer's guide. The document provides a great overview of life insurance considerations, and sections 5 and 9 contain easy-to-understand descriptions of nonguaranteed elements. The one-page document is succinct but includes enough detail to prompt consumers to ask for more information on topics that apply to their individual circumstances.

In contrast, we believe the five-page Buyer's Guide Q&A Draft contains a level of detail that could create confusion—consumers could perceive the document to be complete even though important details are missing. Please consider the following examples:

- *"Term insurance premiums are usually lower than permanent life's."* While this is likely true during the level term period, term insurance premiums can be higher than permanent life premiums after the term period, so the comparison is incomplete.
- *"If you cancel a whole life policy, you can get the cash value."* This is only true if the policyholder has been paying sufficient premiums and the cash value is greater than zero. In that event, the statement is true for all types of cash value insurance, not just whole life.
- *"Universal Life: This type of permanent policy offers some flexibility with premium payments."* While it is true these policies offer some flexibility, there are circumstances

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<sup>1</sup> 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.

out of the policyholder's control, such as decreasing interest credits or increasing policy charges, where additional premium payments may be required to keep the policy in force. Universal life also allows for flexibility in policy benefits, not just premium payments.

- *"It's important that you tell the truth on your application. Your answers will be checked."* Even worse, if misstatements are missed during the application process but are discovered later, the insurance coverage could be reduced or canceled.

Please note that we are not recommending the addition of this information to the short buyer's guide; rather, these examples highlight the complexities that arise when a certain level of detail is provided. For the short buyer's guide, we would recommend the high-level approach used in "10 Things You Should Know Before Purchasing Life Insurance." More comprehensive detail could then be included in the longer, interactive buyer's guide online.

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We hope these comments are helpful and would be happy to provide additional, specific comments for the current Buyer's Guide Q&A Draft exposure. Please contact Ian Trepanier, the Academy's life policy analyst ([trepanier@actuary.org](mailto:trepanier@actuary.org); 202-785-7880), if you have any questions.

Sincerely,

Gabe Schiminovich, MAAA, FSA  
Chairperson, Non-Guaranteed Elements Work Group  
American Academy of Actuaries