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October 19, 2017

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

Re: Life Insurance Buyer's Guide Short Guide Discussion Draft from the July 31, 2017,  
Conference Call ("Discussion Draft")

Dear Ms. Mealer,

The Non-Guaranteed Elements Work Group of the American Academy of Actuaries<sup>1</sup> is exploring ways to help improve consumers' understanding of the benefits and risks associated with the non-guaranteed elements (NGEs) found in life insurance and annuity products.

The NAIC Life Insurance Buyer's Guide is an important, comprehensive resource for consumer education. We have reviewed the discussion draft and note there is no discussion of NGEs in the draft. We believe consumers would benefit from the inclusion of a discussion of NGEs in the buyer's guide, and think the following points would be helpful:

- NGEs such as indeterminate premiums, cost of insurance charges, expense charges, policyholder dividends, interest rates, and indexed interest crediting parameters are common features found in many life insurance products.
- Products with NGEs offer protection at potentially lower costs or higher benefits than products with fixed (i.e., fully guaranteed) costs and benefits.
- Products with NGEs have the risk that costs could increase or benefits could decrease, subject to guaranteed limits stated in the policy.
- Illustrations, if available during the purchasing process, can be useful tools to help consumers understand a range of possible product performance outcomes.

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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.

- Because NGEs are likely to change, the ongoing performance of products with NGEs should be reviewed periodically after purchase to assess the impact of any NGE changes and consider actions that policyholders may wish to take (e.g., adjust premium payments or death benefits). This may include reviewing any annual statements or company correspondence and requesting updated illustrations.

To the extent that the buyer's guide describes the basic types of life insurance products, we believe a discussion of NGEs should be included to ensure the product descriptions disclose the existence and potential impact of NGEs.

Additionally, while not specific to NGEs, our work group also identified the following items for your consideration:

- The buyer's guide could benefit from expanded discussion of the underwriting process after application, such as medical requirements, telephone interviews, and policy delivery timeframes.
- The draft makes several references to taxes in the section about the advantages of life insurance. Due to the variety of individual circumstances, we note that statements about taxes should be worded with care to avoid confusion and recommend adding a suggestion that the consumer may wish to consult with a tax adviser.

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We hope these comments are helpful, and would be happy to suggest language for the buyer's guide if the NAIC working group would find that helpful. Should you have questions regarding these suggestions, please contact Ian Trepanier, the Academy's life policy analyst, at [trepanier@actuary.org](mailto:trepanier@actuary.org).

Sincerely,

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