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August 31, 2018

Mr. Richard Wicka
Chair, Life Insurance Illustration Issues (A) Working Group
National Association of Insurance Commissioners
Via email: Jennifer Cook (JCook@naic.org)

Dear Mr. Wicka,

The Life Illustrations Work Group of the American Academy of Actuaries¹ would like to thank the National Association of Insurance Commissioners' Life Insurance Illustration Issues (A) Working Group for its work to help consumers better understand illustrations provided on life insurance products. This letter re-emphasizes many concerns from our letter to the working group dated April 30, 2018.

While we understand the concern regarding the length of some current illustrations, the information is needed in order to present a complete document that shows how all the elements of a policy interact. Showing components in isolation to consumers and potential consumers who may not have a full understanding of how they work and react together will not help them compare different products, may be misleading, and may inhibit better buying decisions. The information displayed in the proposed cover document seems redundant with the information within the illustration. We have concerns about content and length of information requested, which will be difficult to display in the desired “no more than two pages.”

In reviewing the draft changes to Model #582, the work group would like to provide the following comments for consideration:

1. We have concerns that this summary will be used as a stand-alone comparison tool and may lead readers to disregard the full illustration, rather than enhance readers' understanding. Also, the summary by itself is not a complete illustration as required by Model #582. Showing selected nonguaranteed elements for more than one year in this summary may lead consumers to think it is a complete illustration.
2. Clarification is needed on whether the rates and values being requested are based upon the illustrated scale or guaranteed scale. For example, under Section B.1.e.vii, are the accumulated values guaranteed, nonguaranteed, or both across the products?
3. Section B.1.e.iv—Clarification is needed regarding the level of detail needed for costs of riders. Some companies have many riders available. Rider premiums/monthly charges are often not a level amount for all years. The combination of all riders and

¹ The American Academy of Actuaries is a 19,500-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.

- all costs will greatly increase the length of the summary. For example, a potential insured age 30 could end up with 90 rates per coverage when rates vary by attained age. A company with four riders on a universal life policy would have to show 360 (90 x 4) values. If there are current and guarantee rates to be shown, this again increases the number of rates displayed and length of the summary.
4. Clarification is needed that the summary will only be required for the basic illustration and not required for any supplemental illustrations.
 5. Section B.1.c.iv—Waiver of premium is available for most products as a rider. Calling out waiver of premium and costs in B.1.c.iv may be redundant with B.1.e.iv covering all available riders and costs. If waiver of premium is covered in B.1.c.iv, should it be repeated or excluded from B.1.e.iv?
 6. Section B.1.b.iv—Clarification is needed on the level of detail associated with “description of any health factors used in underwriting.” This may be quite lengthy for products other than guaranteed issue.
 7. Section B.1.c.ii—Clarification is needed on the level of detail needed to describe “how premium and other costs will be determined after the first year.”
 8. Section B.1.f seems to indicate the cover document may be provided without the full narrative summary. Section B.1.b.v requires a citation of the page (of the full illustration) where the risk class is located in the narrative summary. This would create a reference to a page not provided and may cause confusion to the consumer.
 9. Section B.1 indicates a “sample overview that meets the requirements of this Section is provided in Form –.” It would be helpful to see this sample document, as it may elicit the need to provide commentary once that sample has been made public.

If the intent of this summary is to be kept short per Section B.1 and be of no more than two pages, it could be structured more as a guide to the illustration. This guide would help the consumer find information already available in the illustration, and explain what it means and why it matters. Any information not in the illustration, such as the possible description of the physical exam required, would stay in the narrative summary document.

We appreciate the efforts of the working group to address issues related to Model #582. If you have any questions or would like to dialogue on the above topics, please contact Ian Trepanier (trepanier@actuary.org), life policy analyst at the Academy.

Thank you for your consideration.

Donna Megregian, MAAA, FSA
Chairperson, Life Illustrations Work Group
American Academy of Actuaries