



**J. Bruce Ferguson**  
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Jolie H. Matthews  
Senior Health and Life Policy Counsel  
National Association of Insurance Commissioners  
Executive Headquarters  
Hall of the States Building, Suite 700  
444 North Capitol Street NW  
Washington, DC 20001-1512

Re: Life Insurance Policy Illustrations

Dear Ms. Matthews,

These comments are submitted on behalf of the American Council of Life Insurers (ACLI), a national trade association whose approximately 300 member life insurers account for 88 percent of the individual and group life insurance written in the United States.

ACLI appreciates the opportunity to provide our members' views as the NAIC Life Insurance and Annuities (A) Committee considers issues that might be addressed by a proposed new working group on life insurance policy illustrations. This is a matter of significant interest to ACLI members, given the nearly \$18 trillion of individual and group life insurance protection they provide in the United States.

Life insurance policy illustrations contain important and useful information to consumers so they can make informed decisions about the policy they are considering. The NAIC Life Insurance Illustrations Model Regulation was designed to make sure illustrations represent an accurate depiction of the policy and its benefits, foster consumer education and make illustrations more understandable.

The drafters of the Model Regulation did an exceptionally good job establishing standards and setting expectations for illustrations, while recognizing the need for some flexibility given the various types of life insurance policies impacted. However, in the 20 years since the Model Regulation was adopted by the NAIC, significant changes have occurred in the marketplace, including the demographics of consumers who buy life insurance, the product designs developed to meet the changing needs of consumers, and the technology consumers use to obtain information about life insurance products.

As outlined below, now may be an opportune time for the NAIC to work with stakeholders to explore ways in which the simplicity and transparency of the life insurance policy illustration narrative summary can be enhanced.

Section 7B of the NAIC Model Regulation requires basic illustrations to begin with a narrative summary, followed by a more detailed, numeric summary (section 7C). The narrative summary is required to include the following:

- A brief description of the policy being illustrated, including a statement that it is a life insurance policy;
- A brief description of the premium outlay or contract premium for the policy;
- A brief description of any policy features, riders or options, guaranteed or non-guaranteed, shown in the basic illustration and the impact they may have on the benefits and values of the policy;
- Identification and brief definition of column headings and key terms used in the illustration;
- A prescribed statement that the results of non-guaranteed elements illustrated may be more or less favorable than those shown. (See Model for precise language.)

While these basic requirements are still very much relevant today, the manner in which the narrative summary is worded and formatted may need a fresh look. As the purpose section of the Model Regulation indicates, the language used in the illustration is intended to be “understood by a typical person within the segment of the public to which the illustration is directed.”

ACLI agrees with suggestions made by NAIC-funded consumer representatives at the Chicago NAIC meeting that the involvement of consumer disclosure experts in considering potential enhancements to the narrative summary would be helpful. Additionally, focus group testing with individuals of varying income and educational levels may provide important insights into the overall effectiveness of the enhanced narrative summary. If successful, the NAIC might consider incorporating the work product from this initiative into a guideline that would accompany the NAIC Model Regulation.

In summary, ACLI recommends that if the NAIC decides to create a new working group to look into life insurance illustration issues, it should focus its efforts on working with consumer groups and industry experts to simplify and enhance the transparency of the illustration narrative summary required by Section 7B of the NAIC Model Regulation.

Thank you for the opportunity to provide our comments, and we look forward to working with the NAIC on this important issue.

Very truly yours,



J. Bruce Ferguson

cc: Julie Mix McPeak, Chair, NAIC Life Insurance and Annuities (A) Committee