



**Comments of the Center or Economic Justice**

**To the NAIC Life Insurance Buyer's Guide Working Group**

**February 17, 2017**

The Center for Economic Justice offers the following comments to guide the revision of the Life Insurance Buyer's Guide.

1. Life insurance products have become far more varied and, in most cases, far more complicated over the past 20 year. Consequently, the amount of information needed just to describe life insurance products is large – too large to simply give to consumers with the expectation that consumers will be able to organize and find the relevant information. Insights from behavioral economics suggest organizing information to facilitate consumer understanding and use – to nudge consumers as needed.
2. Consumers increasingly and predominantly obtain information through electronic means – computers and mobile devices to access web-based information. The use of mobile devices to access information will continue to grow.
3. Following on the first two points, while framing consumer information as question and answers about life insurance products is necessary and an improvement over a lengthy brochure, such q and a is not sufficient in a buyer's guide. Given the increased complexity and number of life insurance options, a buyer's guide needs to actually guide a consumer through the decision making process.
4. Based on the above, we suggest the buyer's guide include a brief opening describing the three key purposes of life insurance: to provide income replacement in the event of death; to provide a death benefit and serve as an investment and to provide a death benefit and for long-term or terminal care. The buyer's guide should then include a decision tree / set of questions to guide the consumer to the relevant life insurance product category.

5. After the consumer identifies the relevant product category from the decision tree tool in the buyer's guide, additional decision trees within each category should be developed to guide a consumer to specific products. The questions and answers will complement these product category decision trees. If the electronic buyer's guide is structured in this manner, then the buyer's guide can serve all sorts of consumers in different stages of the purchase process. For consumers embarking on the purchase process, this type of buyer's guide will organize information and provide a decision-making framework. For consumers in the middle of the purchase process, this type of buyer's guide will facilitate identification of specific information (through the questions and answers) via web searches.
6. The buyer's guide should highlight and emphasize the downside and risks of particular products. For example, for term life, the buyer's guide should highlight that coverage ends if premium is not paid and that coverage is only guaranteed for the term of the insurance. For more complex products, the warnings will be more extensive, including, for example,
  - what product features are and are not guaranteed;
  - situations in which the premium may increase dramatically;
  - situations in which the investment part of the product will cease to cover the premium for the death benefit part of the product;
  - the costs of surrendering a product.

The goal should be to prevent the types of misunderstandings and complaints we have seen about, for example, consumers receiving large increases in premiums due increased cost of insurance components of universal life products or receiving unexpected demands for additional contributions.

7. In the sections on investment-type and long-term care-type life insurance products, the buyer's guide should also emphasize the need for consumers to ask the insurer or producer if he or she adheres to a fiduciary standard, to ask about the producer compensation structure for products being offered and to ask about all fees – explicit and implicit – associated with the product. Again, the goal is to empower the consumer to demand complete transparency in the purchase process to avoid disputes after the purchase.
8. Some of the expertise needed to craft a modern buyer's guide is beyond the expertise of regulators. Consequently, the working group should consider seeking assistance from subject matter experts – i.e., experts in consumer decision-making and framing information for decision-making.