

The Center For Economic Justice

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J. Robert Wooley

Chair, Class Small Face Amount Life Insurance Working Group

Dear Commissioner Wooley:

We write to express our concern over the failure of the Small Face Working Group to carry out its charge over the past two years and to urge you, as the new leader of the working group, to help the NAIC make the case for state insurance regulation by demonstrating that the working group can quickly and effectively identify and respond to significant and long-standing problems in the small face life insurance market. The working group's charge for this and the past few years is:

Complete a regulatory analysis of the small face amount (less than \$15,000 face value) life insurance business, in all its various distribution forms, with an emphasis in this analysis on the overriding goal of fair policyholder treatment, not only in terms of market conduct, such as appropriate disclosures and sales of multiple policies, but also addressing the issue of fair value for the premiums paid and any other related issues. Consider for all policies the obligation of insurers to find multiple policies on one person when a claim has been filed.

To faithfully implement these charges, we ask the working group to carry out the following activities this year:

- ☐ Build on the Texas study to develop a more detailed, independent and verifiable analysis of the reasonableness of premium charges in relation to benefits for small face policies in aggregate and for specific groups and classes of consumers.
- ☐ Identify the characteristics of the small face market that prevent market forces (e.g., "competition" alone) from empowering and protecting consumers. Develop regulatory responses to address these market failures.
- ☐ Develop a model law to address documented problems in the small face market including a limitation of premium in relation to face value, a minimum aggregate standard for benefits in relation to premium by class of product, protections for consumers from the sale/purchase of multiple policies when alternatives could or should be available, performance standards for insurers in identifying multiple policies upon a beneficiary's death, and reporting of basic premium, exposure, claim and expense experience.

- To address the last point, develop a recommendation for the Blanks committee to update the Annual Statement by replacing the industrial life portions of the Statement with a clearly defined small face life category.

We believe the reasonableness and necessity of these tasks is obvious, but we are happy to discuss them with the working group.

In closing, we have been frustrated in the past by the working group's reliance on anecdotes and unsubstantiated assertions by both industry and certain regulators. The Texas study, hopefully, represents the start of a process by the working group that relies upon the acquisition, analysis and public comment on verifiable information.

Thanks you for your consideration.

Sincerely,

Birny Birnbaum
Executive Director