

ATTACHMENT THREE

Product Development (A) Task Force
 Wilmington, Delaware
 September 11, 1989

The Product Development (A) Task Force met in the Hoornkill Room at the Radisson Hotel in Wilmington, Del., at 1 p.m. on Sept. 11, 1989. A quorum was present and Robert D. Haase (Wis.) chaired the meeting. The following task force members or their representatives were present: Theodore "Ted" Kulongoski, Vice Chair (Ore.); Roxani Gillespie, (Calif.); John E. Washburn (Ill.); William D. Hager (Iowa); and A. W. Pogue (Texas).

1. Report of Consumer Disclosure Issues Working Group

The Consumer Disclosure Issues (A) Working Group met on Sept. 11, 1989, at the Radisson Hotel in Wilmington, Del. David Lyons (Iowa) chaired the meeting and discussed the Universal Life Disclosure Form test market results prepared by Life Insurance Marketing and Research Association. Based on those results, the Consumer Disclosure Issues Working Group is recommending that, after a seven-day comment period for industry input, the NAIC/SSO staff redraft the disclosure form within 30 days and distribute it to the working group and the advisory group. A 14-day comment period will be allowed, and upon receipt of those comments, a report will be made to the Product Development (A) Task Force with a final version of the disclosure forms attached. Mr. Lyons stated that by following this timeframe we would have an amended draft ready for adoption in December. Mr. Lyons further reported that John Hurley, chair of the advisory committee, had indicated industry's willingness to respond within the recommended time frame. Upon motion duly made and seconded, the minutes of the Consumer Issues Disclosure Issues Working Group meeting of Sept. 11, 1989 were adopted (Attachment Three-B).

Mr. Lyons further requested that the Task Force formally receive the test market results prepared by LIMRA as well as a cover letter prepared by Commissioner William Hager (Iowa) outlining the issues still before the working group. Upon motion duly made and seconded, the formal LIMRA report and Commissioner Hager's letter were received (Attachment Three-A).

Having no further business the Task Force adjourned at 1:15 p.m.

ATTACHMENT THREE-A

State of Iowa
 Insurance Division
 Iowa Department of Commerce
 Lucas Building
 Des Moines, Iowa 50319

To: Product Development (A) Task Force—Chairman Robert Haase, Wisconsin
 From: Bill Hager, Chair, Consumer Disclosure Issues Working Group
 Date: September 11, 1989
 Re: Consumer Disclosure Issues Working Group

1. For the past several months this working group and the Advisory Committee, chaired by John Hurley (Equitable Society), have been working on the Universal Life Disclosure Form attached.
2. At the June 1989 meeting in Cincinnati a consensus was reached on the form you have before you. It was also decided to have this form "test marketed" to determine its understandability by the consumer. Life Insurance Marketing and Research Association was commissioned to conduct this study, a copy of which is also attached to this report.
3. This study conducted by LIMRA shows that we need to have the form redeveloped by an expert within or outside the NAIC to increase understandability.
4. We have a good product that this study can help us make even better by incorporating the appropriate suggestions found in the test market survey.
5. Two recommendations to consider to complete this project and revise the form where needed would be:
 - A. Have an appropriate staff member at the NAIC in Kansas City redesign the form including the appropriate changes.
 - B. I have talked with Bob Baranoff at LIMRA and they would be willing to redesign the form to incorporate the changes described in the study and the fee for their service would be between \$2,000 and \$3,000.

State of Iowa
Insurance Division
Iowa Department of Commerce
Lucas Building
Des Moines, Iowa 50319

September 8, 1989

Mr. Robert Baranoff
Life Insurance Marketing and Research Association
P. O. Box 208
Hartford, CT 06141

Dear Mr. Baranoff:

I want to thank you for the excellent report you have prepared at our request. We find the results interesting and useful.

At the September NAIC meeting in Wilmington, Del., your findings will be discussed by our working group.

Depending upon the outcome of those discussions, we may be contacting you for additional assistance to complete this project.

Again, we appreciate your good work and expeditious preparation of this report for our consideration at the September NAIC meeting.

Sincerely,
William D. Hager
Insurance Commissioner

DECISION RESOURCES GROUP

Universal Life Disclosure Form
Focus Group Summary

Life Insurance Marketing and Research Association

RECOMMENDATIONS

Based on the four focus groups that were held to test the proposed universal life disclosure form, many changes would be required in order to make the form clearly understood by the average consumer. The specifics as to what the layman can and cannot understand on the form are too numerous for a separate listing here and are contained within the body of this report. The recommendations listed below, therefore, are of a more general nature, but capture the spirit and/or essence of what the focus group participants had to say.

1. For clarity sake, the form should be divided into individual sections that are labeled clearly with titles that reflect what is contained in that section. For example, a section entitled "How Your Premium Dollar Is Being Spent," or something of that nature, is far more descriptive than "Other Important Information About This Policy."
2. The first section of the form, or perhaps a cover page, should inform the applicant of the purpose of the form, i.e., why it is being sent to him or her in the first place.
3. There should be a glossary of terms included with the form, either up front or at the end of the form but with a note up front that the applicant will find a glossary at the back of the document. A reading of the body of this report will make evident which terms should be included in the glossary.
4. Since the focus group participants assumed that the form would be filled out by the insurance company's computer, they felt it would be very easy, and certainly desirable, for the form that the applicant received to be tailored to him or her. Several areas thus affected would be:
 - Rider information should be included on the form. Those riders that had been applied for should be listed and their cost reflected in the premium figures.
 - Any parts of the form that were not applicable to the particular applicant should be omitted from the form that that person received.
 - Wherever applicable, the form should refer to the policyowner's age rather than policy year. This would affect the charts, for example, but also the discussion of policy maturity and termination.

Product Development Task Force

5. A lot of misunderstanding revolved around the two charts and the explanatory notes on the top of the second page. In the section of the form that contains the charts, there should be an opening paragraph that explains that the two charts refer to the same policy; Chart A shows what the policy values would be if the company paid you the minimum interest rate allowed in your policy (4%), while Chart B shows your policy values if the company continues forever to pay the interest rate that it is currently paying (8.75%). The paragraph should further include a statement to the effect that your policy has a maturity age of 95, which means that if the insured person is still alive and the policy is still in force, the company will pay an amount equal to the death benefit even though the person is still living. If appropriate, the paragraph might add something like "The amount of premium you have elected to pay, \$300 per year, is however insufficient to keep the policy in force to age 95 at the guaranteed minimum interest rate of 4%; the policy would terminate at age 66. To be sure that the policy continues to age 95, even at the minimum interest rate of 4%, you would have to pay \$644.30 per year for the entire life of the policy."

This type of explanation would be far clearer to the average person and it is important that it just precede the two charts, preferably on the same page. Also, the charts should show all ages of the insured, in this case from 36 through 95, without any gaps (e.g., from 60 to 65 and from 65 to 95).

6. the section that shows the various charges (mortality, administrative, front end load, back end load, etc.) should be set up in such a fashion that the \$300 first year premium is broken down into its component parts. In other words, there should be a column of numbers shown that sums to \$300. Alternatively, the column of numbers could be made to sum to \$1.00, showing where each premium dollar is going.

7. Finally, some people feel that there is just too much detail on the form; other people, however, claim that the detail (e.g., what the various mortality and expense charges are, what the company would have to earn to support their current interest rate, etc.) is useful information and that they would like to see it. Therefore, the detail information should be included, but later on the form (as it is now) and clearly labeled as to what it is (as indicated above).

Once again, supporting documentation for these and other more detailed suggestions lies within the body of this report. It is strongly urged that the report be read in full.

Universal Life Disclosure Form Focus Group Summary INTRODUCTION

Objective of the Study

The objective of this study was to test a universal life policy disclosure form to see if the average consumer could understand it and to see if the layman found the information provided to be useful.

Methodology

In order to test the form, four focus groups were held on the evenings of Aug. 15 and 17, 1989, at LIMRA's focus group facility in Farmington, Conn. Each evening, one focus group was held from 5:30 to 7:30 p.m. and a second focus group was held from 7:45 to 9:45 p.m. Participants, each of whom was paid \$40 for his or her time and efforts, were pre-screened to insure that they were the financial decision maker or joint decision maker in their household, that no one in their household worked in the financial services or market research industries, and that they had purchased an individual life insurance policy within the last two years. When the attendees showed up for the focus groups, it was discovered that there were several minor exceptions to this last criterion: one person had simply added on to a group policy at work, a second had purchased mortgage insurance, and a third had purchased her policy three years ago rather than two. It was decided that input from these individuals would nonetheless be useful and they were allowed to participate.

While 12 people were recruited for each of the four focus groups with the expectation that 10 would show up, the participation rate was somewhat disappointing. The number of participants, as well as the characteristics of those in the focus groups, are shown below in Table 1.

<u>Focus Group</u>	<u>Sex</u>	<u>Age</u>	<u>Number of Participants</u>
1	Male	45 - 54	8
2	Male	25 - 44	9
3	Female	25 - 44	7
4	Male	25 - 44	5

While no occupation criteria were set in the screening process (other than the exclusions noted above), a reasonable cross-section of occupations were represented across the four groups. Participants ranged from tool makers to sales agents and managers, clerks to homemakers, teachers to small businessmen.

Each focus group session was divided into two parts. For the first 30 to 40 minutes, participants read through the disclosure form which, for ease of discussion purposes, was divided into seven sections (see appendix for copy of the form used). While reading through the form, the participants were asked to rate each of the seven sections on both understandability (5 = completely understandable, 1 = not at all understandable) and usefulness (5 = extremely useful, 1 = not at all useful). In addition, they were asked to note any problems they had in understanding the individual sections. In this way, we were able to obtain ratings based on their first impression.

During the remainder of the two hour session, the focus group moderator led the participants through a discussion of the individual sections of the form. The purpose of the discussion was, once again, to determine how easy it was for the laymen to understand what the disclosure form was telling them. In many cases, people who thought they had understood the form realized during the discussion that they had not understood it at all. That is, they thought they had understood it, but what they understood was not at all what was intended. These findings are the subject of the next section of this report.

FINDINGS

Overall

On an overall basis, many people found the disclosure form to be quite confusing, especially the second page. In at least two of the four focus groups, for example, a significant number of people (approximately half) thought that they had to choose between the policy illustrated in Chart A and the policy illustrated in Chart B. They didn't see how the different parts of the form related to each other and, when they tried to relate certain parts to others, that only served to increase their confusion. For example, the first section of the form indicates that the policy applied for is a flexible premium policy, but the charts illustrate what appears to the layman to be a "fixed" premium (i.e., a fixed premium was interpreted as being synonymous with a level premium). In addition, many people failed to see how the information on the top of page 2 related to the charts at all.

A great deal of the confusion seems to stem from a lack of understanding of how cash value insurance products work and a lack of understanding of insurance terminology. The lack of understanding of cash value products was evidenced by the fact that the majority of people could not understand why, in Chart A, if you continue to pay your premium, the benefit would run out before age 95 and why the surrender value declines after a certain point. As far as the lack of understanding of insurance terminology is concerned, several groups independently volunteered that a glossary of terms should be included with the disclosure form (although one group, the women, did not want a glossary but rather preferred that definitions be included where the terms were actually being used). Furthermore, it was strongly recommended that the form use words appropriate for a reading level that most people could understand (e.g., fifth or sixth grade reading level).

In addition, people assume that in this day of modern technology that the form would be printed out by a computer. Given this assumption, they would like to see the form tailored to the individual. Thus, the information on the form should reflect any riders they have applied for, the charts should show their specific age (rather than policy year) from now until policy maturity (without skipping any years), and all information that is not applicable to their situation should not be included on the form. They feel that this would provide more complete information in a clearer fashion, and is reasonable to expect in this day of modern computers.

Finally, as further evidence of the fact that the form is not clearly understood, the reader should consider the fact that insurance companies are provided with 11 pages of instructions on how to fill out the two page form. If it is not self-evident to the insurance company as to what is to be included, then why would you expect it be self-evident to the consumer?

As far as usefulness is concerned, when they understood what the information was supposed to be telling them, they generally felt that it was useful information to have. However, it should be noted that there was a high correlation between the ratings for usefulness and understandability. What they did not understand, they did not find useful.

Another significant factor regarding usefulness is the fact that there seem to be two distinct groups of people. Some people want the form to be kept as simple as possible. They don't care how the premium is broken down or what the company needs to earn in order to credit them with the current interest rate. They only want the basic facts ("Keep it simple, stupid"). Another significant group of people are more analytical in nature and do like getting all the detailed breakdowns. Perhaps the best way to accommodate both groups is to have the basic information up front and the more detailed information, clearly labeled as such, in a separate section at the end of the disclosure form.

Another suggestion regarding overall clarity of the form would be to divide the form into sections with clearly labeled titles. The first section of the form, by the way, should be a statement as to the purpose of the form; why is it being sent to the applicant to begin with? An example of the type of section heading that should be used is something like "How Your Premium Dollar Is Being Spent" instead of the current title "Other important Information About This Policy," which was seen as very vague and not at all helpful in communicating what that information was all about.

One further general comment is in order. Many consumers have a generally negative attitude toward insurance companies and think that insurance companies are making excessive profits at their expense. Thus, many people viewed Chart A as disclosing that the insurance company was ripping off the consumer; that is, if he paid his premium every year, his cash values would nonetheless decline after a certain point and he would be without protection after a certain point. (Indeed, one person noted that the policy values go down in the later years, just when you need them most!) Furthermore, they saw the explanation of charges on the second page as being "add-ons" in many cases, rather than as already being included in the premium. Once again, some people saw this as just another opportunity for the insurance company to rip them off.

Specific comments about each section of the disclosure form follow.

Section I

Understandability Rating - 4.4 out of a possible 5.0 (initial rating prior to discussion)

Usefulness Rating - 4.0

Section I was generally found to be understandable, although there were a few questionable items. To begin with, one of the focus groups felt that the applicant's name should be up at the top, along with some identifying material, such as date of birth, address, and/or social security number, to make sure that the form is being sent to the right person. More problematic, however, was the fact that the title of the form said universal life policy, but the policy name was given as "Ultimate Life 50+." It was not evident to many people that the policy name referred to the brand name of Farm Springs Insurance Company's universal life policy.

The form number was seen as confusing, primarily because the company used letters instead of a number. People then started to question what the letters "FOD" stood for and how many form numbers were appropriate to any particular policy type. Generally speaking, the form number meant nothing to consumers and serves no purpose for them, although a couple of people did recognize that it might be something you could refer back to if there were a question later on. In this case, however, they felt it would be more appropriate to have a unique reference number or case number rather than a simple form number.

Also confusing in Section I was the Joint Life Policy question. Many people did not know what a joint life policy was (something which could be taken care of by means of a glossary). And, by not knowing what a joint life policy was, their minds could only wonder at what the alternative might be, since "No" had been checked on this particular disclosure form. Also, one group indicated that if it were a joint life policy, they would want to see the names of all insureds listed.

Finally, almost nobody understood the difference between a flexible premium and fixed premium policy. As indicated previously, this confusion was enhanced by the fact that the charts showed a level premium which they interpreted as being a fixed premium. Once again, this needs to be made clear in a glossary of terms.

Section II

Understandability Rating - 4.5 Usefulness Rating - 4.2

Many people did not understand what was meant by "extra benefit riders." Some people felt that examples of riders might be appropriate to include, and this terminology would certainly be a good candidate for the glossary. They felt that the statement "Riders may affect your premium and cash values" was pretty scary when they did not understand what a rider was. Furthermore, they felt that if they were indeed applying for riders as well as the basic coverage, that the information should be reflected throughout the disclosure form. Some people felt that the disclosure form would not be terribly useful if it did not adequately reflect the coverage that they were indeed applying for.

Because they did not understand how the insurance product worked, one focus group had a problem with the fact that the Death Benefit Applied For and the Annual Premium had the words "first year" in front of them. Their perception, reinforced by a quick glance at the two charts below, was that the death benefit and the premium were constant every year. In addition, people felt that the amount of the premium payment and the frequency with which it is paid should be made clear in one simple statement, rather than the two lines in Section II. Also, a couple of people did not know what the abbreviation "N/A" meant. Again, if this form is being filled out by a computer, then there seems to be no reason why the selected premium and premium mode could not simply be indicated.

While the women had no problem with the risk classification information as it currently stands, the men certainly did have problems with it. One person, for example, questioned what it would mean if the "other" box had been checked. Others questioned what other types of risk classification might be relevant. A significant number of people wanted to see the additional information, so they could be sure that it was correct.

Section II was viewed as fairly useful information, especially so they could check to see that it accurately reflected what they wanted to purchase and the assumptions upon which the premium was being based. However, as indicated previously, the consensus seemed to be that it would only be useful if riders were included.

Section III and IV

Section III - Understandability Rating - 4.0 Usefulness Rating - 3.9

Section IV - Understandability Rating - 3.9 Usefulness Rating - 3.4

One of the major problems with Sections III (Chart A) and IV (Chart B) is that half the people did not understand the difference between Charts A and B, with a few of the men and about half of the women seeing the applicant as having a choice between two different policies. A number of the women saw Chart A as providing a policy analogous to a fixed rate mortgage while Chart B was more like a variable rate mortgage. Even those who understood the difference between the two tables emphasized the need to make the distinction far more clear.

A second major problem concerning Chart A stems from the fact that people do not understand how cash value life insurance works. Thus, focus group participants were clearly thrown by the fact that the surrender value declined after year 20 and by the fact that there was no death benefit at age 95, despite the fact that the annual premium was paid continuously. Furthermore, about half of the people assumed that the policy values shown at age 65 remained constant through age 94. For this reason, many people suggested that the charts be enlarged to include every year from the time the policy was purchased until maturity. Furthermore, instead of showing policy years 1 through 20 and then switching over to age of the insured, they would prefer to see the insured's age listed consistently from age 36 through age 95.

Just how to clarify Charts A and B was somewhat more problematic. To begin with, there was general agreement that all ages should be shown, as just mentioned. Beyond that, however, the suggestions vary greatly. One suggestion was to make the two charts into one, since columns 1 and 2 were virtually identical for the two charts. Of course, this runs into a problem in later years, and the best suggestion made, a footnote explaining the situation, leaves something to be desired. Another suggestion that was made was to illustrate the two charts in graphical form, but this suggestion did not meet with universal acceptance when it was suggested. Basically, what people seemed to want was simply a clearer explanation, in bold print, that one chart was showing the "worst case scenario" while the other chart was based on what the company was currently paying in today's environment and assumed that the environment did not significantly change. Furthermore, since few people related the information in Section V (top of page 2) to the charts, a statement should be included to the effect that, in the worst case scenario (i.e., a 4% interest rate being credited), a \$300 premium is only sufficient to keep the policy in force until age 66. If the policyholder would like to be guaranteed that the policy would remain in force until age 95, then a premium of \$644.30 would need to be paid every year from the date of purchase.

Most people found Charts A and B to be quite useful. The more cynical of the focus group members rated Chart B slightly less useful, only because they felt the assumption that the current interest rate would not change to be an unrealistic assumption.

Finally, a few people did not notice the statement underneath the charts and, if they were not at a focus group specifically to read the disclosure form, undoubtedly several more would not have noticed that statement. For those who did read it, it raised a natural question in their minds: What other variables might affect the performance of the policy and the illustrations shown in Chart B? Are they talking about your health? Investments? Or what?

Section V

Understandability Rating - 2.6 Usefulness Rating - 2.9

As the understandability rating above indicates, Section V really was not understood terribly well by the focus group participants. To begin with, few recognized how the information in this section related to the charts shown on the previous page. The information supplied in this section should be rewritten in simpler terminology and should precede the charts or at least be placed on the same page with them.

The biggest thorn in this section was the \$644.30. Most people had no idea what this figure signified or, if they did think they understood it, they thought that this was the amount that had to be paid after age 65 on the guaranteed basis to keep the policy in force. They did not recognize that this amount would have had to have been paid from the very first year (which is the way I interpret that statement—there is nothing in the instructions to indicate one way or the other).

Also, because most people presume that if you pay your premium continuously, your policy will remain in effect, quite a few people had a hard time understanding how or why the policy would terminate in policy year 31. This was simply foreign to their way of thinking. Also, they would prefer that the statement said age 66 rather than policy year 31. People also did not understand what an endowment benefit was and several wanted to know what the endowment benefit would in fact be (i.e., the amount of the benefit). One person was so confused that he said that the maturity age and endowment benefit were moot points, since the policy was going to end at year 31 anyway.

While this section was not viewed as important initially, some people felt that it was very important once they understood what it meant.

Section VI

Understandability Rating - 2.4 Usefulness Rating - 3.1

This section was given the lowest ratings for understandability of all the sections on the disclosure form. As one person said, "If you thought you understood this form up to now, you won't understand this!" Indeed, one person interpreted this section as meaning, "Every month we're gonna review the interest, mortality, etc. and then we're gonna charge you [an administration fee] for it."

For many people, Section VI is giving them more information than they ever want to know. Some people are perfectly happy in knowing how much coverage they're getting for how much premium. The information in this section is simply too much detail for them. On the other hand, people who are more analytical in nature do want this information (or at least claim they want it). But everyone agreed that the information could be presented far more clearly.

Part of the problem could once again be solved by a glossary. People simply did not understand what was meant by such phrases as mortality charge, fee for administration, interest indexed, expense deductions and front-end loads, and surrender

charges and back-end loads. Furthermore, they did not see the distinction between a fee for administration and an expense deduction.

It was also unclear to a significant number of people as to whether the expenses shown here were included in the premium or were in addition to it. In particular, the administrative fee and, to a lesser extent, the expense deductions, were thought of as "add-ons" rather than already included in the premium.

Perhaps the easiest thing from the consumer's point of view would be to take the \$300 and show how much of it in the first year is going for the various components (i.e., mortality, administration, expenses, etc.) Either this should be done in such a way that a column of numbers sums to \$300 or else it should show a breakdown of each premium dollar (in other words, for each premium dollar, how much of it goes toward mortality charges, expenses, administrative fees, etc.). A sentence or two might then be added to explain how these factors might change in later years, although admittedly this might once again confuse the issue.

As to the mortality charge in particular, it was terribly confusing to show a maximum mortality charge and then make the statement that it can increase annually. To the average person on the street, if it can increase annually, then it is not a maximum. And while the temptation might be to solve this problem by including the words "first year" in with maximum mortality charge, this would only serve to further confuse the poor layman. Perhaps the best one can do is to have a section entitled "How Your Premium Dollar Is Being Spent" with clearly labeled subheadings "Explanation of First Year Charges" and "How Charges May Change in Later Years."

Also, people did not understand what "Moody's Corporate Average Yield" is. Some people had absolutely no idea what that meant, while others took a guess, usually incorrect. Most people took it to mean that 9.8% was what the company had actually earned in the previous quarter, as reported by Moody's. Most people did not find this information, even when they understood what it was supposed to mean, to be terribly important. They would, however, like to see some type of indication as to what the company's actual experience has been, not some corporate average.

Finally, a significant number of people did not understand the surrender charges. They did not all understand that it was a "penalty for early withdrawal" of sorts. When they did understand that, it was not clear whether these surrender charges were already reflected in Charts A and B or whether these amounts had to be deducted from the figures shown in those charts. Most people seem to assume that these amounts would have to be deducted and, in early years, many people assumed that they would have to pay money to the company if they surrendered their policy.

Section VII

Understandability Rating - 4.3 Usefulness Rating - 3.2

The focus group participants had very few comments to make regarding the tax law disclaimer notice. They all seemed to understand it well enough, but a number of people did not find it terribly useful and even wondered why it was there (one person wondered if it was required by law).

Draft 5/22/89

POLICY INFORMATION FOR APPLICANT - UNIVERSAL LIFE POLICY

I
 Name of Insurance Company FARM SPRINGS INSURANCE CO.
 Address of Insurance Company NEW YORK, NEW YORK
 Name of Insured JOHN SMITH Joint Life Policy YES NO
 Date of Application AUGUST 1, 1989
 Name of Agent THOMAS JONES Agent's Telephone Number (203) 555-5555
 Agent's Address HARTFORD, CONNECTICUT

Policy Name: ULTIMATE LIFE 50+
 Form Number: F00

Type of Universal Life Insurance Policy: Flexible Premium Fixed Premium

II
 Coverage Applied for and Premium **NOTE:** This information does not include any extra benefit riders which you may apply for with this policy. Riders may affect your premium and cash values. Ask your agent for a full explanation of any riders.

First Year Death Benefit Applied for: 50,000
 First Year Annual Premium: 300
 If premium is not paid once a year, state the frequency of and the amount of the periodic premium: N/A

Risk Classification Information (as applied for):
 M F Age 35 Smoker Non-Smoker Other

III

ILLUSTRATION OF POLICY VALUES

IV

Chart A: The following values are based on the interest rates which are guaranteed by the company and based on your timely payment of the premiums in Column 1.

Chart B: The following values are based on the interest rates which the company is currently crediting on this policy form. Interest rates may increase or decrease from this rate. Also this chart assumes you pay the premiums shown in Column 1.

YEAR	Chart A				Chart B				
	ANNUAL PREMIUM	DEATH BENEFIT	INTEREST RATE	SURRENDER VALUE AT YEAR END	ANNUAL PREMIUM	DEATH BENEFIT	INTEREST RATE	SURRENDER VALUE AT YEAR END	YEAR
1	300	50,000	4%	0	300	50,000	8.75%	192	1
2	300	50,000	4%	0	300	50,000	8.75%	315	2
3	300	50,000	4%	0	300	50,000	8.75%	610	3
4	300	50,000	4%	0	300	50,000	8.75%	845	4
5	300	50,000	4%	20	300	50,000	8.75%	1,094	5
6	300	50,000	4%	255	300	50,000	8.75%	1,360	6
7	300	50,000	4%	495	300	50,000	8.75%	1,643	7
8	300	50,000	4%	718	300	50,000	8.75%	1,946	8
9	300	50,000	4%	917	300	50,000	8.75%	2,269	9
10	300	50,000	4%	1,172	300	50,000	8.75%	2,606	10
11	300	50,000	4%	1,483	300	50,000	8.75%	2,966	11
12	300	50,000	4%	1,784	300	50,000	8.75%	3,349	12
13	300	50,000	4%	2,080	300	50,000	8.75%	3,752	13
14	300	50,000	4%	2,367	300	50,000	8.75%	4,177	14
15	300	50,000	4%	2,643	300	50,000	8.75%	4,623	15
16	300	50,000	4%	2,913	300	50,000	8.75%	5,091	16
17	300	50,000	4%	3,185	300	50,000	8.75%	5,569	17
18	300	50,000	4%	3,474	300	50,000	8.75%	6,042	18
19	300	50,000	4%	3,739	300	50,000	8.75%	6,716	19
20	300	50,000	4%	3,972	300	50,000	8.75%	7,326	20
Age 60	300	50,000	4%	3,604	300	50,000	8.75%	10,931	Age 60
Age 65	300	50,000	4%	241	300	50,000	8.75%	15,582	Age 65
Age 95	-	0	-	0	300	147,036	8.75%	140,630	Age -

V

-2-

The company will pay an endowment benefit to the insured if the policy is still in force, and the insured is living and attains the age of 95. This is called the Maturity Age, and it corresponds to policy year 60.

Based on guaranteed assumptions, consistent with those illustrated in Chart A, will the policy terminate before the Maturity Age? Yes No. If "yes," what is the policy year in which it would terminate? 31.

Based on current assumptions, consistent with Chart B, will the policy terminate before the Maturity Age? Yes No. If "yes," what is the policy year in which it would terminate? N/A.

Level Annual Premium Required to Provide the First Year Death Benefit to Maturity Age on a Guaranteed Basis \$644.30
(Flexible Premium Policies Only).

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OTHER IMPORTANT INFORMATION ABOUT THIS POLICY

The company has the right to charge the interest rates credited to amounts paid in to this policy. The company reviews interest rates every MONTH.

The mortality charge, which is the amount used to fund the death benefit, may also change. The company reviews mortality charges every MONTH.

The maximum mortality charge is \$1.68 PER YEAR PER \$1000 NET RISK AMOUNT - INCREASES ANNUALLY
The current mortality charge is \$1.68 PER YEAR PER \$1000 NET RISK AMOUNT - INCREASES ANNUALLY

The company ~~does~~ does not charge a fee for administration of this policy. The fee may change from time to time.

The current fee is \$3.00 PER MONTH IN ALL YEARS
The maximum fee that can be charged is \$3.00 PER MONTH IN ALL YEARS

This policy's interest rate (is/is not) interest/included. It is interest included, this means that the interest rate credited to the amounts paid in to the policy follows a formula based on changes in the N/A Bond Index.

The company makes these changes every N/A.

In order to support the values illustrated in Chart B, the company investment earnings, before investment expenses, must be in the range of 7.5% - 10.25% Moody's Corporate Average Yield for the previous calendar quarter is 9.80%.

Will the illustrated values in Chart B be paid if economic and mortality conditions do not change? Yes No. If "no," explain.

Expense Deductions (front and load):

Maximum 3% ON ALL PREMIUMS IN ALL YEARS
Current 3% ON ALL PREMIUMS IN ALL YEARS

Surrender Charge (front and load): Shown For Years 1-14 Respectively as Per Tables Below ZERO Therea
Maximum 360 (First Year), 540, 720, 810, 900, 855, 810, 765, 720, 675, 540, 405, 270, 135
Current 360 (First Year), 540, 720, 810, 900, 855, 810, 765, 720, 675, 540, 405, 270, 135

VII

Disclaimer Notice Regarding Tax Law

The information in this "Policy Information for Applicant" is not intended to be used in tax planning nor is it intended for the purpose of providing tax advice. The possibility of future changes in tax laws must be recognized and taken into consideration.

ATTACHMENT THREE-B

Consumer Disclosure Issues (A) Working Group
Wilmington, Delaware
September 11, 1989

The Consumer Disclosure Issues (A) Working Group met in the Thomas McKean Room of the Radisson Hotel in Wilmington, Del., at 11 a.m. on Sept. 11, 1989. A quorum was present and David Lyons (Iowa), chaired the meeting. The following working group members were present: Roger Strauss (Iowa), Ted Becker (Texas), Stan DuRose (Wis.) and Sheldon Summers (Calif.).

David Lyons (Iowa) discussed the Universal Life Disclosure Form test market results prepared by Life Insurance Marketing and Research Association. He stated that based on four focus groups that were held to test the proposed Universal Life Disclosure Form, changes would be required in order to make the form clearly understood by the average consumer. Further, he stated that the understanding and usefulness of the form could be increased with certain additions to the form.

Mr. Lyons proposed that the present version of the form along with the results of the LIMRA study be given to the NAIC/SSO staff for further attention to the issues of understanding and usefulness. A redraft will be prepared by NAIC staff within 30 days and distributed to the working group and advisory committee. A 14 day comment period will be allowed. Upon receipt of the advisory committee and working group comments, a report will be made to the Product Development (A) Task Force with a final version attached. A recommendation for adoption in December will accompany that report.

Mr. Lyons asked for industry involvement in two phases of this project: (1) within seven days of today's meeting, the advisory committee should submit comments on the LIMRA results to the NAIC/SSO; and (2) that they agree to conform to the 14-day response period once the redraft is completed and distributed by staff.

John R. Hurley, chairman of the advisory committee, stated that they would make every effort to respond within the recommended time frame.

Having no further business the working group adjourned at 11:05 a.m.