

The Center For Economic Justice

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September 11, 2002

Ernst Csizar, Chair

Mike Pickens, Vice Chair

Small Face Amount Working Group

Re: Jones/Hartnedy Memo of 8/26/02: Future Activities of Working Group

Dear Commissioners Csizar and Pickens:

The Center for Economic Justice writes regarding the above-cited memo and future activities of the Working Group. Regarding the proposal to develop a proposal to modify the annual statement to allow identification of information related to small face amount life insurance policies, Ms. Jones and Mr. Hartnedy conclude:

Given that the Small Face Amount Working Group has to prioritize its efforts, we believe it is preferable to focus those efforts on 1) analyzing the results of the project underway by the Texas Insurance Department and 2) achieving a consensus regarding how to proceed on the multiple-policy issue. Subsequent to those projects, the working group may wish to revisit the issue of annual statement modifications.

We strongly disagree. The proposal CEJ to modify the Annual Statement to identify small face amount life insurance policy information is both reasonable and necessary. The current Blank contains outdated and unusable categories, such as industrial life. In fact, revisions to the Blank to reflect changes in the marketplace regarding the sale of small face amount life insurance should have been done years ago. The current Blank precludes the analysis of any information regarding the small face amount marketplace.

The historical activities of this working group have failed to reveal any information about the small face market, as opposed to illuminating the nature of this market. For example, instead of an analysis of the reasonableness of benefits to costs, the working group simply eliminated the actuarial study last year. In place of facts, consumer groups have had to rely upon the assertions of industry representatives and those of Mr. Csizar and Mr. Hartnedy.

It is clear that a dearth of public information exists regarding the small face amount market compared to other types of life or property/casualty insurance. The working group should not strive to maintain this status quo, but move towards the development of more independent public information. The proposal for revising the Blanks is consistent with this goal.

In addition to being necessary, modifying the Blank for small face amount life insurance is a reasonable activity of the working group. Ms. Jones and Mr. Hartnedy argue that the working group should prioritize its efforts on reviewing the Texas study and working on the multiple policy issue. With both of these issues, individual states – Texas and Illinois – have taken the lead and

assumed the brunt of the work. For the Texas study, the working group has done nothing to date other than hear reports from Texas. For the multiple policy issue, the working group's activities have been limited to hearing from Illinois and trying to coordinate a survey about how companies address the small face issue. These two activities hardly comprise an ambitious workload. In fact, both issues would proceed through the efforts of the two states, even if the working group did nothing on these issues. Given the importance of the Blank's change and relatively modest current activities of the working group, it is certainly reasonable for the working group to take on the Blank revision effort – particularly since this is the type of activity that no single state can realistically do on its own.

Finally, the Blanks revision effort would have to be folks familiar with the Blank and would, therefore, at the initial stages, involve regulators other than Commissioners – department staff involved in financial analysis, as well as interested parties.

We urge you to take on the reasonable and necessary charge of revising the Annual Statement to identify information specific to small face life insurance products.

Sincerely,

Birny Birnbaum
Executive Director.