

# Northwestern's Deceptive Advertisement and Marketing

By: R. Brian Fechtel, CFA, Agent & Founder, BreadwinnersInsurance.com © 2011

## Executive Summary

Northwestern's ad (shown on page 3) is deceptive on multiple counts. It is untruthful because it materially misrepresents the differences in policy performance among the different insurers.<sup>1</sup> The ad's "number" for MetLife is shockingly erroneous, Northwestern had to know it was wrong, and yet the company used it anyway. Northwestern also represents the data behind the ad as comprehensive when they are not; therefore the ad's broad claims and implications have not been and, in fact, cannot be documented. The ad's claim that the results are unbiased is itself untruthful and indefensible because the "results" are based on an inherently problematic approach biased by premium size that misleadingly benefits Northwestern's policy. The ad's failure to mention this critical fact is a material omission. The ad is deceptive and clearly has the capacity and tendency to mislead and deceive because its assertion that its analytical approach provides "the one number" consumers need to know cannot be defended; in fact, Northwestern has actually argued privately elsewhere for other approaches when that has served its interests. Moreover, Northwestern touts the "20 year cash value return" as the "the one number" consumers need to know when fewer than half of its consumers even keep the policy for sixteen (16) years; so statistically speaking, Northwestern knows that its touted "number" is not even relevant to its typical consumer, and its policy's touted "returns" over of its first nine years were all actually negative. Furthermore, the ad facilitates misrepresentations by failing to specify the legal name of the product it references, which is significant as comparatively few of the company's policyholders have bought the policy and received its touted "results." Finally, but still of paramount importance, Northwestern's ad is inherently misleading in its use and in its encouragement that consumers use and rely upon historic data without mentioning any of the necessary critical caveats to using past performance data. Given that Northwestern agents cite the company's advertising, the ad thereby, clearly and immeasurably, facilitates deception of consumers by the company's agents.

## The Story of Northwestern's Deceptive Ad in *The Wall Street Journal*

"I write to you regarding another regulatory boo-boo," began my recent email to two business friends at the New York State Department of Insurance, Life Insurance Division Chief Mike Maffie, and Chief Life Actuary Bill Carmello. Northwestern's ad last week in *The Wall Street Journal* (again, shown on page 3), I explained, represents another regulatory boo-boo because it demonstrates yet again – only weeks earlier had I informed them of a misleading NY Life ad (read related article) - that the NY department and its NAIC affiliates have never properly regulated life insurers, their agents, and policy disclosure practices. That is the reason the life insurance

marketplace has always been and continues to be awash with misinformation, deception, fraud, and worse.

Northwestern's ad asserts "there is one important, easy-to-compare, and unbiased number to know when it comes to permanent life insurance policy performance: the historic actual cash value return." Northwestern claims it "has the highest cash value return among major insurance companies," "25% greater cash value return than the nearest major competitor." However, the "20-year cash value returns," Northwestern cites, are inherently misleading because they are impacted by differences in premium sizes. All other things being equal, the policy with the larger premium shows a larger "return;" and Northwestern's premium is approximately 20% larger than several of its cited competitors' premiums. (For more information on: 1) calculation of "returns," 2) bias introduced by larger premiums, 3) the inaccuracy in the arena of life insurance of Northwestern's unqualified statement "A higher IRR ["returns"] is, of course, more favorable," 4) the arbitrariness of the chosen measurement, and 5) related details, please see endnotes.)<sup>2</sup>

Northwestern's trumpeting of its "returns" and their being "25% greater," while failing to even allude to the impact of premium size differences on its trumpeted "returns," is patently deceptive. Misleading ads are prohibited by statute. And as shown below, Northwestern's ad is actually misleading to consumers and harmfully disparages its competitors on multiple additional counts. **Perhaps the most ironic aspect of Northwestern's deceptive ad is that it shows Northwestern policyholders, to whom its agents have sold inferior policies, how they can now demand and obtain a remedy – a significantly better policy.**

#### **Data's Comprehensiveness Insufficient to Justify Claim**

Northwestern's ad states that Blease Research, run by my very good friend, Roger Blease, "publishes software that enables subscribers to conduct detailed comparisons of cash value policies based on data provided by more than 50 of the nation's leading life insurance companies." Clearly, Northwestern wants readers to believe that Roger has the ad's data on dozens of the nation's leading life insurance company, and that the results presented are based on comprehensive data. So: How many insurers do you think Blease Research data can be used to calculate the historic actual cash value returns as shown in the ad? 57? 52? Unfortunately, besides Northwestern only six of the nation's 50 largest life insurers (and only five more of all of the hundreds of other life insurers in the country) provide Roger the data cited to evaluate any of their policies' historical performances.<sup>3, 4</sup> Clearly, the ad's implication regarding the comprehensiveness of the data is just poppycock and misleading.

Northwestern knows that the non-comprehensive data does not permit it to make the overly broad statement that, "Over a 20 year period ending in 2011, the cash value return of its flagship permanent life insurance product was 25% greater than the nearest major competitor." The quote is actually indefensible on multiple grounds.<sup>5</sup> The quote, however, becomes prime sales language ammunition when it is loaded into Northwestern's sales force's verbal and written selling

**\*\*Misleading Advertisement \*\* See Article by Breadwinners' Insurance \*\* Misleading Ad\*\***

The Northwestern Mutual Life Insurance Company (Northwestern Mutual)

**BEST VALUE**

Northwestern Mutual

has the highest cash value return among major insurance companies. - as compiled by Blease Research

**Misleading Ad\*\***

While other companies tout sales illustrations and advertised rates, there is one important, easy-to-compare and unbiased number to know when it comes to permanent life insurance policy performance: the historic actual cash value return.

**Who is Blease Research?**

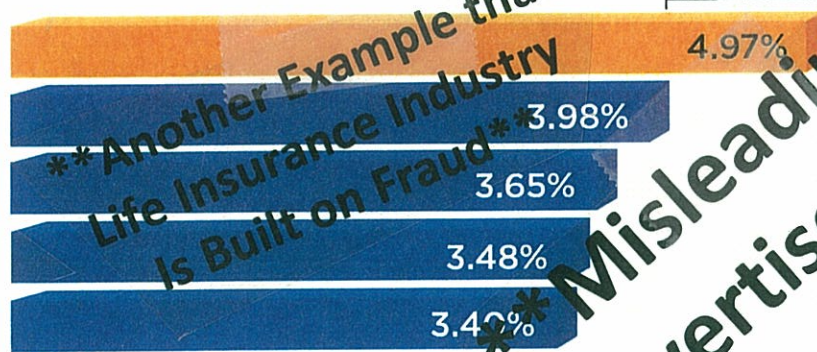
**BLEASE RESEARCH**

Roger Blease, founder of Blease Research, is a former manager of product analysis for one of the nation's top credit rating agencies. His company publishes software that enables subscribers to conduct detailed comparisons of cash value life insurance policies based on data provided by more than 50 of the nation's leading life insurance companies.

**\*\*Beware of Agent's Continued Use of this Ad\*\***

20-year cash value returns

25% Greater Cash Value Return



**\*\*Another Example that Life Insurance Industry Is Built on Fraud\*\***

**\*\*Misleading Advertisement\*\***

**\*Seek Legal Help If You Bought on The Basis of This Misleading Ad\***

**Best Cash Value Return**

Northwestern Mutual's permanent life insurance offers more than death benefit protection. It also has provided the highest cash value return among major insurance companies, as measured by Blease Research. Over a 20-year period ending in 2011, the actual cash value return of its flagship permanent life insurance product was 25% greater than the nearest major competitor.

Source: Blease Research Full Disclosure 2011 Whole Life Edition ([www.full-disclosure.com](http://www.full-disclosure.com))

Policy results are based on \$250,000 whole life policies issued in 1991 to 45 year old males (best underwriting class unless noted otherwise). Premiums vary by company.

Cash value internal rates of return (IRRs) are based on actual dividends used to purchase additions. The IRR is the level annual return needed on premium to produce the respective value or benefit. A higher IRR is, of course, more favorable. The IRRs do not take into account the time value of money.

The Northwestern Mutual dividend scale interest rate (DSIR) for un-borrowed funds is the interest rate used for crediting interest on policy values after deducting mortality and expense charges. Because of the mortality and expense charges, the (DSIR) should not be used as a measure of the policy's internal rate of return. The dividend scale and the underlying interest rates are reviewed annually and are subject to change. Future dividends are not guaranteed.

**\*\*Be Very Wary Of\*\***

The Northwestern Mutual Life Insurance Company • Milwaukee, WI [www.northwesternmutual.com](http://www.northwesternmutual.com)

71-0116 (0411)



**Northwestern Mutual®**

**Text on Angle and/or With Asterisks Added by Breadwinners' Insurance**