Northwestern's Deceptive Advertisement and Marketing

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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.[1] 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.)[2]

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.[3, 4] 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.[5] 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)

Misleading Ad**

BEST VALUE Northwestern Mutual has the highest cash value return among major insurance companies. – *as compiled by Blease Research*

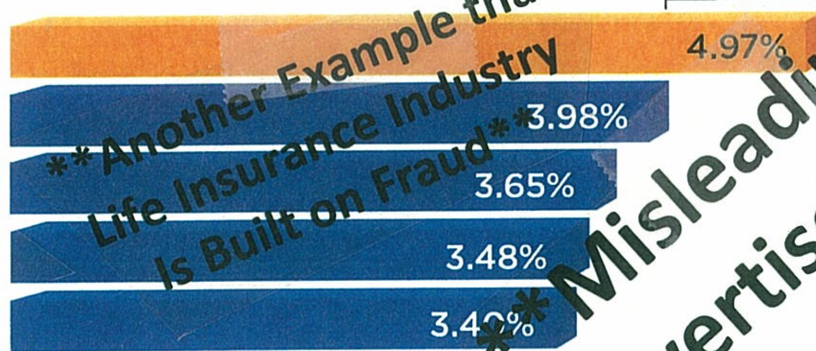
While other companies tout sales illustrations and advertised rates, there is one important, easy-to-compare and unbiased number to know when it comes to permanent life insurance policy performance: the historic actual cash value return.

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



*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.

**Be Very Wary Of **

Source: Blease Research Full Disclosure 2011 Whole Life Edition (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.

The Northwestern Mutual
Life Insurance Company • Milwaukee, WI
www.northwesternmutual.com.

71-0116 (0411)

Northwestern Mutual®

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

scripts, and hence is part of the ad's undeniable capacity to mislead – another crystal clear violation of insurance laws. For instance, consider the effectiveness of a Northwestern agent saying, 'Quote As featured in *The Wall Street Journal*, over a 20-year period....blah, blah, Northwestern 25% greater blah, blah end quote.' Such is an example of precisely how misrepresentations get compliance approved. While those not actively involved in the life insurance marketplace can hardly conceive of all the ways misleading statements are exploited by agents, this marketplace is awash with such. Again, Northwestern cannot substantiate the above quote, its policy comparison "returns" metric is inherently flawed, and the ad's quotes will no doubt be widely used misrepresentations. To stop such misrepresentations, it would seem obvious to all concerned with public policy matters that it is imperative to punish insurers for their misleading ads from which such originate.

Material Omissions and Mistakes: Product's Legal Name, Reporting MetLife's Performance, Past Performance, and Variations in Performance

Not that there would need to be any other problems with the ad for it to be deemed seriously misleading, but there are several. Northwestern does not even mention the specific name of its life insurance product that achieved what it proclaims is such a crowning accomplishment, an omission that could strike many as somewhat incredible. Instead, Northwestern simply refers to the policy as "its flagship permanent life insurance product," apparently thinking the product's legal name, 90 Life, also known as Whole Life paid-up at age 90, is unnecessary.[6] This omission is, in itself, serious as it also has the capacity to mislead because the "flagship" product does not comprise even a third of Northwestern's permanent policies and not all Northwestern policies, as measured by the flawed measurement Northwestern advocates is "all important," provide anything like the trumpeted "returns."

The ad also, somewhat incredibly, omits a couple of necessary additional facts. For instance, how it defines "major competitors" and that "returns" will vary significantly based on such additional factors as the insured's age and health class at which the policy was issued. While we have seen above that the Blease historical performance data is quite limited - although again represented quite differently in the ad, Northwestern conveniently omits two insurer's "returns;" one provided a 5.14% "return,"[7] – even better than Northwestern's 4.97% (and did so with a 23% smaller premium), the other provided a 4.26% "return." Apparently, these insurers don't qualify in Northwestern's eyes as major competitors despite the company having touted insurers included in Blease's list as among "the nation's leading life insurers." Similarly, the importance of the caveat regarding variations in "returns" due to age can be seen by noting that Blease's data for 55 year-olds (the only other age for which the data are available) shows that both of these omitted insurers had "returns" of 4.71% and 4.67% in contrast with Northwestern's 4.41%.

More interesting than Northwestern's unexplained omission of other insurers' performance in Blease Research's data is Northwestern's seemingly intentional distortion of MetLife's performance. Everyone in the life insurance industry knows that MetLife, and several

other leading life insurers, demutualized during the past 20 years. The upshot is that when the Northwestern "returns" are adjusted to reduce the impact of their $1000 larger premium size than MetLife's, and when the value of the shares the MetLife policyholder received are taken into account, a MetLife policyholder could have had a commensurate, possibly even greater, "return" than the Northwestern policyholder.[8] Overlooking the fact that the ad is based on scant data that lacks performance "returns" for more than forty of the fifty largest life insurers - and many of those companies, like MetLife, also demutualized - Northwestern's knowing mistakes with respect to MetLife's "returns" are shockingly deceptive.

Northwestern's emphasis that the "20 year cash value return" is the "one important number" to know is untenable given that fewer than half of the policyholders who buy this, 90 Life, policy even keep it for 16 years.[9] While there are many factors that can contribute to a consumer's decision to discontinue a policy (some causes based on consumer issues, some causes based on insurer and agent issues), it certainly seems more than a little disingenuous for Northwestern to advocate that consumers make a decision on the basis of a "number" that the company knows, statistically knows, is not even relevant to its typical/average consumer. This emphasis on performance over 20 years (whether for an existing policy's history or a prospective new policy's illustration) is part of Northwestern and its agents' standard practice of diverting consumers' attention from critical issues to numbers that mask proper comprehension of the policy. I know, I as a Northwestern agent for more than 20 years. In essence, Northwestern's lapse problem which, compared with that of other insurers, is not terrible – is nonetheless a factor that raises profound questions regarding both its ad's problematic advice and the suitability or, more precisely, the lack of suitability of many of its sales.[10]

Perhaps most disturbingly, the ad's singular and unequivocal emphasis on historical performance, "there is one important... historic actual cash value return" is unduly excessive and lacks any of the necessary caveats, such as, that past performance is not indicative of future performance.[11] The ad's omission of the wise refrain – a refrain designed precisely to protect consumers from attaching unwarranted significance to historical performance - is not accidental, it is intentional, and it also is indicative of Northwestern's typical misrepresentations. Again, I know, I was a Northwestern agent for more than 20 years.[12] While analysis of historical performance can be useful, it can also be misused. Northwestern's sales approaches are designed to divert consumers' attention from relevant matters, such as properly analyzing the annual costs of a policy, and to focus instead excessively upon historical performance that is often – just like this ad - misleadingly presented.[13]

Apparent and Very Troubling Rationale for and Implications of the Product's Omitted Name

Few if any outside of the industry are likely to have any intuition about the rationale for Northwestern to omit the product name because few know that Northwestern agents have the power to effectively price the client's coverage, that is, in essence to specify their compensation based upon the product that they recommend. Admittedly, it could be very problematic for

Northwestern to let its policyholders know just how hoodwinked they have really been.[14] While Northwestern agents routinely remind clients and prospects that Responsibilities #1 and #2 in their Agent's Code of Conduct handbook are: 1) "to always serve the client's best interest," and 2) "to avoid any possible conflict of interests with clients," thereby dispelling possible doubts consumers might have regarding the validity of the agent's recommendations, neither Northwestern nor any state's department of insurance has ever done anything about the financial harms consumers suffer from being so duped, as these rules and agent responsibilities have been blatantly and habitually violated for years.[15]

Regulators have, in fact, been informed several times of Northwestern's long history of misrepresentations regarding its "flagship" product. Northwestern, for years while being an IMSA[16] member – that industry constructed organization that awarded "Good Housekeeping Seals of Approval" to insurers, and yet which was nothing but a complete fraud as it failed to enforce its core principles or to effectively audit insurers - assured its agents and consumers via its website product summary that stated, "90 Life is the right choice for consumers when they value both death benefit and guaranteed cash-value." That statement cannot be defended.[17] The Consumer Federation of America's (CFA's) life insurance adviser never advised any of the prospective clients he ever directed to buy a Northwestern policy to buy 90 Life; in fact, quite the contrary he'd tell them it was <u>not</u> the right product.

Northwestern's assertion that "90 Life is the right choice" was inherently misleading; in fact, that was its purpose. Consumers treat such Home Office statements as accurate and therefore to be relied upon in facilitating their decision-making. Yet, no ordinary consumer could possibly recognize the falsity in Northwestern's statement as a material misrepresentation, and the regulators, when notified about such, essentially twiddled their thumbs. Consumers trust regulators to protect them, to protect them precisely from such misleading sales representations, but insurance regulators wait until consumers tell them there's a problem. And, yet it has been known for decades that consumers typically find cash value life insurance products practically unfathomable. In light of this, the regulators' inaction/performance reminds me of the circus rodeo act where two trained stunt male donkeys chase each other's tail. The trained jackasses, of course, are putting on an amusing show; what excuse the 50 state NAIC Commissioners offer for their continuous 40+ year 'performance,' I do not know.[18]

<u>Northwestern Doesn't Even Believe Its Own Recommendation</u>

Perhaps what is most shocking in this whole matter is that Northwestern by its own actions, in fact, has time and again demonstrated that it what it now informs consumers is the "one important" number that consumers need to know in evaluating cash value life insurance, the "historical actual cash value returns," <u>Northwestern</u> <u>has</u> **<u>never</u>** <u>believed</u> <u>itself</u>. This is an interesting little story. First, it needs to be noted that Northwestern operates its life insurance business financially well. Its financial operations, however, are not the present focus. The focus is Northwestern's false and misleading advertising and marketing.

For years, Northwestern touted its performance, and that of its whole life policies, as measured by the interest adjusted indices (IAI). Northwestern's whole life policy, 90 Life, was perennially the industry leader as reported by A. M. Best, the rating agency and industry trade magazine publisher, in surveys that actually included scores of the nation's leading life insurers. Throughout all those years, Northwestern asserted that the IAIs were the way to evaluate life insurance policies. But then, in the late 1990s, its 90 Life whole life policy's IAI ranking began to slip. And so, what did Northwestern do? It didn't argue that interest adjusted indices (IAIs) were inherently flawed, as Professor Ralph Winter has in fact shown they are; no one dimensional measurement can appropriately describe what is fundamentally at least a two dimensional product any more than one single measurement can describe a rectangle.[19] No, instead, Northwestern argued to Best's executives that another one of its products, a "blended" product only partially comprised of whole life, should be included in Best's published survey of whole life policies because the company had actually sold more of it (some would say, that the blended product could have then been considered the company's "flagship") and the blended product had a better IAI than the company's 90 Life. Let's be very clear, Northwestern did not argue that the "historical cash value return" was the "one important" measurement because while its 90 Life product was slipping in the IAI rankings, 90 Life had a much better "return" than its blended product. No, Northwestern waged an extensive lobbying effort to have Best's include and report its blended product's performance, even though, this blended product according to the consumer advice Northwestern now offers in 2011 had a worse performance. This is the height of hypocrisy in the world of financial advice and products: advising others to act one way when in the same circumstances you have acted or argued precisely the opposite. Certainly, there are much more prominent instances of fraud in the financial world, but rarely does the hypocrisy of a life insurance company get cast in starker relief.[20]

My Second Letter to My Insurance Department Friends

In light of the above facts[21], when more than a week had passed and I had not even received an acknowledgment from Mike or Bill, my insurance department friends, that the department was prohibiting Northwestern from running the ad again and further investigating the matter to determine the complete necessary remedy, I sent a second letter. I began by: 1) advocating that the Department ought to take much more effective remedial action than it had taken in simply securing New York Life's consent to stop running its deceptive ad, and concluded by 2) reminding Bill and Mike that there are many in the industry who state that the New York Insurance Superintendent's offices are located at 25 *Dead* Beaver Street.[22]

The New York Department of Insurance acquired this and other fanciful addresses, i.e., 25 *Catatonic* Beaver Street, among insurers nearly 20 years ago when its Superintendent declared, "The conduct of the life insurance industry with regard to its sales and marketing practices has been inexcusable," and issued some new regulations about which he was so proud and pleased. And yet, after having reviewed these acclaimed and purportedly wonderfully curative new

regulations, a longtime prominent industry leader noted that the proposed new regulations were virtually identical with existing regulations that had just "never been enforced." Hence, the New York Superintendent and his senior staff have been known among many in the industry as operating from 25 *Dead* Beaver Street.

I further informed Mike and Bill that Northwestern's ad constitutes clear and undeniable documentation that the Northwestern's agents have been wrongly trained. If what a company states publicly is so clearly wrong and so clearly misleading on so many multiple grounds, then obviously its training of its agents has undeniably been incorrect. While my second letter didn't explicitly continue to make the seemingly obvious additional conclusions, it would seem no one could argue with these further propositions: Northwestern's wrongly trained agents represent a serious financial threat to the public, and it is the department's duty to investigate and remedy such.

<u>A Most Ironic Remedy to Northwestern's Deceptive Advertisement and Marketing</u>

Regarding the remedy, I pointed out that perhaps most ironically Northwestern's misleading ad suggests, at least in part, the necessary remedy. Because: 1) while it is misleading to indicate that historical "returns" is the "one important" criteria in comparing policies, when there are obviously many other factors, such as differences in a product's properly-analyzed, prospective future performance, and 2) while it is also misleading to indicate that policies of perhaps more than 50 leading insurers have been compared, when that is not at all the case, and 3) while it is misleading – terribly misleading, in fact - to compare the "returns" on a Northwestern's policy with a $5815 annual premium with a New York Life policy with its $4710 premium – and especially so without explicitly acknowledging the impact the larger premium has on this proclaimed purported advantage, it can be useful to compare policies' "returns" <u>when</u> <u>and</u> <u>only</u> <u>when</u> the policies' premiums, coverage, and any other aspect deemed relevant are roughly commensurate or appropriately taken into account.

Consequently, it would sure seem that the NY regulators ought to insist – given Northwestern's assertion that "there is one important, easy-to-compare, unbiased number to know... the historic actual cash value return"- that Northwestern: 1) inform the millions of Northwestern policyholders that they were actually sold inferior policies by its purportedly "supervised" agents according to the company's own recommended measurement approach, and 2) let the properly informed clients decide whether they want to keep the inferior policy or upgrade to the superior one. In essence, the corrupt Northwestern can be hoisted, and yes, even hanged, by its own petard. Wouldn't that be a sight to see: white collar financial crime finally being effectively punished in America?

This remedy is incredibly quite simple. Northwestern could provide its current policyholders with in-force illustration of an alternative Northwestern policy with an identical premium as the one they were sold but which provides significantly greater cash values due to

much smaller sales costs – such an alternative policy which their agent either never originally showed them or about which agents typically make misrepresentations, both inaction and action violating the company's Code of Agent Conduct, not to overlook also violating what Northwestern's IMSA membership purportedly represented. From such comparisons, the alternative policy's in-force illustration versus the originally-sold or mis-sold policy's in-force illustration, Northwestern's cash value policyholders will discover that their agent could have sold them a policy which provides significantly greater "returns." This is, in fact, really just such an exceptionally tasty apple of an idea because its implementation is so easy. Implementing any or every policyholder's choice involves nothing other than possibly readily reversing prior financial bookkeeping entries, all of which can be easily reversed by anyone who has ever taken one accounting course and knows a thing or two about mutual life insurers.

My second letter concluded with the following additional general types of remedial actions that seem unquestionably warranted by Northwestern's deceptive ad and all that it indicates about the harms suffered by its misinformed policyholders and by the myriad other related actions of its misinformed agents:

1) Purge all of the company's and its agents' problematic marketing materials and re-train all agents on the proper methods to compare policies and all other matters deemed necessary based on the called-forth regulatory investigation of Northwestern's sales practices.

2) Notify all individuals/prospects contacted by Northwestern agents who might well have been directly misinformed by the company's improperly trained agents. This is necessary because no potentially misinformed individual should remain uninformed of and thereby possibly unwittingly act on such unmistakably incorrect and clearly harmful information. In addition, Northwestern should have to run sufficient corrective advertising wherever the misleading ads had appeared, specifically showing how to correctly compare policies and apologizing to the general public and most importantly its policyholders for its past conduct.

3) Obtain compensation claw-backs from Northwestern executives who knew or should have known and were involved, whether directly or indirectly, over the years in the dissemination of such patently-obvious misleading materials and the incorrect training and supervision of the company's agents.

4) Appoint an Overseer to Monitor the Northwestern Board of Trustees because the board has been repeatedly and directly informed of the misrepresentations made by company agents, and yet has never done anything about such. Also obtain claw-backs from board members and submit Errors and Omissions claims for coverage to the Trustees' E&O insurer. A committee of consumer advocates such as: 1) Ralph Nader, 2) Consumers Union President Jim Guest, and 3) Cornell Professor Sharon Tennyson (who was recently named Editor of the *Journal of Consumer Affairs* and also gave a terrific presentation on the proper

role of regulation at the American Council of Consumer Interest's 2011 Annual Conference) could perhaps collectively appoint such an Overseer.

Final Thoughts

Northwestern is widely regarded as a reputable company, but people who have not been inside its sales organization really have no idea about the extent to which Northwestern and its agents participate in the pervasive misrepresentations made in the marketplace. The flawed and inherently misleading "returns" and advantages Northwestern cites in the ad not only irrefutably demonstrate the type of misleading presentations the company makes but also indicate what inevitably occurs because of the industry's age-old failure to properly describe and provide appropriate disclosure of its cash value products.

My web site has provided cost disclosure analytical tools and information for more than a year. Policy disclosure, just like disclosure of a car's horsepower or MPG, can be provided by anyone with sufficient knowhow; an intelligent regulatory mandate could be useful, but it hasn't happened in forty years, and there's no sense leaving to others what we can do for ourselves, especially such others as state insurance regulators who have repeatedly proven themselves incompetent. What is critically important is publicity of the available disclosure. Inadequate disclosure has allowed the industry to use deceptive ads and make myriad misleading sales presentations, thereby appropriating value from consumers that properly informed consumers would not accept. For decades, these problems and incredible harms arising from inadequate disclosure in the life insurance marketplace have been so obvious. And, similarly, the solution – good publicized disclosure - has been so obvious. And yet no one with a position of power in our society has endeavored to solve the problem by providing the obvious solution. That is practically baffling. But despite such, I know that with your help now – your help galvanizing those in positions of power - the pervasive and fraudulent sales practices of the life insurance industry can largely be eliminated.

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[1] The actual real magnitude of differences in policy performance is a very significant deceptive aspect of the ad because purchase decisions are based on multiple factors, and the choices that one makes among different products can readily change when misinformed about the magnitude of real differences. For instance, my gardener, I believe, overcharges me, but he is married to my niece, and the overcharging remains of an acceptable magnitude. My neighbor and his law firm might have greater expertise and sophistication – thereby possibly representing better value – but I still use my high school friend turned lawyer because of loyalty, privacy issues, and overall general satisfaction despite his tardiness. In buying cars, consumer electronics, airline tickets, and many other goods, I conscientiously try to buy good value. In essence, in trying to make a choice among life insurers and life insurance agents, consumers should be free from deceptive advertisements that misrepresent the magnitude of differences in policy performance. That would seem to be a position with which no reasonable, unbiased person could disagree.

[2] The "return" Northwestern cites is the average annual interest rate which would have caused the stream of annual premiums to grow into the policy's 20th year's cash value. Contrary to Northwestern's assertion about these returns being the "one important, easy-to-compare and unbiased number," these "returns" are, for several reasons, an invalid approach to generally analyze life insurance policies.

The first two cases below – chosen merely for pedagogical purposes - which illustrate how premium size differences, despite all other factors being equal, produce very different "returns." The example's numbers (i.e., level $500 annual costs and identical compounding rate) are not indicative of an actual policy's performance as such factors vary annually, but were chosen simply to demonstrate the misleading impact of difference in "returns" when premiums are significantly different. In the examples below the reader should just assume that un-shown policy values (i.e. the coverage or death benefits are the same). The premiums are shown partitioned between what is expensed and what is contributed to cash value to facilitate a readers' comprehension of the point of these examples: that is, the flawed and misleading nature of Northwestern's "returns" approach.

For further explanations of the analytically-flawed and misleading "returns" approach used by Northwestern, please feel free to contact Breadwinners' Insurance. For an analytically correct way to evaluating cash value life insurance policies, please see the Breadwinners' article "Policy Disclosure – Press Release."

	CASE # 1			CASE #2		
Years	Total Premium	Part Expensed	Part Saved	Total Premium	Part Expensed	Part Saved
1	1000	500	500	1200	500	700
2	1000	500	500	1200	500	700
3	1000	500	500	1200	500	700
4	1000	500	500	1200	500	700
5	1000	500	500	1200	500	700
6	1000	500	500	1200	500	700
7	1000	500	500	1200	500	700
8	1000	500	500	1200	500	700
9	1000	500	500	1200	500	700
10	1000	500	500	1200	500	700
11	1000	500	500	1200	500	700
12	1000	500	500	1200	500	700
13	1000	500	500	1200	500	700
14	1000	500	500	1200	500	700
15	1000	500	500	1200	500	700
16	1000	500	500	1200	500	700
17	1000	500	500	1200	500	700
18	1000	500	500	1200	500	700
19	1000	500	500	1200	500	700
20	1000	500	500	1200	500	700
20th Yr's	Cash Value =		$27,000	Cash Value =		$37,800
	"Return" 2.78% On Premium			"Return" 4.15% On Premium		

The second comparison below shows the error in Northwestern's fine print assertion that "A higher IRR [internal rate of return] is, of course, more favorable. In these examples, Case 3 in comparison with Case 1, has lower expenses, and a higher cash value compounding rate, but despite such still shows a lower "return" than Case 1, demonstrating again the specific error with Northwestern's recommended approach and the falsity with Northwestern's unqualified assertion that a higher IRR, as calculated by its approach, is more favorable.

CASE # 1					CASE # 3			
Years	Total Premium	Part Expensed	Part Saved		Years	Total Premium	Part Expensed	Part Saved
1	1000	500	500		1	800	450	350
2	1000	500	500		2	800	450	350
3	1000	500	500		3	800	450	350
4	1000	500	500		4	800	450	350
5	1000	500	500		5	800	450	350
6	1000	500	500		6	800	450	350
7	1000	500	500		7	800	450	350
8	1000	500	500		8	800	450	350
9	1000	500	500		9	800	450	350
10	1000	500	500		10	800	450	350
11	1000	500	500		11	800	450	350
12	1000	500	500		12	800	450	350
13	1000	500	500		13	800	450	350
14	1000	500	500		14	800	450	350
15	1000	500	500		15	800	450	350
16	1000	500	500		16	800	450	350
17	1000	500	500		17	800	450	350
18	1000	500	500		18	800	450	350
19	1000	500	500		19	800	450	350
20	1000	500	500		20	800	450	350
20th Yr's	Cash Value =		$27,000		20th Yr's	Cash Value =		$19,130
	"Return" 2.78% On Premium					"Return" 1.67% On Premium		

The ad's recommended policy comparison approach or measurement is, itself, very problematic. Fundamentally, consumers buy life insurance for the death benefit, not the living benefits arising from the policy's cash values. In light of such, it can make, at least conceptually, much more sense to evaluate products with respect to their rate of return upon their death benefit, or upon a policyholder's individual actuarial evaluation of the death benefit coverage that they have received or could receive from different policies. Clearly, given Northwestern's approximately 20% larger premium, this seemingly more conceptually attractive approach – albeit an approach with different flaws – would show Northwestern's policy – at least in its early years before its dividends might have grown its death benefit level significantly enough to offset its larger premium - to have been a comparatively poor choice. The relevant upshot is the following: The fact that there are many incorrect ways to analyze life insurance policy performance does <u>not</u> sanction Northwestern's use of an inherently flawed approach in its own advertising.

The ad's fine print, "Premiums vary by company," hardly informs readers of the impact premium size differences have upon such reported IRRs. The insipid nature of Northwestern's four fine print words is readily apparent by imagining surveying consumers and asking, "Do you think life insurance premiums vary by company?" I suspect upwards of 95% would say "yes," thereby demonstrating that the fine print four words convey virtually no information of value, and again do not even allude to the very biased impact of differences in premiums on the trumpeted "returns."

The ad's fine print also contains a fine example of nonsensical mumble jumble when it asserts that "The IRRs [Internal Rate of Return] do not take into account the time value of money." An IRR is precisely a measure of the time value of money. Perhaps Northwestern was trying to say that its trumpeted biased 4.97% IRR needs to be compared with an

opportunity cost IRR, a benchmark, that is, the IRR that one could have obtained on an alternative. But that is not at all what its fine print states. And Northwestern fails to provide a relevant benchmark IRR so that "returns" could be appropriately understood within the historical investment context. But this bewildering quote, itself, is another one of the typical tools in the arsenal of obfuscation that financial product advertisers and sales people like. It can baffle consumers who therefore often wrongly conclude that their comprehension difficulties are because of their own limitations rather than with the problematic text, and such erroneous conclusions harmfully discourage consumers' inquisitiveness. For anyone who cares about good disclosure and transparency in the financial marketplace, the elimination of such nonsensical mumble jumble – a clear form of informational pollution - is second in importance to the imperative to provide good information.

In fairness to all of the insurer's whose "returns" are shown, it needs to be noted that these "returns" are not the way to analyze these insurer's investment performance or their value as an investment because these "returns" understate these insurers' actual investment returns and the portions of such which are passed through to policyholders. This observation of this "understatement error" in these "returns" does not undermine the argument that the "returns" are misleading. It merely demonstrates an additional problem with these "returns" and more generally, with the industry's avoidance of properly disclosing product costs along the lines of costs and rates as both Professor Joseph Belth and I have advocated for years. Please see Breadwinners' other articles: "Policy Disclosure – Press Release," "What Others Think of Breadwinners' Approach," and "What Breadwinners' Thinks of Other Approaches."

Interestingly, please also note that *The Life Insurance Buyer's Guide* prepared by the National Association of Insurance Commissioners (NAIC) which recommends consumers use the interest adjusted surrender cost and net payment cost indices (IAIs) when comparing policies, cautions that "Cost comparisons should only be made between similar plans of life insurance." While the IAIs are themselves inherently flawed - I have written about this extensively elsewhere, and in fact the NAIC and the American Academy of Actuaries (AAA) have acknowledged such flaws and called for elimination of the IAI policy comparison approach – the warning that the NAIC offers against comparing policies that are dissimilar, that is, with premiums 20% different, is unquestionably applicable in evaluating Northwestern's advertisement.

[3] While I believe in information and disclosure, the forty-three (50 – 7) insurers on the nation's 50 largest who have chosen not to provide Blease Research the historical data may well have had both "good" and "bad" reasons for their decisions. Clearly, one "good" or legitimate reason to not provide such data has been proven by Northwestern's misuse of the Blease data.

Obviously, both 20 years ago and now, many of the 43 of the nation's 50 largest insurers for which Blease Research does not have performance data were and are major competitors of Northwestern. Given the limitations with Blease data, and Northwestern's failure to acknowledge such limitations, Northwestern's overly broad statements are specious. This can be seen by noting that such a major competitors as AXA-Equitable, John Hancock, and Prudential, which all demutualized, and thereby provided both shares and cash values to its policyholders, are not included in the data. As is shown in the article the analysis of the demutualized MetLife's policy performance is incredibly flawed, as no value is shown for the value of the shares MetLife policyholders received when the company went public. Nor are data for USAA and National Life of Vermont included, and yet these insurers were certainly known as important competitors of Northwestern 20 years ago. There is also something problematic about Northwestern's misleading use of the data when many insurers twenty years had switched from marketing whole life to more actively marketing universal life and variable life policies, and Northwestern made no effort to use possible data on such policies to calculate such policies "returns." The point of mentioning these facts is not to deny Northwestern's performance but to indicate that Northwestern does not have the data to substantiate its advertised claims.

[4] **The fact that Blease Research is the only entity that collects and publishes historical policy performance data is a separate interesting and very relevant story.** Until the mid 1990s, when the sales scandals broke out in the life

insurance industry, scandals which had their fundamental root cause in the inadequacy of policy disclosure – such inadequacy which in itself is problematic, but which also facilitates many of the industry's pervasive age-old misrepresentations - the NAIC had collected policy performance data from all life insurers; it was part, Schedule M, of the Annual Statement data that insurers had to provide to the regulators. Then circa 1996-7, the NAIC Commissioners acted to delete Schedule M, so the data disappeared. Roger Blease, who had worked at A.M. Best – an organization that claims to be a rating agency and a publisher of an industry trade magazine, although the company has routinely acted more like a lap dog than a watch dog – decided he'd step in to remedy the data breach, and presently obtains **historical policy performance** data from 12 insurers. As A. M. Best had previously done, Roger also compiles and publishes information from many more insurers about their currently marketed policies. Such information on currently marketed policies is, however, very different from the data underlying Northwestern's ad, and hence Northwestern's implications regarding the comprehensiveness of Roger's data is seriously misleading.

The real significance of this story is that following a huge national scandal in which many insurers paid billions to settle class action lawsuits that arose from inadequate disclosure and concomitant misrepresentations, the regulators acted to discontinue the collection of historical policy performance data – which while not as all-important as Northwestern and its ad proclaim – is important. This observation deserves being repeated so let me say it another way: The NAIC, after witnessing the huge sales scandals where many of the misrepresentations that had occurred because of or were facilitated by inadequate disclosure, acted to make sure that even less information would be available to consumers in the future. This action stands as a testament to NAIC's endemic foolhardiness. As I have said before, **the 50 state insurance commissioners who comprise the NAIC have with respect to their responsibilities in the life insurance marketplace functioned for more than 40 years as Bozos.** Additional documentation of this point can be found elsewhere on my website, but the complete stories would fill a New York City phone book. **Very nice Bozo costumes (classic orange hair, funny blue shoes, honk-able red nose, etc.) can be ordered from http://www.halloweenexpress.com/bozo-clown-adult-costume-p-11564.html by those wanting to make sure that hereafter their state's Insurance Commissioner is dressed appropriately when he or she next "performs" in the life insurance marketplace.**

In case anyone thinks my criticism of the Insurance Commissioners is overly harsh, please note that responding to an email I sent regarding Northwestern's misleading ad and what actions should be pursued one life insurance adviser wrote, "I think the WSJ is a good idea -- regulators will do zip otherwise." This adviser knows more than just a thing or two about state insurance regulators, having worked closely with them for decades.

As further proof of insurance commissioners' virtual dereliction of duty, please see my January 2011 letter to NAIC President Susan Voss and her reply which completely ignored my letter's documented misrepresentations. Ms. Voss, though, has hardly been alone in her inaction; in fact, numerous other state insurance commissioners have ignored reports about the pervasive misrepresentations that have occurred **within their own** states.

[5] In addition to the already mentioned factors, (inherently misleading measurement and the non-comprehensive data), the magnitude of the purported Northwestern "advantage" is so incredibly large and so purportedly documented as to be inexcusable as puffery. It is one thing to say that one's company is better, it is quite another to introduce inherently flawed and erroneous methods to seriously mislead consumer and harm competitors. See footnote #1 for more on this aspect.

[6] A few other comments regarding Northwestern's "flagship" product.: 1)Can you imagine any other business with such a large multi-product line, having a product about which it feels so proud and yet failing to mention the name of this product? 2) Can you imagine that any self-respecting financial regulator could have promulgated regulations allowing a company to advertise the specific financial performance of a product without specifically mentioning the product's legal name? I suspect this could seem unimaginable to almost any normal person, except those accustomed to the operation of the life insurance industry and it regulators. And 3) Given the multiple metrics by which life

insurers can possibly define a "flagship" policy – by most policies sold, by aggregate face amount issued, by aggregate premiums collected on new or existing business, etc., the use of "flagship" cannot be anything other than inadequate. And this is especially so when Northwestern's ranking of its own multi-product line of policies according to the various possible metrics has changed from year to year. That is, 90 Life has not been Northwestern's leading product across all different metrics for every year, and it certainly won't be in a marketplace of the future with informed consumers.

[7] As a courtesy to Roger Blease and his proprietary data, these two insurers will not be specifically identified in this article. Roger can be contacted at rogerlblease @full-disclosure.com or 610-330-9766.

[8] The Blease Research data shows that Northwestern's 4.97% return was calculated on a policy with a $5,815 annual premium having a 20th year-end cash value of $201,161. In contrast, MetLife's policy with a $4,820 annual premium has a similar cash value of $140,705, about $60,000 less. Approximately $45,000 of the difference in the two policies 20th year cash values can be attributable to Northwestern's $1,000 larger annual premium. The MetLife policyholder as a result of the demutualization received 260 shares of MetLife stock, the value of which was approximately $19,000 in 2007, although presently worth approximately half that. While the 20th value that a policyholder could have realized from his MetLife shares, and the stock dividends on such shares, depends upon market conditions and tax considerations, as there has been ambiguity on the taxation of the sale of demutualized shares and policies can be owned by qualified plans, it is clear from the above figures that MetLife provided commensurate, and possibly even greater, "returns" than Northwestern. Northwestern's "return" adjusted to offset its larger premium is reduced to 4.36% while MetLife's return adjusted for the demutualization could be estimated to range from 4.56% to 4.05%. Data on MetLife's share price and stock dividends are presented on the last page.

The material misrepresentations regarding competitors' products in the life insurance marketplace are egregious and rampant, just meet with a few Northwestern agents and listen to or record them. I believe anyone who truly cares about a properly functioning and ethical competitive marketplace should care about such. Perhaps consumer advocates and others who have intentionally remained silent for years while witnessing countless material and harmful misrepresentations by Northwestern agents will be asked one day to explain themselves. Their silence has hardly been virtuous. Since 9/11 we have all been reminded regularly of the child-raising adage: 'If you see something, say something. ' Yet, these consumer advocates have essentially countenanced the muggings and looting of millions of American families. Their silence and ineffectiveness is a subject that anyone who cares about consumer advocacy should find worthy of investigating. The ineffectiveness of these so-called consumer advocates has been, I contend, one reason, routinely overlooked, for why the readily solvable problems in the life insurance marketplace have persisted for decades. Like every organization, consumer advocates need to conduct performance assessments and to evaluate the quality of their activities and associates. That they fail to do so, and that they have been blind to their own incompetence, is a story for another article. But for the moment let it be noted that their failures include the failures in their advocacy regarding the problems in the annuities and long term care insurance markets as well.

[9] Northwestern internal company reports show that for its "flagship policy," legally known as 90 Life, that the "average expected duration for this type of policy is 15 years."

Northwestern and life insurers, in general, have significant numbers of policyholders drop or lapse their policies every year. There are many reasons for such, some causes are attributable to consumer-related factors (i.e., job loss or change in needs), some to insurer related factors (i.e., poor performance or disappointment in agent service). Regulators in 1981 considered a disclosure approach that would statistically adjust average costs over years based on the impacts of the insurer's lapse rates. Such an approach is needlessly complicated, and provides information that is truly relevant to no one. Grocery stores do not adjust the cost/ounce of foods based on the quantities that are on average unconsumed or spoil in items. Information on policy lapses should be provided separate from cost figures. Unfortunately, in the current marketplace, agents make serious misrepresentations regarding their insurer's or their client's lapse rates; such misrepresentations, themselves, would seem to provide a legal cause of action.

Again, the "Returns" that Northwestern touts **are not** the way to properly analyze a life insurance policy, but given Northwestern's emphasis on such, listed below for the record are the returns experienced by many of Northwestern's 90 Life policyholders, that is, all those who discontinued their policies in the first ten years.

Years	1	2	3	4	5	6	7	8	9	10
"Returns"	-93.2%	-44.8%	-25.8%	-16.0%	-10.2%	-6.4%	-3.8%	-1.7%	-0.2%	1.0%

[10] If more consumers are hurt by buying a company's products than are helped by buying it, then there would seem to be a strong case for greater disclosure. Insurance products, by definition, can almost inevitably seem to cost more people than they benefit, so the assessment of insurance products needs to be adjusted by the value of the protection. When making such adjustments, and after specifying reasonable benchmark values of competitive alternatives, many cash value life insurance policies with large sales costs and high lapse rates do not appear to be suitable, that is, allowing such products to be sold is like letting consumers play with nitroglycerin: it is only a matter of time until they financially blow themselves up.

Given that this article is focused upon Northwestern's deceptive ad, and not its broader deceptive marketing practices, it is just noted here that Northwestern and its agents have a plethora of ways to deceive policyholders about the financial mechanics or operations of a cash value policy. Again, my January 2011 letter to the NAIC President documents several of these typical misrepresentations. The age-old pervasive misrepresentations in the life insurance marketplace are a direct consequence of the industry's inadequate product disclosure practices, and are effectively cured by the type of disclosure that I have recommended for nearly 20 years (see my *1993 Best's Review* article), and which I had specifically presented to and discussed with Northwestern actuaries and other executives for years prior to *Best's* publication of my approach.

[11] Please keep in mind that it is Northwestern that introduced the investment world's approach/framework (Rate of Return on cash values) into this discussion of life insurance. Consequently, the failure to include the mandatory investment world caveat when citing and measuring past performance with an investment world metric is a material omission. While some might assert that life insurance products are not explicitly subject to investment world regulation, such an argument in this circumstance is very lame. Although such a quibble is technically true, it is trumped by insurance regulations that prohibit advertising information from being misleading or having the tendency or capacity to mislead. Northwestern's failure to provide the appropriate and most prudent caveat is a failure to present the information in the appropriate, proper, and necessary context, and that failure undeniably facilitates the information's tendency or capacity to mislead. That's why the investment regulations require it, and given Northwestern's use of an investment world approach in this circumstance, Northwestern needed to comply with such obviously sensible and prudent restrictions, not because of explicit insurance regulations, but because the failure to provide the prudent caveat is a material omission and thereby potentially misleading.

Northwestern's fine print footnote stating that its sales illustrations' current Dividend Scale Interest Rate (DSIR) is totally different from the historical rate of return on cash values is a separate matter. The fine print's explanation that the DSIR should not be confused with the ROR/"returns" on cash values is not in any way equivalent with the investment world's caveat that past performance should not be treated as indicative of future performance. Similarly, the fine print's acknowledgment that future dividends are not guaranteed does not provide the necessary caveat about undue reliance on historical performance.

While the rate of return performance of 4.97% can, in today's era of extraordinary low interest rates (10 Year Treasury is less than 2.5%) the ad's omission of relevant benchmark average rates of return over the 20 year period for which the returns are shown is typical of the inadequate information that the life insurance industry provides. Life insurers' general investment portfolio is typically comprised of upwards of 85+% mortgages and corporate bonds (fixed

income), with real estate and selected equities the other main asset categories. As mentioned above, the omission of reference to such returns compared to a suitable benchmark could well be another problematic aspect of Northwestern's advertisement.

[12] From June '87 through August '08, I was a Northwestern agent. In April '08, *Financial Advisor* published an article, "The Right Blend," that raises serious questions about Northwestern's marketing practices. In May '08, I sent the Northwestern Board of Trustees a copy of the article and a long letter documenting serious misconduct by Northwestern agents and home office executives. I advised them to seize the opportunity in such problems to transform the life insurance marketplace by providing the long overdue and vitally necessary policy disclosure. Six weeks later Northwestern, however, without my ever having received a complaint from any client and in fact despite the company having actually received a number of highly complementary letters from my clients and with knowledge that the Consumer Federation of America's life insurance adviser regularly recommended clients to me, Northwestern exercised the 30 day without cause termination clause in my agent's contract to terminate me. Glad to answer any further questions about such.

Just to provide a little flavor and color regarding Northwestern's corporate character, please note that regarding my letter to Northwestern's trustees that I faxed to CEO Ed Zore, Northwestern's home office executive Mark Bishop, who was in charge of my general agency, issued a Supervisory Memo to me based on the fact that my faxed letter to the CEO "included private confidential identifying client information in correspondence beyond what was necessary for the business purpose." All I had done was mention the names of a few clients to indicate the caliber of executives who choose to work with me; there was absolutely nothing confidential about my clients in my letter of Mr. Zore. Incredibly, when Northwestern provided a copy of my letter to the New York regulators, they failed to redact the five Northwestern client names they had cited me for wrongly disclosing to Northwestern's CEO. I couldn't make-up stuff so comical if I tried.

Mr. Bishop also presented to me a copy of an article from a compliance magazine that advocated terminating "problem representatives" because if you [the representative's manager] don't, it could cost you [the manager] your job. He also required that I watch a Northwestern training video, "The Right Way to Write." In the video, Northwestern's Sandy Botcher rhetorically asks, "When should you [i.e., an agent] communicate by writing? [and answers,] "Only when it is essential to do so...Only write when necessary to create an essential record of what has occurred." In other words, minimize the paper trails. Regarding Northwestern's litigation practice, Ms. Botcher also states, "We spin the story that we want to sell to the jury.....We want to spin stories that are helpful to the company." And therefore, having any of its agents' pervasive misrepresentation in writing could cause some real problems for Northwestern. The Supervisor Memo, the *BDWeek* article, and my notes on Northwestern's "The Right Way to Write" video are posted on my web site; my letter to Northwestern's Board of Trustees can be read in my office. Northwestern also surreptitiously charged me $200 to FedEx my commission check to me a week after my faxed letter. Months later, after I had finally discovered their attempted thievery and confronted them about it, Northwestern didn't return my money for months, and then stated that it was doing so as "a gesture of goodwill." Those who believe and say that Northwestern is a "good" company, that is, "good" in the sense of good versus bad, should really learn much more about the company; its compliance department is basically a modern Gestapo.

As stated above there are appropriate and inappropriate uses of historical data. A prime example of Northwestern's misuse of past performance was my original Northwestern sales trainer's printed presentation script – copies available upon request - which read: "Historically, you will find that there is a small group of companies [of which Northwestern was one] that pay not only what they have said they would pay [in dividends], but have paid significantly more."

Alternatively, Northwestern's current sales illustrations are often incorrectly described as conservative. This misleading characterization has even appeared in articles written by widely-read financial journalists. Again, my January 2011 to the NAIC President documents of some of the other typical Northwestern agent misrepresentation

tactics which authorities (regulators and many others) have countenanced for years. Without good information, the misrepresentations in the life insurance marketplace abound.

[13] Northwestern's valid criticism of other life insurers misleading marketing practices - its ad states, "While other companies tout sales illustrations and advertised rates," echoing the Society of Actuaries' observation that illustrations are not to be used to compare policies - does not entitle Northwestern to engage in misleading advertising of its own, albeit it of a different nature. The fact that the NAIC and its state affiliates have never mandated appropriate disclosure of cash value policies ought not absolve life insurers of their responsibilities for their misrepresentations.

[14] Regarding this subject, Professor Joseph Belth in the January 2005 issue of his newsletter, *The Insurance Forum,* has stated, "Some life insurance companies construct their cash-value policies so that the agent can choose the amount of the commission....The companies should not have created such a conflict of interest for their agents."

[15] Some maintain that Northwestern and its agents' touting of the company's "Rules of Conduct" rules are not actually binding upon the agents because these "rules," as attorneys say, are simply "aspirational." As a layman, I contend that such a perspective is incorrect, and in fact, is trumped by life insurance industry regulations that require all communications with the public to be evaluated with respect to how an ordinary consumer would evaluate such words. I think most consumers would believe that when agents tell that that their company requires that they "serve a client's best interest" and "avoid any possible conflict with clients" that such words really mean what they sound like they mean. The financial marketplace isn't supposed to be like Alice and the Mad Hatter Rabbit in *Alice in Wonderland*. Even if the rules were viewed as aspirational, Northwestern's failure to demonstrate a commitment to such makes Northwestern's conduct and rules nothing but a joke, much like someone saying that he or she aspires to be Mr. or Mrs. Universe, and yet then fails to do any of the necessary work to achieve such.

[16] See my August 2010 letter to IMSA's President http://www.breadwinnersinsurance.com/letters-to-insurers-and-regulators-imsa-president/ for details regarding IMSA's **(The Insurance Marketplace Standards Association's) fraudulent conduct throughout its entire existence.**

[17] After I reported this misrepresentation to Northwestern, the company actually changed this misleading statement on its website. It substituted the word "good" for "right," thereby giving the company some legal wiggle room from the prior categorical advice that was categorically incorrect. Whether agents who had previously been trained and informed consumers that "90 Life was the right product..."had been retrained, is an important empirical question that could be readily investigated. Unlike auto insurers who have to recall products with defects, Northwestern was not required to notify policyholders of the misinformation that quite possibly caused them to head out of the agent's office with a policy that might have financially driven them over a cliff, as 90 Life in its policyholders' early years provides little cash value and in its latter years routinely provides less cash value than the policy that the Consumer Federation of America's adviser would have recommended.

[18] Please re-read footnote #4's second paragraph's sentences about how the insurance commissioners have functioned as Bozos for the past forty years. These individuals might be good spouses, parents, or neighbors, but their performances as states' leading insurance regulators have been absolutely terrible for and often downright harmful to America's life insurance consumers. They have never fulfilled their first responsibility to provide the informational framework for the marketplace to properly function, and they have had to have known their failure on this score.

[19] Professor Winter's observation, is of course, equally applicable to the single, one-dimensional "returns" Northwestern claims is the "one important number" consumers should know.

20 Corroborating my opinion is the recent decision of a Wisconsin Judge in a recent lawsuit decided against Northwestern earlier this year. http://www.jerebeasleyreport.com/2011/05/judge-rules-against-northwestern-mutual-life-in-class-action/ The quote below is from the above link.

"Judge Flynn ruled that Northwestern breached its contracts with thousands of annuity holders when it unilaterally changed how dividends were paid on pre-1985 annuities, and found the Milwaukee-based financial giant also breached its fiduciary duty, and duties of good faith, fair dealing and loyalty during the change-over. Judge Flynn noted that "intentional and repeated concealment of wrongdoing over a period of a quarter century took place." The Court's order recapped much of the evidence from the trial, which featured 21 witnesses and more than 500 exhibits. Judge Flynn found testimony of the Defense experts "wanting," and specifically found retired Northwestern Mutual CEO Ed Zore to be, in his words, "not credible." "His answer to the conundrums faced by Northwestern Mutual was to tell lies and manufacture reality," Judge Flynn wrote in an unusually harshly-worded order." For most of the past 20 years, Northwestern has been lead by Jim Ericson and Ed Zore. I have talked and corresponded with both Jim and Ed; neither would recognize morality if they were seated at a table with Jesus.

While Mr. Zore received an award for business leadership from *Ethisphere* (an organization devoted to ethical management) in 2008, I assert that what *Ethisphere* knows about life insurance sales practices could probably be written longhand and completely stuffed in a thimble. Readers no doubt recall that Enron and its duplicitous CFO Andy Fastow received an award for outstanding financial management from a seemingly similar type of inadequately-qualified, superficially-investigating, virtual-public-relations panel just a year or two before Enron went bankrupt. My point is that Northwestern's leadership – like that of much of the life insurance industry - has not merely been seriously ethically impaired, it has been outright criminal in its willful blindness and worse conduct. When companies knowingly market inadequately disclosed products on which they pay large compensation as motivating incentives to their sales force, no one can credibly feign surprise about there being pervasive misconduct in such a marketplace. And Mr. Zore and others at Northwestern have never done anything effective to counteract such age-old problems, in fact, they have perpetuated the problems.

Please note that Northwestern spokesperson Jean Towell has indicated that the company is extremely disappointed in the judge's ruling and shocked by his conclusions, saying, "Twenty-five years after the fact, the court is willing to second-guess company executives and insurance regulators...Northwestern stands strongly behind its decision-making when it comes to dividends. They were made in good faith, for good reasons, and for the benefit of all of our policyholders," Please also note that I know from conversations and emails with Ms. Towell that she is a liar, a very troubled and troubling liar, and her lies have directly harmed my business.

21 In summary, Northwestern's ad: 1) uses and recommends that consumers act upon an inherently misleading policy comparison approach; 2) cites comparative statistics that are invalid because of the impact of differences in premium sizes and fails to mention this factor's impact; 3) knowingly presents erroneous "returns" for a competitor that was an essential part of the ad's misrepresentations, 4) misleadingly emphasizes historical results without providing the necessary prudent caveat cautioning against such misplaced reliance; 5) recommends an analytical approach that Northwestern knows is inapplicable to its typical consumer because its typical consumer does not keep its flagship product 20 years, 6) separately overemphasizes the significance of historical results that diverts and misdirects consumers from such necessary analysis of a policy's future performance; 7) omits the material information of the product's name, thereby facilitating misrepresentation and misconceptions; 8) purports the cited data is much more comprehensive than it is, thereby making claims not backed by sufficient data and encouraging consumers to attach unjustified significance to the findings; 9) recommends with blatant hypocrisy that consumers use an approach to evaluate policies that the company through its own actions can be seen to have never actually supported itself, because in fact it has at times explicitly argued that another approach was actually the preferable way to evaluate policies, and 10) provides its sales force with information that has the capacity or tendency to facilitate deception of consumers.

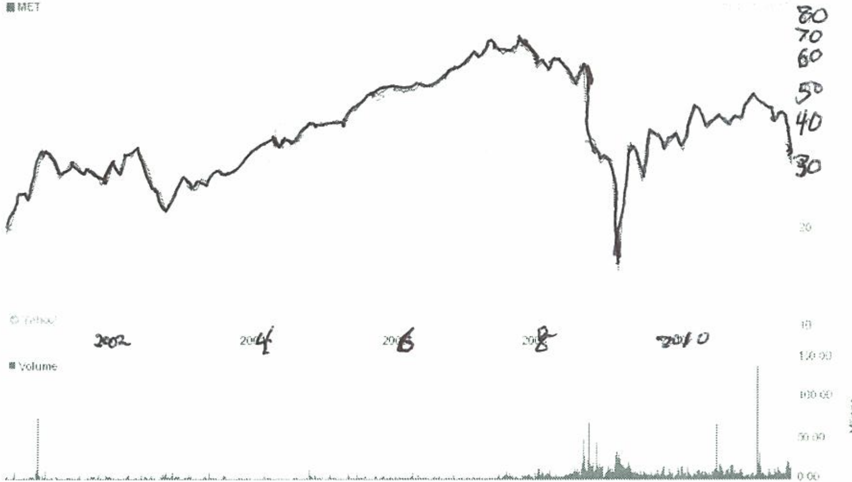
[22] The New York State Department of Insurance office in New York City is actually located at 25 Beaver Street.

Basic Chart Get Basic Chart(s) for: GO

MetLife, Inc. Common Stock (NYQ) Edit

Range: 1d 5d 3m 6m 1y 2y 5y **max** Type: Bar | **Line** | Candle Scale: Linear | **Log** Size: M | **L**

Compare: MET vs S&P 500 Nasdaq Dow Compare



Splits: none

MetLife, Inc. Common Stock (NYQ: MET)

33.00 ⇩ 0.60 (1.79%) 1:01PM EDT

Last Trade:	**33.09**	Day's Range:	32.81 - 33.63
Trade Time:	12:47PM EDT	52wk Range:	30.12 - 48.72
Change:	⇩ 0.51 (1.52%)	Volume:	4,148,728
Prev Close:	33.60	Avg Vol (3m):	9,966,430
Open:	33.50	Market Cap:	34.99B
Bid:	33.08 x 700	P/E (ttm):	14.12
Ask:	33.09 x 500	EPS (ttm):	2.35
1y Target Est:	54.57	Div & Yield:	0.74 (2.20%)

Quotes delayed, except where indicated otherwise. Currency in USD.

MetLife's Highest Share Price according to Yahoo Financial history
$ 71.23 in October 2007

MetLife Stock Dividend History (Dollars/Share) pd once annually

5-Nov-10	0.74 Dividend
5-Nov-09	0.74 Dividend
6-Nov-08	0.74 Dividend
2-Nov-07	0.74 Dividend
2-Nov-06	0.59 Dividend
3-Nov-05	0.52 Dividend
3-Nov-04	0.46 Dividend
5-Nov-03	0.23 Dividend
6-Nov-02	0.21 Dividend
2-Nov-01	0.20 Dividend
3-Nov-00	0.20 Dividend

Re: Demutualization Inquiry - Requested Supplemental Info Fw: 2 page MaxEmail fax from 9144570110

FROM: lvranka@metlife.com
TO: Brian Fechtel

Mr. Fechtel
Based on the specifics of the policy we spoke about, the owner would have received 10 fixed shares and 250 variable shares. Hope this helps and that you were able to locate the dividend information.