



Frances Aricale
Executive Director
Insurance Product Regulation Commission
444 North Capitol Street, NW, Suite 701
Washington, DC 20001-1509

May 11, 2007

Dear Ms. Aricale:

I am writing on behalf of AARP to share our thoughts and concerns about the arbitration provisions in the proposed uniform standards for the following products: individual whole life insurance, individual joint last to die survivorship whole life insurance, individual single premium joint last to die survivorship whole life insurance, and individual single premium whole life insurance.

AARP recognizes that various forms of alternative dispute resolution (ADR), including arbitration provide ways of resolving disputes without resorting to the court system and that these alternative mechanisms in some instances can be less expensive and less time consuming than a civil action in court. However, AARP does have some concerns about ADR practices, particularly for arbitration. The arbitration process, itself, has many disadvantages for consumers, including:

- high up-front costs, limited access to documents and other information;
- limited knowledge on which to base the choice of an arbitrator;
- the absence of a requirement that arbitrators follow the law or issue written decisions; and
- extremely limited grounds for appealing an arbitrator's decision.

Generally, AARP believes that ADR is appropriate only when certain safeguards are in place to ensure the fairness of the process. Arbitrators must be neutral, trained in ADR skills, and knowledgeable about the law involved. Parties must have the right to counsel during the proceedings and should be allowed to engage in reasonable discovery, with an arbitrator authorized to subpoena documents and witnesses. Arbitration proceedings must guarantee evidentiary protections, including the right to cross-examine witnesses. Parties to arbitration should be able to appeal an arbitrator's decision for errors of fact or law, or abuse of discretion.

The proposed standards only permit policy clauses allowing voluntary post-dispute binding arbitration. AARP recognizes that this approach may represent compromise between those who would like to make arbitration mandatory and those who oppose

arbitration of disputes concerning insurance contracts. However, AARP believes that binding arbitration with no right to judicial review is not in the best interest of consumers.

With respect to a contract provision that authorizes binding arbitration, the arbitration must be conducted in accordance with the rules of the American Arbitration Association (AAA), before a panel of three neutral arbitrators who are knowledgeable about life insurance and appointed from a panel list provided by the AAA. This standard is generally consistent with AARP's policy on arbitration.

The proposed guidelines specify that arbitration must be held in the city or county where the policy owner or beneficiary lives. AARP applauds this guideline. All too frequently, a consumer is forced to arbitrate a dispute in a venue more convenient to the company whose contract is the subject of the dispute. Consumers are placed at a severe disadvantage when forced to arbitrate in far-off venues.

The guidelines also specify that the cost of arbitration must be paid by the company. The guidelines should clarify the meaning of the term "cost" to include any deposits required by AAA in advance of any hearing and any administrative fee required to be paid in order to commence a dispute in arbitration, as well as any other fee, including the arbitrator's fee. Requiring an individual to pay up-front deposits and wait for reimbursement would defeat the spirit of a requirement that the company pay arbitration costs.

Finally, AARP asks that the commission further clarify the guidelines to say that to the extent there is any inconsistency between the guidelines and the AAA rules, the guidelines control. While this may be implicit in the cost guideline, making it explicit would prevent confusion for all parties.

The standards developed by the commission for the life insurance products listed above are identical to those for other products. AARP has the same positions and concerns about the arbitration standards applicable to other products.

Sincerely,

Ryan Wilson
Strategic Policy Advisor,
AARP Public Policy Institute