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.[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