



B Lab Controversial Issues Statement - Whole Life Insurance Products

B Lab's Approach to Controversial Issues and B Corp Certification

As for-profit companies that meet the most rigorous standards of overall social and environmental performance, accountability, and transparency, Certified B Corporations are leaders in the movement to use business as a force for good.

Whether through information a company provides in its [Disclosure Questionnaire](#), an issue raised by a third-party through B Lab's formal [Complaints Process](#), or public discourse on B Corp certification requirements and standards, difficult and complex questions regularly arise as to how controversial issues in the world of business should affect a company's eligibility for B Corp certification. Judgments on these issues are then determined by B Lab's independent [Standards Advisory Council](#) as part of a disclosure review process.

B Lab's Disclosure Questionnaire forms the basis of the disclosure review process, which covers sensitive industries, practices, outcomes, and penalties and is based on third party screenings and standards like the IFC Excluded Industries List and International Labor Organization Conventions. Recognizing that any list of sensitive issues may be incomplete, however, B Lab also reserves the right to conduct similar reviews on issues that are not currently featured in the Disclosure Questionnaire but are deemed subject to material stakeholder concern and a potential violation of the B Corp movement's Declaration of Interdependence.

When new industries or issues where a decision making model has not already been developed arise, B Lab conducts research into the issue in order to guide the Standards Advisory Council's decision. Research is based on secondary sources compiled by B Lab staff, with the overall intent of identifying and understanding the different concerns related to the industry or issue and the different perspectives of stakeholders. This includes a review of press related to the industry and its impact, how the issue is covered by other standards, existing public policy and public policy recommendations from non-profit organizations and other topical experts, examples - potentially both good and bad - of actors within the industry, and other public commentary and perspectives. This content is in turn used to develop the framework for Standards Advisory Council review, and determines the types of questions that individual companies are required to answer as part of their review.

Particularly when it comes to industries that are controversial, there is a natural and healthy tension between the inclination to exclude all companies in those industries from eligibility for B Corp Certification, and *the need for leadership* that has the potential to transform the culture, behavior, and impact of those industries. While B Lab and its [Standards Advisory Council](#) may determine that an industry as a whole is ineligible for certification because of its negative



impacts or practices, they also recognize that in controversial industries it may be possible for companies to be meaningfully managing those potential negative impacts or controversies. In these circumstances, the need may be greatest to distinguish between good and bad actors, as well as good, better, and best performance by using rigorous standards of verified social and environmental performance, legal accountability, and public transparency. All stakeholders are best served by the existence of credible and transparent standards that facilitate improved policy, investment, purchasing, and employment decisions.

Along with the recognition that there are many diverse and reasonable perspectives as to what contributes to a shared and durable prosperity for all, B Lab and its Standards Advisory Council will make determinations regarding eligibility for B Corp Certification and, if eligible, will require companies in controversial industries, with controversial policies, or engaged in controversial practices to be transparent about their practices and how they work to manage and mitigate concerns. B Lab will also document and share these positions publicly in order to enable all stakeholders, including citizens and policymakers, to make their own judgments about a company's performance, as well as further thoughtful, constructive public discussion about important issues. Existing B Lab statements and frameworks on controversial issues are available [here](#).

These frameworks, like B Lab's standards generally, are works in progress, and we look forward to improving upon them in the future. B Lab invites other perspectives as it continues to refine its views and, hopefully, contribute to a constructive conversation about the role of business in society.

Independent of eligibility for B Corp Certification, all companies in any industry are able to use the [B Impact Assessment](#) as an internal impact management tool to assess and improve their overall practices, and/or adopt a stakeholder governance legal structure (such as [benefit corporation](#)) appropriate to the company's current corporate structure and jurisdiction.

If you have questions or comments about B Lab's approach to the below issues, please email B Lab's Director of Standards Dan Osusky at dosusky@bcorporation.net.



Whole Life Insurance Products And B Corp Certification

Whole life insurance products are controversial because of claims regarding the limited circumstances in which it is a financially preferable product for customers, its higher margins for brokers, and the lack of transparency about aspects of the product.

In response to interest from whole life insurance companies in B Corp Certification and inquiries from concerned stakeholders regarding whole life insurance products, B Lab and its independent Standards Advisory Council have rendered the following decision regarding eligibility for B Corp Certification:

Companies that predominantly create and sell whole life insurance products¹ would need to demonstrate transformational practices with regard to the material issues in the industry. B Lab and its Standards Advisory Council will review these potential transformational practices on a case by case basis.

As a result, companies who are exclusively serving as brokers for whole life insurance products, particularly for the purpose of financial savings, are ineligible for B Corp certification, as they do not have control over the underlying product.

About Whole Life Insurance

Whole life insurance is an insurance policy that pays a benefit upon the death of the insured, and also accumulates a cash value over time as the insurance policy is paid. It differs from a “term” insurance policy which only provides a potential benefit for a stated “term.” After the conclusion of that term, the policy expires; because of this expiration a term life insurance policy does not itself accrue a cash value.

For example: if a thirty year old purchases a whole life insurance policy, then the benefit will be paid at their death no matter when that death occurs. As the thirty year old continues to pay the premium over time, the policy itself accumulates a cash value. Due to this aspect of whole life, it is therefore possible for the insured person to earn income based on that cash value and actually borrow up to its accrued value. In the case of a term life insurance policy, a thirty year old could purchase a 30 year term policy. While that policy will not accumulate any cash value, if the insured dies within that thirty year term the policy will pay benefits. After those thirty years

¹For the purposes of this decision, a company is predominantly selling whole life insurance products if approximately 80% or more of its revenues / commissions come from the sale of whole life insurance products. This threshold has been determined as a general guideline, but B Lab and the Standards Advisory Council retain the discretion to review the eligibility of other companies with involvement in whole life insurance products even if they do not not exceed 80%.

the insurance policy will expire, meaning if the insured dies after they are 60 years old, the policy will not be paid out.

Controversies Related to Whole Life Insurance Products

There are a number of “popular” resources online that discuss the two types of insurance policies and their pros and cons. According to one such article, term life is “cheaper” and “easier to understand” while whole life has some additional benefits (primarily the cash value accrual).² According to another, perspectives on the two are described as follows:

Term life insurance is right for most people, and some of the biggest names in personal finance, like Dave Ramsey, Suze Orman, and Clark Howard agree and recommend term life insurance. But that doesn't mean it's right for everyone, and some people may benefit from whole life insurance.³

While many of these articles, similar to the points highlighted above, acknowledge that term life insurance is generally a better option, they also acknowledge that there is potential value of whole life insurance in some circumstances. B Lab's own interviews with experts in the insurance industry shared this viewpoint.

There are, however, a few critics of the whole life insurance market that, while they may generally agree with that sentiment, also argue that there are underlying issues in the whole life insurance market that makes the sale of these policies problematic. Specifically, these critics point to (1) the greater value that insurance companies themselves are able to generate from whole life insurance (creating an inherent conflict of interest that leads to whole life insurance being more aggressively marketed for the benefit of companies at the expense of consumers), and (2) the lack of transparency around the implications and potential payouts made through whole life insurance policies.

- (1) *Benefits to Insurance Companies:* Some estimates indicate that insurance agents earn up to 10x the commission on whole life insurance compared to term life insurance, which explains the extent to which the product is marketed aggressively even if it is in most cases not the best option for the consumer.⁴
- (2) *Payout Transparency:* According to at least one source, payouts made from whole life insurance products operate much like a shareholder dividend, and therefore managers have the discretion to choose the amount of the money generated by the underlying policies to distribute to policy holders each year. The discretionary aspect of these payouts, however, is not made transparent to most customers.⁵

² <https://www.nerdwallet.com/blog/insurance/what-is-the-difference-between-term-whole-life-insurance/>

³ <https://www.policygenius.com/life-insurance/learn/whole-life-versus-term-life-insurance/>

⁴ <https://www.expertinsurancereviews.com/insurance-education/term-life-better-whole-life/>

⁵ <https://mailchi.mp/f7f4e403ee34/w3uaky99dd>

Finally, beyond insurance brokers who may sell a variety of insurance related products (including both whole life and term insurance) to its customers, some companies have designed their business model exclusively around the sale of whole life insurance products for the express purpose of using it as an alternative financial investment, not just an insurance product. These companies generally market their specific service under trademarked marketing claims like “be your own banker” or “infinite banking.”⁶

In these business models, the fact that whole life insurance accrues a cash value over time is used for the express purpose of being able to “borrow against” the value accrued and in that way “borrow from” their own assets rather than from a financial institution.

Similar to the comments above about the general value to consumers of whole life insurance products, there are mixed opinions on the concept of “banking on yourself.” On the one hand, some would argue that the concept provides value to consumers because of the simultaneous benefit of being able to borrow against your policy and ultimately receiving the life insurance benefit upon death.⁷ Others, similar to critics of whole life in general, point out that the financial value derived from this use of whole life insurance does not optimize financial returns, at least in most circumstances, when compared to other financial stewardship approaches like savings accounts, investments, and mortgages. They also argue that the idea of “banking on yourself” is actually not true, as it is essentially still taking a loan from a financial institution, just an insurance company rather than a bank.⁸

In sum, while there is a general acknowledgment that whole life insurance products are valuable to consumers in some circumstances, there are limitations to that value in many circumstances and concerns about the underlying marketing and transparency of them. Unfortunately, there have not been any voluntary third party standards related to responsibility and consumer protection that have been identified to differentiate companies in the space.

Decision Rationale:

Given the general agreement that the product is valuable in some circumstances despite reasonable concerns about its value, transparency, and conflicts of interest, the Standards Advisory Council determined it is appropriate to certify companies who develop or sell whole life insurance products in some circumstances.

The Standards Advisory Council further acknowledged that the risks associated with the overall value to consumers, as well as the transparency of the product and the potential conflict of interest in marketing such products to consumers when it may not be in their best interest, is

⁶ <https://infinitebanking.org/>

⁷ <https://termlife2go.com/infinite-banking/>

⁸ <https://www.kitces.com/blog/bank-on-yourself-review-a-personal-loan-from-a-life-insurance-company-and-not-infinite-banking/>



particularly astute in circumstances where a company is substantially dependent upon the sale of whole life insurance products as a part of its business model. In contrast to circumstances where whole life insurance is part of a suite of offerings to consumers, where it is both possible for the customer to identify products that are best for their particular circumstances and possible for the company to advise customers to them, when a company is focused on selling whole life insurance products predominantly there is an enhanced conflict of interest and risk that the product does not serve the best interests of their customers.

Combined with concerns about transparency, the Standards Advisory Council therefore determined that at this time companies who are predominantly selling whole life insurance products could only be eligible for the certification if they have fundamentally transformed the nature of the whole life insurance product itself. As a result, companies who primarily serve as brokers, including those who sell whole life insurance products for the specific purpose of using it as an alternative financial vehicle, are ineligible to become Certified B Corporations at this time.

Because it was not possible to identify company's engaging in qualifying best practices, B Lab and its Standards Advisory Council have been unable to concretely determine what would qualify prior to individual company reviews. To that end, companies who believe they meet the requirements of the Standard Advisory Council and would like to demonstrate their eligibility will be reviewed on a case-by-case basis.

The decision of the Standards Advisory Council has been informed by independent research conducted by B Lab and stakeholder consultations including industry experts and practitioners.

This disclosure requirement in cases where a company is eligible is intended to recognize that reasonable people may disagree with the position outlined by the Standards Advisory Council and should have the relevant information to make their own judgment regarding the company's social and environmental performance.

This statement is effective as of May 2019 until further judgment from the Standards Advisory Council.

Please send your feedback or questions to B Lab's Director of Standards Dan Osusky at dosusky@bcorporation.net.