



THE STATE OF FLORIDA

OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

BANNER LIFE INSURANCE COMPANY

ISSUED

JANUARY 24, 2017

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EXECUTIVE SUMMARY

In June 2006, the Florida Legislature enacted the Freedom to Travel Act which modified Florida's Unfair Trade Practices Act by placing prohibitions on life insurance limitations upon an individual based solely on the individual's past lawful foreign travel or future lawful travel plans. The Florida Unfair Trade Practices Act also prohibits the refusal to insure, or continue to insure, based on the individual's race, color, creed, marital status, sex, or national origin.

The following represent general findings, however, specific details are found in each section of the report.

<u>TABLE OF TOTAL VIOLATIONS</u>			
Statute/Rule	Description	Files Reviewed	Number of Violations
626.9541(1)(dd)2 & Rule 69O-125.003(4)	Declined an application based solely on future lawful foreign travel	165	1

PURPOSE AND SCOPE OF EXAMINATION

The Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of Banner Life Insurance Company (Company) pursuant to Section 624.3161, Florida Statutes. The examination was performed by Fatzinger Consulting, Inc. The scope period of this examination was January 1, 2015, through December 31, 2015. The examination began June 27, 2016, and ended September 23, 2016.

The purpose of this examination was to review compliance with Sections 626.9541(1)(g), 626.9541(1)(x), 626.9541(1)(dd) and 626.9891, Florida Statutes, and Rules 69O-125.003 and 69D-2, Florida Administrative Code.

The examination included a review of the following:

- Life application underwriting files to determine if an application was denied, issued in a manner other than applied for, terminated or canceled solely on the individual's past or future lawful foreign travel experiences, or on the applicant's national origin.
- Administrative and underwriting files for issued policies to determine if the policy was terminated, canceled, or had a benefit change based solely on the individual's past or future lawful foreign travel experiences, or on the insured's national origin.
- Anti-Fraud Plans to verify filing.

In reviewing materials for this report, the examiner relied on records provided by the Company. Procedures and conduct of the examination were in accordance with the *Market Regulation Handbook* produced by the National Association of Insurance Commissioners.

COMPANY OPERATIONS

Company is a foreign Life and Health insurer licensed to conduct business in the State of Florida on November 29, 1955. The Company is authorized to offer life, group life and annuities, variable life, credit life, variable annuities, and accident and health coverage in the State of Florida.

Total Direct Premiums Written in Florida for Life Insurance was as follows:

Year	Total Written Premium In Florida (Per Schedule T of the Annual Statement)
2015	\$67,074,541

LIFE APPLICATION REVIEW

APPLICATION FORMS REVIEW

The life insurance application used by the Company in 2015 asks if the proposed insured intends to travel outside the United States or change country of residency in the next 12 months and requests the state or country of birth. Non-United States citizens are to provide visa information and country of citizenship. The Company uses a Residence and Foreign Travel questionnaire to record travel, citizenship, and residency details. In addition, the Company uses activity questionnaires that request the location of certain activities, which could reveal potential travel outside the United States.

UNDERWRITING MANUAL REVIEW

The Company's Foreign Travel and Foreign National Guidelines state that past foreign travel is not a consideration at any time, and that future foreign travel may not be considered in Florida, except for travel to Iraq or Afghanistan. The Company revised these guidelines effective May 2016 to include a definition of foreign residency as a duration of greater than 180 consecutive days. The Company's Underwriting Manual addresses permanent resident requirements, as well as acceptable temporary visa types and their requirements.

LIFE APPLICATIONS FILE REVIEW

The Company provided a data file of 6,735 applications for life insurance received during the scope period.

The examiners reviewed information contained in the life application underwriting files which included but were not limited to applications, supplemental application questionnaires,

underwriting notes, agent and policyholder communications, medical documentation and other supplemental materials. The Company's data file identified the place of birth for the majority of applications, therefore separate samples were selected for foreign born and United States born applicants to test both national origin and travel considerations.

Declined Applications

The examiners reviewed 165 declined applications which consisted of a random sample of 79 declined applications where the proposed insured was born in a foreign country or was not recorded, and a random sample of 86 declined applications where the proposed insured was born in the United States.

In 1 instance, the Company declined an application based solely on the applicant's future lawful travel, in violation of Section 626.9541(1)(dd)2, Florida Statutes, and Rule 690-125.003(4), Florida Administrative Code. The letter to the applicant indicated the application was declined due to "Your history of extended travels to the Philippines." The applicant had indicated a family visit to the Philippines was to occur within 12 months from the date of the application, and the duration of the stay was to be from 4 to 6 months. Rule 690-125.003(10) states that "travel" shall not include "residency" and specifies that residency is a duration of greater than 180 days.

COMPANY'S RESPONSE: The Company responded that the declination sent to the applicant was in error as the application was declined based on partial residency in the Philippines. The Company acknowledged it made an error in declining the application and is in the process of contacting the applicant to offer coverage. In addition, the Company stated it revised its underwriting guidelines, effective May 2016, to include a definition of foreign residency as a duration of the greater than 180 consecutive days.

CORRECTIVE ACTION: The Company should ensure that travel is not considered in underwriting Florida applications pursuant to Section 626.9541(1)(dd)2, Florida Statutes.

Terminated Applications

The examiners reviewed 192 applications that were terminated for reasons including incomplete, not taken, postponed, withdrawn, pending, suspended, lapsed or were coded as an error. The sample consisted of a random sample of 79 applications where the proposed insured was born in a foreign country or where the place of birth was not recorded, and a random sample of 113 applicants where the proposed insured was born in the United States. No violations were found.

Applications Issued Other Than Applied For

The examiners reviewed a total of 174 applications that were indicated as being issued other than applied for, most of which were issued with a standard or substandard rating. The sample consisted of a random sample of 79 applications where the proposed insured was born in a foreign country or where the place of birth was not recorded, a random sample of 86 applications where the proposed insured was born in the United States, and an additional 9 files selected for having a flat extra premium applied. Four files in the original samples were actually issued as applied for and substitute applications were requested. No violations were found.

LIFE POLICY REVIEW

The examiners reviewed the administrative and underwriting files that supported policy benefit changes and policy cancellations and terminations.

Benefit Changes

The Company reported 167 policies that had a benefit change requiring underwriting. The examiners reviewed 79 benefit changes, which consisted of all 37 policies where the insured was born in a foreign country or where the place of birth was not recorded and a random sample of 42 benefit changes where the insured was born in the United States. No violations were found.

Policy Terminations and Cancellations

The Company provided a listing of 2,827 policy terminations during the scope. The terminations were due to death, lapse, surrender, conversion, maturity or expiry. No underwriting was performed on the policies subject to conversion, therefore, no sample was requested.

ANTI-FRAUD PLAN REVIEW

The Company was unable to provide the examiners a copy of its filed Form DFS-L1-1689, the SIU description, with the Division of Fraud (DIF), however, the Office confirmed there was a filing on record. In addition, the Company made a refile of Form DFS-L1-1689, which was accepted by the DIF on July 19, 2016. No violations were found.

EXAMINATION FINAL REPORT SUBMISSION

The Office hereby issues this Final Report based upon information from the examiner's draft report, additional research conducted by the Office, and additional information provided by the Company.