

# Florida Office of Insurance Regulation



## 2011 Report on Life Insurance Limitations Based on Foreign Travel Experiences

March 1, 2011

# **Life Insurance Limitations Based on Travel to Foreign Countries**

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## **Background and Findings:**

Section 626.9541(1)(dd), Florida Statutes, enacted in 2006, defines the conditions under which the refusal of life insurance or the refusal to continue existing life insurance based on past or future lawful travel constitutes an unfair trade practice. Subsection 6 requires the Office of Insurance Regulation (Office) to report to the President of the Senate and the Speaker of the House of Representatives on the implementation of this paragraph by March 1 of each year. The report is to include, but not be limited to, the number of applications under which life insurance was denied, continuance was refused, or coverage was limited based on future travel plans; the number of insurers taking such action; and the reason for taking each such action.

This is the fifth year of this annual report; the first report was issued on March 1, 2007. The reports from 2007-2010 can be found on the Office's website (<http://www.floir.com>). The data for the 2011 Annual Freedom of Travel Report coincides with the fiscal year – the scope period for this year's survey is July 1, 2009 to June 30, 2010.

## **Updates to Last Year's 2010 Freedom to Travel Report**

At the time of the publication of the 2010 Freedom to Travel Report there was an action pending against a company that was in the "process of being finalized," and could not be included in the report. This company was State Farm Life Insurance Company, which paid penalties and fines in the amount of \$10,500 for a violation it disclosed in the survey completed in 2008.

The Office engaged in examinations of 20 companies in 2009. At the time of this published report, the Office had not finalized these examinations, but the fieldwork for all examinations has been completed. Ten companies did not have any violations. One company, New York Life Insurance Company, did have two violations of Freedom to Travel. Penalties and fines amounting to \$18,000 will be paid upon release of the Consent Order.

The remaining nine companies had potential violations that included Freedom to Travel issues and other discrimination issues pertaining to Section 626.9541(1)(g), Florida Statutes [Unfair Discrimination], and Section 626.9541(1)(x), Florida Statutes [Refusal to Insure].

There is also an ongoing regulatory action against Liberty National Life Insurance Company for [Freedom to Travel] and [Unfair Discrimination]. The Office issued a Final

Order on February 9, 2011, which imposed a fine of \$60,000. The company still has an opportunity for an appeal, therefore the regulatory action is considered “ongoing.”

In addition, one company self-admitted to two potential violations under Section 626.9541(1)(dd), Florida Statutes. Final action has not been taken against this company.

Finally, in last year’s survey the Office combined the Freedom to Travel issue with other discrimination issues pertaining to Section 626.9541(1)(g), Florida Statutes [Unfair Discrimination], and Section 626.9541(1)(x), Florida Statutes [Refusal to Insure]. In the 2009 report, the Office reported it had found 85 potential violations related to discrimination based on country of origin. Given that there has not been resolution of the recent litigation regarding [Unfair Discrimination], the Office has not yet been able to take additional action.

## The 2011 Report (Data for FY 2009-2010)

### Survey Results:

The Office identified 475 entities that wrote life insurance or annuity products during the scope period of July 1, 2009 to June 30, 2010. The Office required these companies to complete an online survey, and achieved a 100% response rate. The survey results revealed the following information:

<b>Life Insurance Applications</b>	<b>Companies answering “yes”</b>
Asked Past Foreign Travel Question	47
Asked Future Foreign Travel Question	90
<b>Annuity Applications**</b>	<b>Companies answering “yes”</b>
Asked Past Foreign Travel Question	5
Asked Future Foreign Travel Question	5

*\*\* Please note: for annuity applications – the “five” companies asking past foreign travel questions and “five” companies asking future foreign travel questions are not the same five companies. The ten “yes” answers in this section represent nine different companies.*

The above results show that questions about foreign travel are more prevalent for life insurance applications than for annuity applications. In addition to these questions:

- 12 companies reported having a procedure or underwriting guideline in place that could limit the amount, extent, or kind of life insurance based on past foreign travel.

- 30 companies reported having a procedure or underwriting guideline that could limit life insurance based on future foreign travel.
- 14 companies reported having an existing procedure or underwriting guideline in place that either limited or denied a request by an individual to increase the amount of their coverage based on foreign travel.

These survey results may impact the Office's selection of companies for examination in 2011.

The survey also required companies to self-disclose any statutory violations related to life insurance and foreign travel. Five companies self-disclosed that insurance was postponed or denied to a total of 21 applicants travelling to Iraq and/or Afghanistan. In all instances, the five companies took into account the extension until February 15, 2012 of the "Order Approving Variance" for the countries of Afghanistan and Iraq. Therefore, there were no self-reported violations of the Freedom to Travel law.

It is important to note that it is only a statutory violation if a company makes an adverse decision based "solely" on a life insurance or annuity applicant's past travel or plans to travel in the future. While the final criteria for selecting companies for examination is confidential and is statutorily defined as an "investigative technique," the Office's selection is generally based on a deliberative review of such elements as consumer complaints, answers to surveys, form filings, and other industry factors including environmental scanning.

## **Summary of Recent Examinations (Data Year FY 2009-2010)**

The Office is currently engaged in the process of examining 12 companies. The Office has not finalized these examinations at the time of the printing of this report, but the fieldwork has been completed and the Office has preliminary findings. The Office's examinations have revealed one potential statutory violation. Additional violations may be found as the analysis of data continues. The contract examiners have reviewed 64,222 life insurance applications.

### **Of the 12 examinations with completed fieldwork:**

- 11 companies have no violations pertaining to Freedom to Travel.
- 1 company has a total of one potential violation related to Freedom to Travel.

It is important to note that the above reference to "violations pertaining to Freedom to Travel" pertains specifically to violations of Section 626.9541(1)(dd), Florida Statutes.

Once the examination reports have been finalized, the identity of the companies and the examination findings will be made public, and be made available on the Office's website.

Subsection 6 of Section 626.9541(1)(dd), Florida Statutes requires the Office to answer the following specific questions:

<b>Question</b>	<b>Number</b>
Number of Applications under which life insurance was denied/postponed	<b>0</b>
Number of Applications where continuance of coverage was refused	<b>0</b>
Number of Applications where coverage was limited or rate was increased	<b>1</b>
Number of companies with statutory violations	<b>0</b>

## **Other Life and Health Insurance Company Examinations**

Examinations were performed on four additional life and health insurers to review several business areas. A Freedom to Travel review was included as one element of these examinations. The preliminary results indicate that one company has two potential violations of Freedom to Travel but the examinations are not yet finalized.

## **Companies that Ask Travel Related Questions**

As previously stated, it is not a violation of Florida Statutes to ask life insurance and annuity applicants questions about past or future foreign travel – it is only illegal to take adverse action based solely on an applicant’s response. In the 2008 Freedom to Travel Report, the Office began a practice of publishing a list of insurance companies that self-reported utilizing foreign travel related questions in their life or annuity applications. In 2008, this list included 105 insurance companies operating in Florida; this number decreased to 93 companies in the 2009, increased to 104 companies for the 2010 report, and decreased to 95 companies for the 2011 report. Appendix A is a list of companies reporting that they asked travel related questions during the scope period for the 2011 report.

## **Variations from the Freedom to Travel Law**

The Freedom to Travel Law, Section 626.9541(1)(dd), provides that insurers can limit the extent of life insurance, including denying life insurance applications, based upon the applicant’s future travel plans, if “the insurer can demonstrate that insureds who have traveled or intend to travel are a separate actuarially supportable class whose risk of loss is different from those insureds who have not traveled and do not intend to travel.” The statute further provides that the Office can grant limited exceptions to this requirement to insurers for travel to specific countries based upon conditions in those countries that could adversely impact travelers’ health and safety.

On February 15, 2008, the Office issued an order finding that Monumental Life Insurance Company had met the conditions for the issuance of a waiver, and granted the waiver for travel to Iraq and Afghanistan; the waiver was limited to two years unless otherwise extended. In an order issued December 17, 2009 by the Office, this waiver was extended two years for travel to Iraq and Afghanistan. This waiver takes effect upon the expiration of the earlier order (February 15, 2010), and extends two years (until February 15, 2012).

# Appendix A

## List of 95 Companies that Ask Travel Related Questions

COMPANY NAME	NAIC COMPANY CODE
5 STAR LIFE INSURANCE COMPANY	71854
ALLSTATE LIFE INSURANCE COMPANY	60275
AMERICAN UNITED LIFE INSURANCE COMPANY	68594
AMERICAN-AMICABLE LIFE INSURANCE COMPANY OF TEXAS	61999
AMERICO FINANCIAL LIFE AND ANNUITY INSURANCE COMPANY	61301
AMICA LIFE INSURANCE COMPANY	93661
AXA EQUITABLE LIFE AND ANNUITY COMPANY	62944
AXA EQUITABLE LIFE INSURANCE COMPANY	68160
BALBOA LIFE INSURANCE COMPANY	61212
BANNER LIFE INSURANCE COMPANY	57223
BENEFICIAL LIFE INSURANCE COMPANY	64890
BEST MERIDIAN INSURANCE COMPANY	61476
C.M. LIFE INSURANCE COMPANY	93432
COLONIAL LIFE AND ACCIDENT INSURANCE COMPANY	62065
COLUMBIAN LIFE INSURANCE COMPANY	62103
COLUMBIAN MUTUAL LIFE INSURANCE COMPANY	99937
CUNA MUTUAL INSURANCE SOCIETY	62634
DIRECT GENERAL LIFE INSURANCE COMPANY	71919
EQUITRUST LIFE INSURANCE COMPANY	57991
FEDERATED LIFE INSURANCE COMPANY	93696
FIDELITY INVESTMENTS LIFE INSURANCE COMPANY	63290
FLORIDA COMBINED LIFE INSURANCE COMPANY	91642
FREEDOM LIFE INSURANCE COMPANY OF AMERICA	99775
GOVERNMENT PERSONNEL MUTUAL LIFE INSURANCE COMPANY	62200
GREAT SOUTHERN LIFE INSURANCE COMPANY	80705
GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY	56693
GUARDIAN INSURANCE & ANNUITY COMPANY, INC.	64246
GUARDIAN LIFE INSURANCE COMPANY OF AMERICA	64327
HARTFORD LIFE AND ANNUITY INSURANCE COMPANY	88072
HARTFORD LIFE INSURANCE COMPANY	92711
HM LIFE INSURANCE COMPANY	64505
INVESTORS LIFE INSURANCE COMPANY OF NORTH AMERICA	65056
JACKSON NATIONAL LIFE INSURANCE COMPANY	64017

JOHN HANCOCK LIFE INSURANCE COMPANY (U.S.A.)	65110
KANSAS CITY LIFE INSURANCE COMPANY	58033
LIBERTY BANKERS LIFE INSURANCE COMPANY	65315
LIBERTY LIFE ASSURANCE COMPANY OF BOSTON	61492
LIBERTY LIFE INSURANCE COMPANY	65331
LIBERTY NATIONAL LIFE INSURANCE COMPANY	65412
LINCOLN BENEFIT LIFE COMPANY	65927
MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY	31119
MEMBERS LIFE INSURANCE COMPANY	65951
METLIFE INVESTORS USA INSURANCE COMPANY	65978
METROPOLITAN LIFE INSURANCE COMPANY	97136
MIDLAND NATIONAL LIFE INSURANCE COMPANY	66087
MINNESOTA LIFE INSURANCE COMPANY	70416
MML BAY STATE LIFE INSURANCE COMPANY	57541
MONUMENTAL LIFE INSURANCE COMPANY	66370
MONY LIFE INSURANCE COMPANY	78077
MONY LIFE INSURANCE COMPANY OF AMERICA	66311
MOTORISTS LIFE INSURANCE COMPANY	66427
MUTUAL OF AMERICA LIFE INSURANCE COMPANY	66397
NALIC LIFE INSURANCE COMPANY (PUERTO RICO)	61409
NATIONAL WESTERN LIFE INSURANCE COMPANY	92657
NATIONWIDE LIFE AND ANNUITY INSURANCE COMPANY	66869
NATIONWIDE LIFE INSURANCE COMPANY	56782
NEW ENGLAND LIFE INSURANCE COMPANY	78743
NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION	66915
NEW YORK LIFE INSURANCE COMPANY	81264
NORTH AMERICAN COMPANY FOR LIFE AND HEALTH INSURANCE	69000
NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY	81353
NYLIFE INSURANCE COMPANY OF ARIZONA	67148
OCCIDENTAL LIFE INSURANCE COMPANY OF N CAROLINA	89206
OHIO STATE LIFE INSURANCE COMPANY (THE)	67199
PACIFIC LIFE INSURANCE COMPANY	70785
PENN INSURANCE AND ANNUITY COMPANY	67644
PENN MUTUAL LIFE INSURANCE COMPANY	67660
PHILADELPHIA FINANCIAL LIFE ASSURANCE COMPANY	67792
PHYSICIANS LIFE INSURANCE COMPANY	67873
PIONEER AMERICAN INSURANCE COMPANY	67911
PIONEER MUTUAL LIFE INSURANCE COMPANY	67946
PIONEER SECURITY LIFE INSURANCE COMPANY	57622
POLISH WOMEN'S ALLIANCE OF AMERICA	68039
PROTECTIVE LIFE INSURANCE COMPANY	67903



PRUCO LIFE INSURANCE COMPANY	86630
PRUDENTIAL INSURANCE COMPANY OF AMERICA (THE)	93629
REASSURE AMERICA LIFE INSURANCE COMPANY	68357
RELIASTAR LIFE INSURANCE COMPANY	61360
ROYAL NEIGHBORS OF AMERICA	60183
S.USA LIFE INSURANCE COMPANY, INC.	79014
SAGICOR LIFE INSURANCE COMPANY	70435
SECURITY LIFE OF DENVER INSURANCE COMPANY	68772
SECURITY MUTUAL LIFE INSURANCE COMPANY OF NEW YORK	69485
STATE FARM LIFE INSURANCE COMPANY	69116
STATE LIFE INSURANCE COMPANY	69132
STONEBRIDGE LIFE INSURANCE COMPANY	80926
TEXAS LIFE INSURANCE COMPANY	56014
TRANSAMERICA LIFE INSURANCE COMPANY	69523
UNITED INVESTORS LIFE INSURANCE COMPANY	69973
UNIVERSAL UNDERWRITERS LIFE INSURANCE COMPANY	62235
USAA LIFE INSURANCE COMPANY	94358
WEST COAST LIFE INSURANCE COMPANY	70483
WESTERN RESERVE LIFE ASSURANCE COMPANY OF OHIO	92622
WILTON REASSURANCE LIFE COMPANY OF NEW YORK	56170
WOMAN'S LIFE INSURANCE SOCIETY	57320