



AMERICAN ACADEMY *of* ACTUARIES

**Travel Underwriting Report from the American Academy of Actuaries’
Life Products Committee**

Presented to the National Conference of Insurance Legislators

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The American Academy of Actuaries is a national organization formed in 1965 to bring together, in a single entity, actuaries of all specializations within the United States. A major purpose of the Academy is to act as a public information organization for the profession. Academy committees, task forces and work groups regularly prepare testimony and provide information to Congress and senior federal policy-makers, comment on proposed federal and state regulations, and work closely with the National Association of Insurance Commissioners and state officials on issues related to insurance, pensions and other forms of risk financing. The Academy establishes qualification standards for the actuarial profession in the United States and supports two independent boards. The Actuarial Standards Board promulgates standards of practice for the profession, and the Actuarial Board for Counseling and Discipline helps to ensure high standards of professional conduct are met. The Academy also supports the Joint Committee for the Code of Professional Conduct, which develops standards of conduct for the U.S. actuarial profession.

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Travel Underwriting Report for NCOIL

On behalf of the Life Products Committee of the American Academy of Actuaries (Academy), I, David Sandberg, appreciate this opportunity to provide comments from an actuarial perspective on proposed travel underwriting amendments to the NAIC Model Unfair Trade Practices Act that are currently under consideration by the NAIC Life Insurance and Annuities (A) Committee (“A” Committee).

Travel to a dangerous destination, such as an area suffering from a pandemic or civil unrest, is a factor that has the potential to increase the risk of death. Actuarial principles and standards of practice attempt to balance the risks that arise when such factors are used in underwriting life insurance.

Failure to balance these risks results in inequities either to applicants planning travel or to the owners of policies where the insureds present the same risks except for the risk associated with the planned travel

The proposed amendments require documentation that any planned travel underwriting action taken with respect to an application be consistent with actuarial principles. The Academy’s Life Products Committee believes this requirement provides assurance that any tendency toward arbitrary and unfair underwriting actions will be abated.

However, the proposed amendments also include a requirement that this documentation be filed with the Commissioner or Director *in advance* of action being taken on an application that discloses plans for travel to a dangerous destination. The supporting actuarial analysis required by Subparagraph (c) of Paragraph (3) of the proposed amendments will, in many instances, change frequently in response to developments. Thus frequent refiling could be required. The delay inherent in refiling could, especially if prior approval is required, jeopardize the achievement of equity between policyholders and, in extreme cases, the solvency of the insurer, unless coverage under specific cases can be deferred until the Commissioner's or Director’s decision is communicated to the company.

Moreover, this risk of inequity between policyholders could be increased by burdensome administrative procedures, such as those in Subparagraph (c) of the proposed amendments, which in turn may lead to less scrutiny of those at higher risk due to planned travel. If insureds who actually are at higher risk due to travel are mingled with insureds who are not, the consequence could be inequitable subsidization, again putting in jeopardy the achievement of one of the purposes of risk classification, i.e., equity between policyholders.

The Academy Life Products Committee believes that the interests both of the potential purchasers of life insurance who contemplate travel and of all other current and future policyholders would be more appropriately protected by a requirement that the referenced actuarial demonstration be available for review upon examination. The Life Products Committee thus has recommended to the NAIC that Subparagraph (c) of the proposed amendments and the drafting note that follows be removed and replaced by such a requirement. The Life Products Committee believes the incorporation of a requirement that the actuarial demonstration be available for review upon examination would better serve to enhance the model law’s protections against any potential arbitrary and unfair underwriting actions based on planned travel while also protecting the interests of other policyholders.