

June 14, 1949

SUBJECT: INSURANCE

WITHDRAWN

TO ALL AUTHORIZED FRATERNAL BENEFIT SOCIETIES:

Effective April 16, 1949, Section 141 of the New York Insurance Law was amended to provide that the Superintendent of Insurance is authorized to withdraw an approval previously given "in the case of any such policy or certificate form pertaining to life insurance, or any application, rider or endorsement to be used in connection therewith, if in his judgment the use of such form would be prejudicial to the interests of its policyholders or members or it contains provisions which are unjust, unfair or inequitable."

A survey by the Department shows that the certificates of certain fraternal benefit societies limit the amount of insurance payable in the event of death during the first or second policy years such limitations generally providing for graded payments dependent on the number of months of membership at the time of death. A more detailed analysis of the various types of limitations is attached. The societies issuing such limited certificates are in the minority and account for only about 13 per cent of the total life insurance outstanding in all authorized societies.

In addition to the above, the certificates of certain other societies contain limitations reducing the amount of insurance during the first or second policy years in the event of death due to specified causes. A more detailed analysis of such limitations is also attached.

Whatever may have been the reasons in the past for including such limitations in certificates, they can no longer be considered to be fair to the members. Inasmuch as the insured members pay the full regular premiums during the period of reduced benefits, it is proposed to withdraw approval of current forms containing any of the above types of limitations pursuant to the above-quoted provision of amended Section 141 on the ground that such forms are prejudicial to the interests of the members. However, each society will be given a reasonable length of time to resubmit revised certificate forms, but not later than January 1, 1950.

Your society is directed to acknowledge receipt of this letter and to identify (by certificate number) any form or forms containing limitations similar to those heretofore described and also to identify any provision or provisions of the by-laws pertaining thereto.

Your attention is also called to the necessity at your next legislative convention of taking such action as will remove any inconsistency between your amended certificates and the by-laws of your society.

If your society desires to be afforded a hearing with respect to the proposed withdrawal of approval of certificate forms containing such limitations, kindly notify the Department to that effect so that a hearing may be scheduled.

Yours very truly

(Signed) RAYMOND HARRIS

Deputy Superintendent of Insurance

ATTACHMENT

The following authorized societies provide for reduced benefits in the event of death during the period specified:

1	society	during	initial	24	months	of	membership
1	"	"	"	15	"	"	"
8	societies	"	"	12	"	"	"
1	society	"	"	6	"	"	"
1	"	"	"	4	"	"	"
1	"	"	"	3	"	"	"
1	"	"	"	1	"	"	"
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The following authorized societies accept no insurance liability in the event of death during the period and from the cause specified:

- 1 society during initial 24 months' of membership where death is the result of a disease having existed before admission of the member

- 1 society during initial 12 months' of membership where death occurs from (a) use of intoxicating liquors, drugs or narcotics; (b) tuberculosis; (c) cancer; or (d) heart disease

- 1 society during initial 12 months' of membership from any disease of the heart, brain, kidney, liver, or from cancer, tuberculosis, or diabetes, etc.

- 1 society during initial 12 months' of membership as a result of tuberculosis, cancer or diseases of the pelvic organs, etc.

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