



**STATE OF NEW YORK
INSURANCE DEPARTMENT**
25 BEAVER STREET
NEW YORK, NEW YORK 10004

**Supplement 1 to
Circular Letter No. 19 (2000)
June 22, 2000**

TO: All Licensed Life Insurers and Fraternal Benefit Societies

RE: Race-Based Underwriting

The Insurance Department is currently investigating allegations of race-based underwriting of life insurance by its licensees. Race-based underwriting includes, but is not limited to, one or more of the following practices based solely on an insured's race, color, creed or national origin: refusing to insure; refusing to continue to insure or limiting of the amount, extent or kind of coverage available; charging or collecting higher premiums or rates; making or requiring any rebate upon the amount paid; assigning of substandard risk classifications; crediting of or providing lower dividends, policy benefits or nonforfeiture values; making any distinction as to policy terms or conditions; imposing of greater underwriting requirements (medical vs. non-medical); and fixing of any fees or commissions in a manner as to encourage or discourage the writing or renewing of a specific type of policy.

To address the Department's concerns, each domestic and foreign life insurer and fraternal benefit society (hereinafter referred to as "insurer") is hereby directed, pursuant to Section 308 of the New York Insurance Law, to review its past and current underwriting practices regarding race-based underwriting and to report its findings to the Department. All relevant documents, including, but not limited to, rate charts, mortality tables, labor negotiation documents with distribution force unions, agent and broker contracts, compensation schedules, underwriting and agent manuals, applications, policy form filings, board of directors (and committee) minutes, and internal memoranda should be included in the insurer's review.

The report shall discuss the following issues with regard to the marketing and/or sale of business directly issued by the insurer and business acquired by the insurer as a result of assumption, merger, acquisition, consolidation or purchase:

- Scope of the insurer's review and document availability.
- Each type of race-based underwriting practice in which the insurer engaged or engages, including a description thereof. For each described practice, the report should specify:
 - Marketing and sales practices employed, including, but not limited to, distribution system used, compensation rates paid, and states in which the practice occurred.
 - Policy forms, rate books, dividend scales and pricing mortality tables used.
 - Years in which practices were engaged.
 - Type, face amount, cash value and number of affected policies issued. The insurer should also indicate which of the affected policies are still in force.
- Actions taken (or intended to be taken) to remedy any unequal treatment resulting from race-based underwriting practices, identifying: the number of policies on which and the years in which actions

were taken; the pricing mortality tables, rate tables, or dividend scales used; adjustments made to nonforfeiture values or other policy benefits; the status (inforce vs. terminated) of the affected blocks of business at the time actions were taken; and a demonstration of the equity of the actions taken. If actions have not been completed by the date of response to this Circular Letter, indicate a projected completion date.

- All other relevant information.

All business, regardless of the state of issue, shall be included in the review by a domestic life insurer or fraternal benefit society. A foreign life insurer or fraternal benefit society may confine its review to policies issued in New York. Findings must be reported to this Department no later than **August 15, 2000**.

The report required by this Circular Letter shall contain a jurat, in the form attached hereto, executed by either the President or Chief Executive Officer of the insurer and appropriately notarized. Two copies of the report and any questions relating to the content of this Circular Letter should be directed to:

Mrs. Ruth Gumaer
Principal Insurance Examiner - Life Bureau
New York State Insurance Department
25 Beaver Street
New York, New York 10004
Phone: (212) 480-4763 Fax: (212) 480-5329
E-mail: rgumaer@ins.state.ny.us

Very truly yours,

Neil D. Levin
Superintendent of Insurance

State of _____ }

SS:

County of _____ }

_____, President (Chief Executive Officer), of the _____, being duly sworn, deposes and says that, to the best of his/her information, knowledge and belief, the attached Report, together with all attachments thereto, is true and complete and not misleading and contains the most accurate information available at the time of its submission.

President (Chief Executive Officer)

Subscribed and sworn to before me this

_____ day of _____ 2000

Notary Public