

What You Need to Know About... Underwriting Travel Risk, Foreign Nationals, and Foreign Residents

A life insurance application involving a client that travels, resides overseas, or resides temporarily in the United States has its own unique considerations. Issues of underwriting, pricing, and compliance often come under more scrutiny with foreign risks.

Mortality and morbidity statistics are not the same in every country – insurance products are designed based on indigenous statistics. Foreign countries often have very different political and socioeconomic landscapes – crime rates and access to medical care may be very different and travel within foreign countries may be more dangerous. Where there is higher risk, there may be a higher premium assessed.

There can also be several restrictions that apply to foreign travel and foreign national risks:

- The U.S. government may restrict sales to residents of some countries – Cuba and Iran for example.
- Insurance regulations of some countries may prohibit its residents from buying insurance outside their country of residence – France and Japan for example.
- U.S. life insurance carriers may not allow a third-party foreign entity to own the contract.
- Carriers expect that all aspects of the sale, from solicitation to delivery, occur inside the U.S.
- The majority of carriers require that all medicals be completed in the U.S.
- All medical records must be translated into English.
- Consideration for financial justification may be limited to only U.S. assets.
- Please also note that, although uncommon, carriers can reserve the right to ask for proof of entry into the U.S. that coincides with dates on the application and medicals.

Clients' ties to the U.S. and future residency intentions are often very important. Where a client intends to live, and whether or not a client owns real property in the U.S., business or personal, may be the deciding factors in the underwriting assessment. Some carriers may be more liberal and allow coverage regardless of residency as long as a traditional need is met (e.g., income replacement) and the country is not a high risk location.

Carrier guidelines include country ratings for assessment of travel or residency risk. Countries around the world are rated according to a life insurance carrier's analysis of the risk factors unique to each country. The rating will dictate several things, including but not limited to, insurability, rate class and extra rating, insurance capacity, etc. Note that legislation in some states restricts the carriers from

taking a negative view of travel. Your underwriter has access to the country ratings and state guidelines and can help you find the most suitable carrier for the risk.

Travel Risk

Travel risk assessment depends largely on destination, frequency and duration of trips, and reason for travel. Tellus may ask that our travel questionnaire be completed for any of your clients that travel, regardless of citizenship or residence status.

Foreign Nationals

Foreign Nationals are individuals living within the U.S. who do not have U.S. citizenship. Within this group are those with permanent U.S. residence (Green Card) and those with temporary visas. Those with Green Cards may have a long history in the U.S. and the intention to reside here permanently. Clients in this category may only need to complete a foreign travel questionnaire. Foreign Nationals with temporary visas however will need to complete a Foreign National questionnaire. Residency intentions, visa type, travel, and need for U.S. based insurance coverage are important concerns in this category.

Foreign Residents

Foreign residents are people of any citizenship residing outside the U.S. This could be a U.S. citizen residing in Brazil, a Mexican citizen residing in Mexico, or an Australian citizen residing in Panama. Required information in this category is similar to that for Foreign Nationals. Carriers will want to know why the client's beneficiary has a need for U.S. dollars at the death of the insured. Be prepared to disclose total worldly assets and to break them down by country. Disclosure of home ownership, travel, time spent in the U.S., and the location of one's primary care physician, are all important questions in this category.

Remember, the reliability of an underwriting opinion depends on the information provided. It is in the client's best interest that questionnaires are completed in full. Contact your Underwriter to discuss your foreign risk cases. We have the knowledge and experience needed to help you obtain competitive underwriting for your client.



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