THE STATE OF FLORIDA

OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

AMERICAN UNITED LIFE INSURANCE COMPANY

December 29, 2014

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EXECUTIVE SUMMARY

In June 2006, the Florida Legislature enacted the Freedom to Travel Act, which modified Florida's Unfair Trade Practices Act by placing prohibitions on life insurance limitations upon an individual based solely on the individual's past lawful foreign travel or future lawful travel plans. The Florida Unfair Trade Practices Act also prohibits the refusal to insure, or continue to insure, based on the individual's race, color, creed, marital status, sex, or national origin.

Rule 69D-2, Florida Administrative Code, became effective in October 2006 to implement the provisions of Section 626.9891, Florida Statutes. This rule requires a higher level of detail and accountability for Insurer Anti-Fraud Special Investigative Unit (SIU) Description filings and Insurer Anti-Fraud Plan filings.

PURPOSE AND SCOPE OF EXAMINATION

The Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of American United Life Insurance Company (Company) pursuant to Section 624.3161, Florida Statutes. The examination was performed by Examination Resources, LLC. The scope period of this examination was January 1, 2013 through December 31, 2013. The examination was conducted offsite. The examination began June 16, 2014 and ended October 13, 2014.

The purpose of this examination was to review compliance with Sections 626.9541(1)(dd), 626.9541(1)(g), 626.9541(1)(x) and 626.9891, Florida Statutes and Rules 69O-125.003 and 69D-2, Florida Administrative Code.

The examination included a review of the following:

- Life policy application files to determine if an application was denied, issued in a manner other than applied for, or terminated solely on the individual's past or future lawful foreign travel experiences, or on the applicant's national origin.

- Administrative and underwriting files for issued policies to determine if the policy was terminated, canceled or rescinded, or had a benefit change based solely on the individual's past or future lawful foreign travel experiences, or on the applicant's national origin.

- Reinsurance agreements to verify if any of the agreements place any limitations as a result of individual's past or future lawful foreign travel experiences, or on the applicant's national origin.

- Anti-Fraud Plans to verify filing and implementation.

In reviewing materials for this final report, the examiner relied on records provided by the Company. Procedures and conduct of the examination were in accordance with the *Market Regulation Handbook* produced by the National Association of Insurance Commissioners.

COMPANY OPERATIONS

American United Life Insurance Company is a foreign Life and Health insurer licensed to conduct business in the State of Florida on March 1, 1951. The Company provides Credit Life, Life, Credit Disability, Accident and Health, Variable Annuities and Group Life and Annuities Insurance coverages in the State of Florida.

Total Direct Premiums Written in Florida for Life Insurance was as follows:

Year	Total Written Premium In Florida (Per Schedule T of the Annual Statement)
2013	$11,475,537

LIFE APPLICATION REVIEW

I. FILE REVIEW

The examiners reviewed information contained in the policy individual life underwriting files, which included but was not limited to the application, amendments, field underwriting guidelines, telephone interviews, questionnaires, underwriting notes, correspondence with agents and consumers, medical records, financial information, and the Company's Agent training materials.

The Company did not use applications that contained travel related questions and did not use travel questionnaires.

Applications:

The Company received 1,037 applications for life insurance coverage during the scope period; 1,002 applications were subject for review. A sample of 114 was selected for review. No violations were found.

Policy Benefit Change:

There were 2 benefit changes subject to review. Both were reviewed. No violations were found.

Canceled Policies:

There were no cancellations subject to review. All cancellations were due to reasons other than underwriting. These were reviewed as part of the accuracy test.

II. COMPLETENESS AND ACCURACY TEST

The purpose of this review was to determine if any policy that was not subject to the review was completely and accurately reported in the data files provided by the Company.

A sample of 35 applications reportedly issued in the best rating tier was reviewed to confirm that they were issued in the best rating tier. No violations were found.

A sample of 25 cancellations was reviewed to verify that the reason for cancelation was as reported correctly by the Company. No violations were found.

In addition, the data files provided by the Company were compared to the annual survey responses submitted by the Company. No violations were found.

UNDERWRITING MANUAL REVIEW

Underwriting guidelines were reviewed to determine if past and/or future travel and the applicant's national origin are included in the guidelines, and if so, determine if any restrictions are placed on Florida residents. Although underwriting guidelines were present relating to past and/or future travel and the applicant's national origin, the guidelines were not applied in Florida.

REINSURANCE AGREEMENTS REVIEW

Reinsurance agreements were reviewed to determine if the contracts contain provisions relating to past and/or future travel and the applicant's national origin. The reinsurance agreements did not contain any provisions relating to past and/or future travel or the applicant's national origin.

ANTI-FRAUD REVIEW

The purpose of this review was to determine if the Company has filed and or updated (if staffing changes occurred) with the Division of Insurance Fraud a description of the Insurer Anti-fraud Investigative Unit (SIU) or an Insurer Anti-fraud Plan pursuant to Section 626.9891, Florida Statutes and Rule 69D-2.001-005, Florida Administrative Code. In addition, the review included verification that the Company has established and implemented procedures to detect potentially fraudulent activity and staff is being properly trained, reporting all suspected insurance fraud acts directly to the Fraud Division.

Rule 69D-2.003(1)(a), Florida Administrative Code, requires an insurer to file the names of all personnel assigned to its SIU. Rule 69D-2.005(2), Florida Administrative Code, charges the Office with assuring that an insurer does not fail to implement or follow the provisions of their anti-fraud plan or SIU description. Since the Company is utilizing personnel not listed in its SIU description it is failing to implement or follow the provisions of its SIU description required under Rule 69D-2.003(1)(a). Therefore, it is recommended that the Company timely update its

SIU description and anti-fraud plans with the Division of Insurance Fraud when changes are made.

EXAMINATION FINAL REPORT SUBMISSION

The Office hereby issues this report as the Final Report, which is based upon information from the examiner's draft report, additional research conducted by the Office, and additional information provided by the Company.