



# **THE STATE OF FLORIDA**

## **OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS**

### **MARKET CONDUCT FINAL EXAMINATION REPORT**

**OF**

**ALLIANZ LIFE INSURANCE COMPANY  
OF NORTH AMERICA**

**AS OF**

**June 3, 2010**

**NAIC COMPANY CODE: 90611**

**NAIC GROUP CODE: 0761**

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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.

A target market conduct examination of Allianz Life Insurance Company of North America was performed to determine compliance with Sections 626.9541(1)(g), 626.9541(1)(x), 626.9541(1)(dd) and Section 626.9891, Florida Statutes and Rules 69O-125.003 and 69D-2, Florida Administrative Code.

No violations were found during the examination.

## **PURPOSE AND SCOPE OF EXAMINATION**

The Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of Allianz Life Insurance Company of North America pursuant to Section 624.3161, Florida Statutes. The examination was performed by Examination Resources, LLC. The scope period of this examination was July 1, 2007 through June 30, 2009. The offsite examination began October 20, 2009 and ended June 3, 2010.

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

The examination included the following procedures:

- Review policy applications to determine if applications were denied, issued in a manner other than applied for, had benefit changes or canceled based solely on the individual's past lawful foreign travel experiences, or future lawful foreign travel plans, and compliance with Section 626.9541(1)(dd), Florida Statutes and Rule 69O-125.003, Florida Administration Code.
- Review policy applications to determine if applications were denied, issued in a manner other than applied for, had benefit changes or canceled based solely on national origin, and compliance with Section 626.9541(1)(g) and (x), Florida Statutes.
- Review reinsurance agreements to verify if any of the agreements place any limitations as a result of the applicant's past and/or future lawful foreign travel or the applicant's place of birth.

- Review Anti-Fraud Plan to ensure it has been filed and implemented as required by Rule 69D-2, Florida Administrative Code and Section 626.9891, Florida Statutes.

In reviewing materials for this 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**

Allianz Life Insurance Company of North America is a foreign Life and Health insurer licensed to conduct business in the State of Florida on October 2, 1948 under the name of North American Life and Casualty Company. On April 5, 1993, the name was changed to Allianz Life Insurance Company of North America. The Company provides Life, Annuities, Accident and Health insurance coverage 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)
2007	\$23,505,325
2008	\$29,190,692
2009	\$24,631,789

### **LIFE APPLICATION REVIEW**

#### **I. FILE REVIEW**

The examiners reviewed information contained in the Company's individual life underwriting files, including but not limited to the application, 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 use applications that contained travel related questions and did use travel questionnaires.

The Company received 1,728 applications for life insurance coverage during the scope period.

#### **Declined Applications:**

The examiners reviewed 288 declined applications. There were no violations found.

**Policy Issued With Limitations or Policy Benefit Change:**

The examiners reviewed 368 policies issued with limitations or with policy benefit changes. There were no violations found.

**Canceled Policies:**

The examiners reviewed 543 canceled policies. There were no violations found.

II. **COMPLETENESS AND ACCURACY TEST**

A sample of 114 applications submitted during the scope of the examination were reviewed to verify that declinations, applications issued in a manner other than applied for, benefit changes, and cancelations were included on the respective listings provided by the Company. There was 1 instance where an other than applied issued policy was not listed. Further review showed that there were a total of 116 policies that had not been included in the policy review sample. These policies were added to the review and are included in the Policy Issued With Limitations or Policy Benefit Change review section of this report.

All cancelled policies were reviewed and therefore no Accuracy Test was conducted.

**REINSURANCE AGREEMENTS REVIEW**

The Company's reinsurance agreements that were in place during the scope of the examination were reviewed to verify if any of the agreements place limitations on coverage as a result of an applicant's past lawful foreign travel, future lawful travel plans or the applicant's place of birth.

Some reinsurance agreements contain provisions placing limitations due to past and/or future foreign travel or the applicant's place of birth. Some contracts state: "*No travel to underdeveloped or politically unstable countries. No state department travel warnings in effect*".

**ANTI-FRAUD PLAN REVIEW**

The Company has submitted a description of its SIU in form DFS-L1-1689 as required by Rule 69D-2.003, Florida Administrative Code.

The Company has implemented its Anti-Fraud Plan as required by Section 626.9891, Florida Statutes.

There were no violations found.

**EXAMINATION FINAL REPORT SUBMISSION**

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