



THE STATE OF FLORIDA

OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

ALLSTATE LIFE INSURANCE COMPANY

AS OF

December 11, 2009

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
PURPOSE AND SCOPE OF EXAMINATION	1
COMPANY OPERATIONS.....	2
LIFE APPLICATION REVIEW	2
REINSURANCE AGREEMENTS REVIEW	4
ANTI-FRAUD PLAN REVIEW	4
EXAMINATION FINAL REPORT SUBMISSION	4

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 Allstate Life Insurance Company 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.

The following represent general findings, however, specific details are found in each section of the report.

<u>TABLE OF TOTAL VIOLATIONS</u>			
Statute/Rule	Description	Files Reviewed	Number of Violations
627.318	The Company was unable to provide a complete underwriting file	899	2

PURPOSE AND SCOPE OF EXAMINATION

The Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of Allstate Life Insurance Company 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 November, 25, 2009 and ended December 11, 2009.

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 in 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 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.

This Final Report is based upon information from the examiner's draft report, research conducted by the Office, and additional information 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

Allstate Life Insurance Company is a foreign Life and Health insurer licensed to conduct business in the State of Florida on November 1, 1957. The Company provides Individual Life Cash Value Products, Individual Fixed Annuities, Individual Variable Annuities 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	60,038,021
2008	51,748,206
2009	47,064,883

LIFE APPLICATION REVIEW

I. FILE REVIEW

The examiners reviewed information contained in the Company's individual life and group 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 utilizes applications that contained travel related questions and travel questionnaires.

The Company received 251 applications for life insurance coverage during the scope period.

Declined Applications:

The examiners reviewed 20 declined applications. There were 2 violations found.

1. **In 2 instances the Company was unable to provide the complete underwriting file for 2 applications, in order for the Examiners to determine compliance with the statutes under review, in a violation of Section 627.318, Florida Statutes.**

1a.) **CORRECTIVE ACTION:** The Company should maintain application files for statutory compliance reviews as required by Section 627.318, Florida Statutes.

1b.) **SUMMARY OF COMPANY'S RESPONSE:** The Company stated it was unable to provide the complete underwriting file and noted actions taken to correct the situation to avoid reoccurrence of the violation.

Policy Issued With Limitations or Policy Benefit Change:

The examiners reviewed 678 policies issued with limitations or with policy benefit changes. There were no violations found.

Canceled Policies:

The examiners reviewed 6 canceled policies. There were no violations found.

II. **COMPLETENESS AND ACCURACY TEST**

A sample of 79 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 were no violations found.

A sample of 116 of canceled policies which were not selected for detailed review was reviewed to verify that the reason for cancellation was as reported by the Company in the data files. There were no violations found.

REINSURANCE AGREEMENTS REVIEW

Allstate Life Insurance Company does not utilize Reinsurers for life applications written in the State of Florida.

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.

No violations were 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.