

FINANCIAL SERVICES COMMISSION

**OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

**MARKET CONDUCT FINAL EXAMINATION REPORT
OF
AMERICAN ENTERPRISE LIFE INSURANCE COMPANY
AS OF**

August 18, 2006

NAIC COMPANY CODE: 94234



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PURPOSE AND SCOPE OF EXAMINATION

Under authorization of the Financial Services Commission, Office of Insurance Regulation (Office), Market Investigations, pursuant to Section 624.3161, Florida Statutes, a target market conduct examination of American Enterprise Life Insurance Company (Company) was performed by Examination Resources, LLC. The scope of this examination was July 1, 2004 through June 30, 2005; however, the complaint review was extended to March 1, 2006. The examination began April 10, 2006 and ended April 14, 2006.

The purpose of this examination was to verify the Company's compliance with suitability determination requirements in marketing annuities to senior consumers, persons 65 years of age and older, as required by Section 627.4554, Florida Statutes. The examination included the following procedures:

- Verify the documents utilized by the Company or its agents to determine suitability comply with Sections 627.4554(4)(a) and (b) and 627.4554(8), Florida Statutes.
- Review the Company's system to supervise recommendations to determine compliance with Section 627.4554(4)(d), Florida Statutes.
- Verify the Company maintains, or is able to make available, records of information collected from the senior consumer in compliance with Section 627.4554(6)(a), Florida Statutes.
- Review a sample of 50 files for policies sold to senior consumers to verify the Company's compliance with the suitability determination process as required by Sections 627.4554(4)(a) and (b), and 627.4554(8), Florida Statutes.

This Final Report is based upon information from the examiner's draft report, additional 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

American Enterprise Life Insurance Company is a foreign Life and Health insurer licensed to conduct business in the State of Florida on August 25, 1982. The Company provides life insurance and annuities in the State of Florida.

Total Direct Premiums Written in Florida for annuities is as follows:

Year	Total Written Annuity Premium In Florida (Per Schedule T of the Annual Statement)
2004	\$132,360,827
2005	\$135,671,940

The number of annuities sold by the Company during the period of July 1, 2004 through June 30, 2005 is as follows:

	Number of Fixed Annuities	% of Fixed Annuities	Number of Variable Annuities	% of Variable Annuities	Totals
Senior Consumers	8	50%	431	33%	439
Other Consumers	8	50%	871	67%	879
Totals	16	100%	1302	100%	1318

SUITABILITY DETERMINATION PROCESS REVIEW

Supervisory System of Annuity Recommendations

The Company maintains its own written guidelines of procedures to be utilized by agents for making recommendations to senior consumers to purchase or exchange an annuity product.

The Company utilizes third parties, banks and broker dealers to perform the supervisory reviews of annuity recommendations. The Company provides the third parties performing the supervisory reviews with guidelines for reviewing individual sales to determine if the recommendation is appropriate. The guidelines address sample size, sample selection and reporting instructions. The periodic reviews are performed monthly by the third parties. Annual certifications are obtained from the contracted third parties, representing that the third parties are maintaining written procedures and conducting periodic reviews of its records to assist in detecting and preventing violations of Section 627.4554, Florida Statutes.

Policy Review

A sample of 50 files for policies sold to senior consumers was reviewed during the scope period to determine that the Company or its agents were complying with the suitability determination requirements of Sections 627.4554(4)(a) and (b), and 627.4554(8), Florida Statutes. However, due to the number of noted exceptions, the sample size was increased to 100. The findings are as follows:

Three (3) files for policies sold to senior consumers did not include evidence that the agent made reasonable efforts to obtain suitability related information from the senior consumer at the time of sale, as required by Sections 627.4554(4)(a) and (b), Florida Statutes.

Corrective Action: The Company should ensure its records provide evidence that a reasonable effort was made to obtain suitability related information from the senior consumer at the time of sale.

COMPLAINT ANALYSIS

There were 5 complaints requested for review. The Department of Financial Services, Division of Consumer Services (DFS), received 2 complaints and 3 complaints were filed directly with the Company. Only 1 complaint was related to suitability, and the Company refunded the money as a “free look”. No exceptions were noted.

All complaints filed with DFS were included in the Company’s complaint record.

REPORT SUMMARIZATION

A review was conducted of the Company’s supervisory system over annuity suitability recommendations, in addition to a sample of 101 files. Three (3) errors were found. The following represents general findings; however, specific details are found in each section of the report.

Sample Files Reviewed – 101 Files

- Policies – 100 files
- Suitability Related Complaints – 1 file

Findings

- Supervisory System of Annuity Recommendations – 0 errors – page 2 of the report
- Policy Review – 3 errors – page 2 of the report
 - Failure to provide evidence that a reasonable effort was made to obtain the suitability related information from the senior consumer at the time of the sale
- Complaint Review – 0 errors – page 3 of the report

EXAMINATION FINAL REPORT

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.