

# **FINANCIAL SERVICES COMMISSION**

**OFFICE OF INSURANCE REGULATION  
MARKET INVESTIGATIONS**

**TARGET MARKET CONDUCT FINAL EXAMINATION REPORT  
OF  
AMERICAN EQUITY INVESTMENT LIFE INSURANCE COMPANY**

**AS OF**

**May 12, 2006**

**NAIC COMPANY CODE: 92738**

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**TABLE OF CONTENTS**

**PURPOSE AND SCOPE OF EXAMINATION ..... 1**  
**COMPANY OPERATIONS ..... 1**  
**SUITABILITY DETERMINATION PROCESS REVIEW ..... 2**  
**COMPLAINT ANALYSIS ..... 3**  
**REPORT SUMMARIZATION ..... 3**  
**EXAMINATION FINAL REPORT ..... 3**

## 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 Equity Investment 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 expanded to March 1, 2006. The examination began May 1, 2006 and ended May 12, 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 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 Equity Investment Life Insurance Company is a foreign Life and Health insurer licensed to conduct business in the State of Florida on August 20, 1981. The Company provides life insurance and annuities in the State of Florida.

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

Year	Total Written Annuity Premium In Florida (Per Schedule T of the Annual Statement)
2004	\$228,393,364
2005	\$284,766,728

The number of annuities sold by the Company during the period of July 1, 2004 through June 30, 2005 is shown in the following table:

	Number of Fixed Annuities	% of Fixed Annuities	Number of Variable Annuities	% of Variable Annuities	Totals
Senior Consumers	3,663	68%	0	0%	3,663
Other Consumers	1,693	32%	0	0%	1,693
Totals	5,356	100%	0	0%	5,356

### **SUITABILITY DETERMINATION PROCESS REVIEW**

#### **Supervisory System of Annuity Recommendations**

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

The Company provides its agents a suitability worksheet to be used in the sale of annuities. The suitability worksheet is used by agents to obtain the senior consumer's information for determining whether to make a suitability recommendation. The form requires signatures by both the agent and senior consumer, certifying that an acceptable suitability review was performed or declined by the senior consumer. Subsequent to the examination, the Company made changes to its Suitability Acknowledgement worksheet in order to collect a variety of information important to suitability assessment.

The Company's supervisory system for reviewing recommendations made by its agents is performed internally. The supervisory system includes verifying that the suitability worksheet was completed for every policy application. Every annuity application and corresponding suitability worksheet is reviewed by the Company in some manner. Answers to the suitability related questions guide various levels of detail review by various levels of management.

The Company's supervisory system appears to comply with the requirements of Section 627.4554(4)(d), Florida Statutes.

#### **Policy Review**

A sample of 100 files for policies sold to senior consumers were reviewed during the scope period to determine that the Company or its agents were complying with the suitability determination requirements of Section 627.4554(4)(a) and (b), Florida Statutes. No exceptions were noted.

## **COMPLAINT ANALYSIS**

There were 72 complaints requested for review. The Department of Financial Services, Division of Consumer Services (DFS) received 30 complaints and 42 complaints were filed directly with the Company. Fifty-five (55) complaints were related to matters outside the examination scope. All complaints filed with DFS were included in the Company's complaint register. The detailed review of the remaining 17 complaints revealed no exceptions.

## **REPORT SUMMARIZATION**

A review was conducted of the Company's supervisory system over annuity suitability recommendation by sampling of 117 files for policies. No exceptions were noted during the examination. The following represents general findings, however, specific details are found in each section of the report.

### **Sample Files Reviewed – 117 Files**

- Policies – 100 files
- Suitability Related Complaints – 17 files

### **Findings**

- No exceptions noted.

## **EXAMINATION FINAL REPORT**

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