

FINANCIAL SERVICES COMMISSION

**OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

TARGET MARKET CONDUCT FINAL EXAMINATION REPORT

OF

BANNER LIFE INSURANCE COMPANY

AS OF

March 8, 2007

NAIC COMPANY CODE: 94250



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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 Banner Life Insurance Company (Company) was performed by Examination Resources, LLC. The scope of this examination was July 1, 2006 through December 15, 2006. The examination began January 8, 2007 and ended on January 9, 2007. A second visit to the Company began on March 5, 2007 and ended March 8, 2007.

The purpose of this examination was to verify the Company's compliance with Section 626.9541(1)(dd), Florida Statutes, which became effective on July 1, 2006. The examination included the following procedures:

- Review of the Company's procedures regarding declining, limiting, or canceling policies based on the applicant's or insured's intentions to travel or reside outside the United States.
- Verify the Company's forms utilized to determine insurability comply with Section 626.9541(1)(dd), Florida Statutes.
- Review all life insurance policy applications that were issued other than how they were applied for, declined or cancelled during the exam period to verify the Company is complying with Section 626.9541(1)(dd), 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

Banner Life Insurance Company is a foreign insurer licensed to conduct business in the State of Florida. The Company provides life insurance in the State of Florida.

Total Direct Premiums Written in Florida for life insurance was as follows:

Year	Total Written Life Premium In Florida (Per Schedule T of the Financial Statement)
3 rd Qtr 2006	\$28,442,134

FOREIGN TRAVEL PROCEDURES REVIEW

Company Procedures Review

In response to the effectuation of the new law, the Company re-filed, for approval, their life insurance application forms utilized in Florida. Through a representative law firm, the Company

submitted and certified that the questions on their life insurance application forms regarding foreign travel were used in the underwriting of policies issued to foreign nationals and to secure affordable reinsurance, and not to decline life insurance applications from U.S. citizens "lawfully" traveling abroad. The Company's life insurance application forms filing was approved on December 13, 2006.

Although the underwriting guidelines indicate that life insurance applications are declined or limited for foreign travel, it was determined that the Company complied with Section 626.9541(1)(dd), Florida Statutes, by issuing an addendum to its underwriting guidelines, dated July 11, 2006, prohibiting past or future foreign travel as an underwriting consideration.

Policy Application Review

There were 2,870 life insurance applications submitted to the Company during the scope of the examination. A review of 646 files, comprising all life insurance policy applications that were issued other than how they were applied for, declined or cancelled during the scope period, was conducted to determine if the Company was in compliance with Section 626.9541(1)(dd), Florida Statutes. No violations were noted.

REPORT SUMMARIZATION

A review was conducted of the Company's past and future lawful foreign travel policy with respect to the application process for life insurance. A review of 646 policy files revealed no violations. The following represents general findings, however, specific details are found in each section of the report.

Policy Application Files Reviewed – 646 Files

- Policy Applications – 646 files

Findings

- Policy Application Review – No errors. Page 2 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.