



# THE STATE OF FLORIDA

## OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS

TARGET MARKET CONDUCT FINAL EXAMINATION REPORT

OF

GENWORTH LIFE & ANNUITY INSURANCE COMPANY

AS OF

August 16, 2013

NAIC COMPANY CODE: 65536

NAIC GROUP CODE: 4011

---

## TABLE OF CONTENTS

PURPOSE AND SCOPE OF EXAMINATION .....	1
COMPANY OPERATIONS.....	2
FILE REVIEW.....	2
COMPLETENESS AND ACCURACY TEST .....	3
ANTI-FRAUD PLAN.....	3
REINSURANCE AGREEMENTS REVIEW .....	3
EXAMINATION FINAL REPORT SUBMISSION.....	4

## PURPOSE AND SCOPE OF EXAMINATION

The Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of Genworth Life & Annuity Insurance Company (VA) NAIC # 65536, (hereinafter GLAIC or the Company) pursuant to Section 624.3161, Florida Statutes. The examination was performed by Global Insurance Enterprises Inc. The scope period of this examination was July 1, 2010 through December 31, 2012. The examination began July 17, 2013 and ended August 16, 2013.

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 the Genworth Life & Annuity 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. No violations were found during the examination as a result of reviewing the sample selection of files.

TABLE OF FILES REVIEWED

INITIAL REVIEW

Statute/Rule	Description	Files Total Universe	Files Reviewed	Number of Violations
Section 626.9541(1)(g), (x) and (dd) Florida Statutes and Rule 69O-125.003, Florida Admin. Code.	All Applications (includes issued other than applied for)	17,201	1,032	0
	Reinstatements - Lifecomm	64	64	0
	Reinstatements - Cyberlife	824	73	0
<b>TOTALS - Review of Applications</b>		<b>18,089</b>	<b>1,169</b>	<b>0</b>

The Company self-reported an error which resulted in a violation of the Freedom to Travel Act when completing the online survey for the scope of July 1, 2011 through June 30, 2012. The applicant was initially denied insurance coverage based on travel to Israel. The Company subsequently offered insurance after the initial refusal. The applicant already had a pending application with another insurer.

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 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 Rules 69O-125.003 and 69D-2, Florida Administrative Code.
- Review policy applications to determine if applications were denied, issued in a manner other than applied for, had benefit changes or canceled based on national origin in compliance with Section Sections 626.9541(1)(g), 626.9541(1)(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.

In reviewing materials for this final 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

GLAIC is a foreign life and health insurer licensed to transact business in the State of Florida on May 24, 1944. The Company offers accident and health, credit disability, credit life, group life and annuities, life, variable annuities and variable life coverage in the State of Florida.

Total Direct Written Life Premiums in the State of Florida was as follows:

Year	Direct Written Life Premiums State of Florida (Per Annual Statement Schedule T)
2012	\$84,166,779
2011	\$80,747,498
2010	\$77,133,066

### FILE REVIEW

The examiners reviewed information contained in the Company's underwriting files which consisted of applications, questionnaires, field questionnaires, telephone interviews, supplemental applications, underwriting notes, systems notes, letters sent to applicants/consumers. The examiners also reviewed the underlying medical records and financial information presented.

During the period covered by this examination, the Company received 17,201 applications for life insurance coverage and an additional 888 requests for reinstatements or benefit changes on legacy products. Examiners reviewed 1,032 applications and an additional 159 benefit changes and reinstatements related to legacy products. The Company uses an application form that does not specifically include travel questions related to Freedom to Travel. Foreign Travel and Resident Alien Supplements are utilized to ask travel related questions.

The Company identified three products: Colony Term 10,15,20, GenGuard Universal Life Insurance, and Life Ready II currently sold in Florida as subject to Section 626.9541(dd), Florida Statutes.

### **COMPLETENESS AND ACCURACY TEST**

The applications data subset "Issued Other Than Applied For" was 100% reviewed and found to have been properly included in the All Applications data set. No errors were noted.

### **ANTI-FRAUD PLAN**

The Company submitted an electronic Anti-Fraud Plan with the State of Florida Department of Financial Services, Division of Fraud (DIF). The Company's Anti-Fraud Plans for the examination period through the current date were reviewed. All Anti-Fraud Plan and SIU description filings reviewed were found to be complete with respect to the requirements of Section 626.9891(3) Florida Statutes.

A comparison of the 2012 fraud incident listing prepared by the Company to the fraud incidents filed with the State of Florida Department of Financial Services, Division of Fraud indicates the following items:

- The incidents are filed under the carrier name: Genworth Financial and not the individual insurer's name.
- One incident reported by the Company was not filed with the DIF.
- One incident reported on the SIU listing for the Company was filed with the DIF but was actually for Genworth Life Insurance Company.

### **REINSURANCE AGREEMENTS REVIEW**

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

Review of the reinsurance agreements indicates all automatic reinsurance agreements include language requiring the reinsured risk to be a U.S. citizen, permanent resident alien or otherwise qualifying under its residency guidelines. None of the agreements include foreign travel restrictions.

## **EXAMINATION FINAL REPORT SUBMISSION**

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.