



THE STATE OF FLORIDA

OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

December 15, 2014

NAIC COMPANY CODE: 71153

NAIC GROUP CODE: 0091

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
PURPOSE AND SCOPE OF EXAMINATION.....	1
COMPANY OPERATIONS	2
LIFE APPLICATION REVIEW	2
LIFE POLICY REVIEW	6
REINSURANCE AGREEMENTS REVIEW	6
ANTI-FRAUD PLAN REVIEW.....	7
EXAMINATION FINAL REPORT SUBMISSION.....	7

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 establishes guidelines and reporting requirements for insurer anti-fraud special investigative units (SIU) and insurer anti-fraud plans.

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
627.410(1)	Failure to file a foreign risk questionnaire	n/a	1
627.410(1)	Failure to file an exam form	105	1
624.318(2)	Failure to produce a record for examination	105	1
Rule 69D-2.003(1)(d)	Failure to file a report of suspected fraud to the DIF	16	2

PURPOSE AND SCOPE OF EXAMINATION

The Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of Hartford Life and Annuity Insurance Company (Company) pursuant to Section 624.3161, Florida Statutes. The examination was performed by Fatzinger Consulting, Inc. The scope period of this examination was January 1, 2013 through December 31, 2013. The examination began June 6, 2014 and ended December 1, 2014.

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 a review of the following:

- Life application underwriting file samples to determine if an application was denied, issued in a manner other than applied for, terminated or canceled solely on the

individual's past or future lawful foreign travel experiences, or on the applicant's national origin.

- Administrative and underwriting file samples for issued policies to determine if the policy was terminated, canceled, or had a benefit change based solely on the individual's past or future lawful foreign travel experiences, or on the insured's national origin.
- 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.
- Anti-Fraud Plans to verify filing and implementation.

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

The Company is a foreign Life and Health insurer licensed to conduct business in the State of Florida on September 29, 1971. The Company is authorized to offer life, group life and annuities, variable life, variable annuities, accident and health, credit life and credit disability coverage in the State of Florida. On January 2, 2013, The Prudential Insurance Company of America completed its acquisition of The Hartford's individual life insurance business through a reinsurance transaction. Policies sold in 2013 were written on Hartford paper with Prudential administering the business. New business sales ceased as of December 31, 2013.

During the scope period, the Company primarily offered universal life and term insurance products in Florida. The primary distribution channels for individual life insurance products issued by the Company are financial intermediaries, such as national and regional broker-dealers, banks, independent financial advisors, independent life professionals and independent marketing organizations. There are no captive agents or third party administrators.

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)
2013	\$103,759,042

LIFE APPLICATION REVIEW

APPLICATION FORMS REVIEW

The Company's individual life insurance application, which can be used for multiple individual products, its term insurance application, and its term insurance rider application supplement ask for place of birth, citizenship, and if the proposed insured(s) plans to travel or reside outside of

the United States within the next two years. The term insurance application has “Not Applicable in the State of FL” printed in the answer box for the travel question. The Company has a short form individual life insurance application that can also be used for multiple products, however, the short form does not capture place of birth, citizenship or travel information. The children’s term rider application supplement captures place of birth only.

The Company has an avocation supplement that asks for the location, which would report avocations outside of the US. The Company uses a Foreign Risk Questionnaire in its foreign national underwriting program. The form captures residency and travel information and is required to be submitted with the application of foreign nationals who are applying for life insurance in Florida.

1) The Company has not filed the Foreign Risk Questionnaire, as required by Section 627.410(1), Florida Statutes.

a) **COMPANY RESPONSE:** The Company disagreed with the violation, stating it does not believe the form required filing as it was not part of the delivered policy. In addition, information collected on the form could not be used to contest a claim or rescind coverage. Lastly, the form is no longer in use as the Company stopped accepting new applications for individual life insurance in Florida as of December 31, 2013.

b) **CORRECTIVE ACTION:** None required as the Company is no longer accepting life insurance applications in Florida.

Pre-Application Forms

During the scope period, the Company had 4 forms used by producers to request either an application for term insurance or to request a preliminary insurance quote. The Company has not filed the forms pursuant to Section 627.410(1), Florida Statutes, stating that filing and approval is not required under the statute because none of the forms were made part of the insurance contract. The forms are as follows:

- **Request for term insurance, form LA-1288(11) CW.** This form was used to request a term application. There are no medical or travel questions. Upon receipt, the Company conducts a telephone interview during which questions contained within the approved term application form are asked. Some of these forms have an “Authorization to Obtain, Release and Disclose Information” integral to the request for the term application. The completed request for term insurance is maintained in the issued policy’s application file; there were 23 requests for term insurance forms found during the life application sample reviews, 3 of which had the authorization integral to the request form.
- **Inquiry Quote Request, form numbers U-0178 2/10 FL and U-0178 08/13 CW.** Each form includes a statement that it is not an application, and further states the purpose is to obtain an expedited, tentative, non-binding insurance quote based on the information provided. The forms ask if the client(s) has any immediate future plans to travel outside of the U.S. Affirmative responses are to indicate the dates and countries to where the travel is planned. The completed preliminary quote and authorization forms are

maintained in the issued policy's application file; there were 2 inquiry quote request forms found during the life application sample reviews, one with the authorization integral to the form. The Company attested that with the exception under the variance of Rule 69O-125.003 (Iraq and Afghanistan) a positive response to the travel question would not have been considered when making the preliminary insurance quote.

- **Authorization to Obtain, Release and Disclose Information, form number ILO-1000(09/12).** This form is an authorization signed by the potential insured that allows the company to gather information it deems necessary to underwrite the application. The authorization is used with both the request for term application and the inquiry quote request forms. The completed authorization forms are maintained in the issued policy's application file; there were 21 authorizations found during the life application sample reviews.

UNDERWRITING MANUAL REVIEW

The Company uses the Swiss Re Online Underwriting Guide, as well as a Company published Medical Updates guide. The Swiss Re guide includes restrictions for travel, however, the Company's Foreign Travel Legislation guide states that adverse action cannot be taken on past or future foreign travel in Florida, with the exception of travel to Iraq and Afghanistan.

The Company also has underwriting guidelines for its Foreign National Program, which defines a foreign national as any individual who is not a US citizen, who resides outside of the US on a full or part-time basis, or who is not a permanent resident alien of the US. The documents provided address other eligibility requirements, as well as acceptable countries of origin.

FILE REVIEW

The Company provided a data file of 1,927 applications for life insurance during the scope period.

1) The Company reported it had received 1,083 applications on its 2013 Freedom to Travel survey.

- a) **COMPANY RESPONSE:** The Company reported it had inaccurately responded to the 2013 survey using previous semi-annual scope requirements. The Company stated it has taken steps to ensure future reporting will account for the entire calendar year.
- b) **CORRECTIVE ACTION:** The Company should report a full calendar year data on future Freedom to Travel surveys.

The examiners reviewed information contained in the life application underwriting files, which could have included but was not limited to, the applications, supplemental application questionnaires, underwriting notes, agent and policyholder communications, medical documentation and other supplemental materials.

Declined Applications

The examiners reviewed 105 declined applications. The files reviewed consisted of 26 applications where the proposed insured was born in a foreign country and a random sample of 79 from the remaining population of declined applications.

There were no foreign travel or national origin violations.

1) In 1 instance, the Company used Form # PA-9354(HLA) EXAM, which had not been filed and approved for use in Florida as required by Section 627.410(1), Florida Statutes.

a) **COMPANY RESPONSE:** The Company stated its exam vendor completed and submitted the wrong form. The application was declined due to the lab results. The Company stated that if the application had been approved, it would have required the correct form to be completed and made part of the delivered policy. In addition, the Company is no longer selling individual life policies.

b) **CORRECTIVE ACTION:** None required as this is considered an isolated incident and the Company is no longer selling life policies.

2) In 1 instance, the Company could not produce a copy of the declination letter, resulting in a violation of Section 624.318(2), Florida Statutes.

a) **COMPANY RESPONSE:** The Company agreed with the violation.

b) **CORRECTIVE ACTION:** The Company should maintain records to ensure underwriting documents are available for review.

Withdrawn, Incomplete and Pending Applications:

The examiners reviewed 129 applications that were withdrawn, incomplete or not taken. The files reviewed consisted of 45 applications where the proposed insured was born in a foreign country and a random sample of 84 from the remaining population.

There were no foreign travel or national origin violations.

Applications Issued Other Than Applied

The Company could not identify policies that were issued other than applied. The examiners reviewed 132 files, which consisted of 3 applications shown to have a flat rate per thousand applied, 46 applications where the proposed insured was born in a foreign county, and a random sample of 83 of applications that were issued with a standard rating.

There were no foreign travel or national origin violations.

LIFE POLICY REVIEW

The examiners reviewed the administrative and underwriting files that supported policy benefit changes and policy cancellations and terminations.

Benefit Changes

The Company provided a data file of 169 policies that had benefit changes during the scope.

The examiners reviewed 21 issued policies that were identified by the Company as requiring, or potentially requiring, underwriting.

There were no foreign travel or national origin violations.

Policy Terminations and Cancellations

The Company provided a data file of 1,761 policies that were terminated. None required underwriting, therefore, the files were added to the completeness test population.

COMPLETENESS AND ACCURACY TEST

Life applications, policy benefit changes, and policy terminations not included in any of the reviews above were combined into a population of 2,548 files. A random sample of 114 was selected to determine if the applications and policies appeared on the appropriate listing. Life applications were also reviewed to confirm there were no foreign travel or national origin violations.

There were no violations noted.

REINSURANCE AGREEMENTS REVIEW

The Company's reinsurance agreements in place during the scope of the examination were reviewed 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. The Company has 7 agreements with 5 reinsurers, although one agreement is the 100% reinsurance agreement arising from the sale of the life business to Prudential.

None of the agreements contain a provision that places a restriction on foreign travel or national origin for US residents. Four of the agreements require the proposed insured be a resident for at least 6 months. Three agreements include the underwriting of foreign nationals from eligible countries, which are listed in the attachment.

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 reported it referred 16 cases to its SIU and 2 cases to the Florida Division of Fraud.

1) In 2 instances, the Company failed to file a report of a suspected fraudulent insurance act to the Florida Division of Fraud (DIF) as required by Rule 69D-2.003(1)(d), Florida Administrative Code. In 1 instance the Company reported the case but did not use the required electronic format; in the second case it did not file a report with the DIF.

a) COMPANY RESPONSE: The Company agreed with both violations and stated it was reinforcing with the impacted staff the electronic reporting requirement. In the second case, the Company stated the client had moved to Georgia and the client's attorney reported the case to the GA Department of Human Services, Division of Aging/Adult Protective Services, who then reported the case to the Levy County (FL) sheriff for elder abuse.

b) CORRECTIVE ACTION: The Company should file reports of suspected fraudulent insurance acts to the Florida DIF using the electronic format as required by the rule.

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.