

FINANCIAL SERVICES COMMISSION

**OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

TARGET MARKET CONDUCT FINAL EXAMINATION REPORT

OF

IDS LIFE INSURANCE COMPANY

AS OF

April 7, 2006

NAIC COMPANY CODE: 65005



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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 IDS 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 March 27, 2006 and ended April 7, 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 its compliance with Section 627.4554(4)(d), Florida Statutes.
- Verify the Company maintains or makes 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 during the scope period to verify the Company is complying with the suitability determination process 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

IDS Life Insurance Company is a foreign Life and Health insurer licensed to conduct business in the State of Florida on April 2, 1973. 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	\$262,748,775
2005	\$369,495,594

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	429	37%	241	8%	670
Other Consumers	742	63%	2908	92%	3650
Totals	1171	100%	3149	100%	4320

SUITABILITY DETERMINATION PROCESS REVIEW

Supervisory System of Annuity Recommendations

The Company supervises the suitability determination process internally. 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. Suitability determination data for each prospective annuitant is sent directly by the agent to the Company's home office division on line for approval before the annuity application is submitted. The process is covered in procedures manuals and, as an internal function, is supervised as standard operational procedure. Every potential annuity purchase by senior consumers is reviewed as it comes in and is subject to divisional supervisory oversight. Periodic reviews are used as employee performance evaluations as well as for assurance that the process is being followed.

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

Policy Review

A sample of 50 files for policies sold to senior consumers during the scope period was reviewed 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. No violations were noted.

COMPLAINT ANALYSIS

There were 24 complaints requested for review. The Department of Financial Services, division of Consumer Services, received 4 complaints and 20 complaints were filed directly with the Company. All complaints filed with DFS were included in the Company's complaint record. Twenty-three (23) complaints were related to matters outside the examination scope. The following was noted:

One (1) complaint involved the Company being unable to substantiate how its replacement policy was beneficial to the insured, as there were approximately \$26,000 in surrender charges incurred on the replaced policy. There was no evidence that the agent had reasonable grounds to support the annuity sale as required by Section 627.4554(4)(a) and (b), Florida Statutes. It is noted that the Company resolved the complaint by refunding the money, waiving the surrender penalty, and fining the agent.

REPORT SUMMARIZATION

A review was conducted of the Company's supervisory system over annuity suitability recommendations, in addition to a sample of 51 files. No violations were found. The following represents general findings, however, specific details are found in each section of the report.

Sample Files Reviewed – 51 Files

- Policies – 50 files
- Suitability Related Complaints – 1 file

Findings

- No violations 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.