

FINANCIAL SERVICES COMMISSION

**OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

TARGET MARKET CONDUCT FINAL EXAMINATION REPORT

OF

ING LIFE INSURANCE & ANNUITY COMPANY

AS OF

July 27, 2006

NAIC COMPANY CODE: 86509



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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 ING Life Insurance & Annuity 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 July 25, 2006 and ended July 27, 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 Section 627.4554(4)(a) and (b), 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

ING Life Insurance & Annuity Company is a foreign Life and Health insurer licensed to conduct business in the State of Florida on August 16, 1971. 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	\$211,939,834
2005	\$250,595,804

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	0	0%	15	16%	15
Other Consumers	0	0%	78	84%	78
Totals	0	0%	93	100%	93

SUITABILITY DETERMINATION PROCESS REVIEW

Supervisory System of Annuity Recommendations

The Company's market focus is to provide products and services to employers who wish to establish and fund group employee retirement (defined contribution) plans. Section 627.4554(7)(b)2., Florida Statutes, exempts from compliance with Section 627.4554, Florida Statutes, recommendations involving contracts used to fund a plan described by s. 401(a), s. 401(k), s. 403(b) s. 408(k), or 408(p) of the IRS Code of 1986, as amended, if established and maintained by an employer. The only other contracts issued in Florida are rollover IRAs issued to covered individuals upon retirement or other employment termination.

The Company offers rollover products exclusively through its affiliated broker-dealer, ING Financial Advisors, LLC (IFA). As a registered broker-dealer, IFA is subject to oversight by NASD and other state, federal, and self regulatory agencies. The Company relies on IFA's administrative practices to supervise suitability determination compliant with NASD Conduct Rule 231. IFA has written procedures in place.

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

Policy Review

A sample of 15 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. The findings are as follows:

Four (4) files for policies sold to senior consumers did not include evidence that the agent had made reasonable efforts to obtain the tax status from the senior consumer at the time of the sale as required by Section 627.4554(4)(a) and (b), and Section 627.4554(8), Florida Statutes.

Corrective Action: The Company should ensure its records provide evidence that a reasonable effort was made to obtain the tax status from the senior consumer at the time of the sale.

Subsequent to the examination, the Company advised the Office that it has reminded the unit responsible for reviewing new business of its senior annuity suitability review procedures. The Company also advised that it has heightened awareness and education to reinforce the need for follow up with agents to obtain complete financial information from the senior consumer, including a consumer's tax status.

COMPLAINT ANALYSIS

There were 9 complaints requested for review. The Department of Financial Services, Division of Consumer Services (DFS) received 2 complaints and 7 were filed directly with the Company. All complaints involved policies issued prior to the examination period.

All complaints filed with DFS were included in the Company's complaint register.

REPORT SUMMARIZATION

A review was conducted of the Company's supervisory system over annuity suitability recommendations, in addition to a sample of 15 files. Four (4) errors were found. The following represents general findings, however, specific details are found in each section of the report.

Sample Files Reviewed – 15 Files

- Policies – 15 files

Findings

- Policy Review – 4 errors – page 2 of the report
 - Failure to provide proof that a reasonable effort was made to obtain the tax status information from the senior consumer at the time of the sale

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.