

# **FINANCIAL SERVICES COMMISSION**

**FLORIDA OFFICE OF INSURANCE REGULATION  
MARKET INVESTIGATIONS**

**MARKET CONDUCT FINAL EXAMINATION REPORT**

**OF**

**METROPOLITAN LIFE INSURANCE COMPANY**

**AS OF**

**JUNE 23, 2006**

**NAIC COMPANY CODE: 65978**



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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 Metropolitan 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 extended to March 1, 2006. The examination began June 19, 2006 and ended June 23, 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 compliance with Sections 627.4554(4)(a) and (b), and 627.4554(8), Florida Statutes.
- Review the Company's system to supervise recommendations to determine compliance with Section 627.4554(4)(d), Florida Statutes.
- Verify the Company maintains or is able to make available, records of information collected from the senior consumer in compliance with Section 627.4554(6)(a), Florida Statutes.
- Review a sample of files for policies sold to senior consumers to verify the Company's compliance with the suitability determination process as 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

Metropolitan Life Insurance Company is a foreign Life and Health insurer licensed to conduct business in the State of Florida on September 12, 1915. The Company provides life insurance and annuities in the State of Florida.

Total Direct Premiums Written in Florida for annuities is as follows:

Year	Total Written Annuity Premium In Florida (Per Schedule T of the Annual Statement)
2004	\$214,696,594
2005	\$255,222,472

The number of annuities sold by the Company during the period of July 1, 2004 through June 30, 2005 is shown as follows:

	Number of Fixed Annuities	% of Fixed Annuities	Number of Variable Annuities	% of Variable Annuities	Totals
Senior Consumers	209	78%	832	17%	1,041
Other Consumers	60	22%	3,196	83%	3,256
Totals	269	100%	4,028	100%	4,297

### SUITABILITY DETERMINATION PROCESS REVIEW

#### Supervisory System of Annuity Recommendations

The Company supervises the recommendations of annuities to senior consumers through a system of management reviews and computerized data checks. The MetLife SmartApp processing system requires certain suitability related data fields to be completed during the application process. This process system has established standards that if not met, trigger a supervisory review of the recommendation. Additionally, the Company periodically conducts reviews of annuity business to ensure compliance with regulatory and MetLife requirements.

The Company also supervises recommendations through its sales office Managing Directors who must review the application and all submitted supplemental material to verify the sale is suitable for the senior consumer. These managers must sign off on annuity applications to show their agreement with the recommendation to senior consumer.

Additionally, the Company has a program for compliance with NASD conduct rules. A registered representative conducts a suitability review at the field office.

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

#### Policy Review

An original sample size of 50 files for policies sold to senior consumers were reviewed during the scope period to determine the Company's compliance with the suitability determination requirements of Sections 627.4554(4)(a) and (b), and 627.4554(8), Florida Statutes. However, due to the number of exceptions, the sample size was increased to 100. The findings are as follows:

Thirteen (13) files for fixed annuity policies sold to senior consumers did not include evidence that the agent made reasonable efforts to obtain the suitability related information at the time of

sale as required by Sections 627.4554(4)(a) and (b), Florida Statutes. Eight (8) of the 13 files were missing only the tax status of the senior consumer.

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

### **COMPLAINT ANALYSIS**

There were 18 complaints requested for review. The Department of Financial Services, Division of Consumer Services received 1 complaint and 17 complaints were filed directly with the Company. Seventeen (17) complaints related to matters outside the examination scope. The review of the remaining complaint did not reveal any violations.

### **REPORT SUMMARIZATION**

A review was conducted of the Company's supervisory system over annuity suitability recommendations, in addition to a sample of 101 files. Thirteen (13) errors were found. The following represents general findings; however, specific details are found in each section of the report.

#### **Sample Files Reviewed – 101 Files**

- Policies – 100 files
- Suitability Related Complaints – 1 file

#### **Findings**

- Policy Review – 13 errors – page 2 of the report
  - Failure to provide evidence that a reasonable effort was made to obtain the suitability related information from the senior consumer at the time of the sale

### **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.