



THE STATE OF FLORIDA

OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS

TARGET MARKET CONDUCT FINAL EXAMINATION REPORT

OF

PRUCO LIFE INSURANCE COMPANY

AS OF

July 17, 2013

NAIC COMPANY CODE: 79227

NAIC GROUP CODE: 0304

TABLE OF CONTENTS

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

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 Prudential Insurance Company of America 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.

TABLE OF FILES REVIEWED

Statute/Rule	Description	Files Total Universe	Files Reviewed
Section 626.9541(1)(g), (x) and (dd) Florida Statutes and Rule 69O-125.003, Florida Administrative Code.	All Applications	19,898	695
	Denied or Issued Other Than Applied For	4,197	475
	Benefit Changes	1	1
	Cancellations/Terminations	4	4
TOTALS - Review of Applications			1,175

The Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of Pruco Life Insurance Company (AZ) NAIC # 79227, (hereinafter Pruco 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 field examination began June 17, 2013 and ended July 17, 2013.

Pruco self-reported a potential 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 on May 25, 2012; after he communicated that he spent between 4 and

6 months in the Bahamas. Pruco reported that the application was reconsidered and approved. It was issued it at a Preferred Non-Tobacco rate on October 4, 2012.

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 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

Pruco is a foreign life and health insurer, licensed to transact business in the State of Florida on April 12, 1982. The Company offers group life and annuities, life, variable annuities and variable life insurance products 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	\$145,840,364
2011	\$115,166,224
2010	\$125,112,482

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, and 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 19,898 applications for life insurance coverage. Examiners reviewed 1,175 applications and related policies described as issued as applied for, issued other than applied for, denied, declined or not taken, withdrawn, cancelled or benefits changed. The Company uses an application form that includes travel related questions.

The Company identified three products: Magnastar, PLUS, and FIC maintained on three different policy administration systems written in the State of Florida as subject to 626.9541(dd), Florida Statutes.

COMPLETENESS AND ACCURACY TEST

A statistical sample of applications including data sets of Denied or Issued Other Than applied For, Cancelled/Terminated were examined to verify that the applications included in subsets were included in the All Applications files. No errors were noted.

ANTI-FRAUD PLAN

The Company submitted an electronic Anti-Fraud Plans to the Department of Financial Services, Division of Fraud. 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 indicated a few minor issues in reporting errors. The issues were reviewed and discussed with the company. No corrective action is required.

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 past lawful travel or future lawful foreign travel plans or the applicant's place of birth.

Reinsurance agreements contain provisions placing limitations due to foreign travel and place of residence, but not place of birth. Some reinsurance agreements contain the following provision:

RESIDENCE AND TRAVEL. To be eligible for automatic reinsurance, each insured must either be a permanent resident of the United States or Canada, as stated on the application and in accordance with the Company's Underwriting Guidelines, at the time of issue or be a resident of another country that meets the Company's special underwriting requirements pertaining to foreign residence.

Applications with Foreign Travel qualify for automatic reinsurance except when such travel is to a country specifically not allowed under Pruco's foreign travel requirements.

"Foreign Travel" is defined as no more than three months outside the United States or Canada.

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.