



THE STATE OF FLORIDA

OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

RIVERSOURCE LIFE INSURANCE COMPANY

AS OF

February 24, 2010

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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 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 RiverSource Life Insurance Company 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.

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
626.9541(1)(dd)	The Company issued a policy with limitations solely on past or future lawful foreign travel plans.	3246	1

PURPOSE AND SCOPE OF EXAMINATION

The Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of RiverSource Life Insurance Company (Company) pursuant to Section 624.3161, Florida Statutes. The examination was performed by Examination Resources, LLC. The scope period of this examination was July 1, 2007 through June 30, 2009. The onsite examination began February 1, 2010 and ended February 24, 2010.

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 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 in compliance with Section 626.9541(1)(dd), Florida Statutes, and Rule 69O-125.003, Florida Administration 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 626.9541(1)(g) and (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 draft 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

RiverSource 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 variable life, life, variable annuities, group life and annuities, and accident and health coverage in the State of Florida.

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)
2007	808,283,420
2008	729,760,924

LIFE APPLICATION REVIEW

I. FILE REVIEW

The examiners reviewed information contained in the Company's individual life underwriting files, which could have included but not limited to the application, field underwriting guidelines, telephone interviews, questionnaires, underwriting notes, correspondence with agents and consumers, medical records, financial information, and the Company's Agent training materials.

The Company did not use applications that contained travel related questions, but did use medical interview questionnaires, which included questions related to future foreign travel and citizenship status.

The Company received 6,977 applications for life insurance coverage during the scope period.

Declined Applications:

The examiners reviewed 341 declined applications. There were no violations found.

Policy Issued With Limitations or Policy Benefit Change:

The examiners reviewed 1,462 policies issued with limitations or with policy benefit changes. There was 1 violation found.

In 1 instances the Company limited an application solely on past or future lawful foreign travel plans in violation of Section 626.9541(1)(dd), Florida Statutes. The application was for an individual who was traveling to Peru to teach in an Embassy sponsored American school for a period of 5 months. The underwriter's notes specifically stated that the applicants' impairment was the planned future travel to Peru.

CORRECTIVE ACTION: The Company should issue policies in accordance with the requirements of Section 626.9541(1)(dd), Florida Statutes.

SUMMARY OF COMPANY'S RESPONSE: The Company agreed that the application had received a "Standard" rate classification instead of a "Preferred" rate classification based solely on the foreign travel to Peru. The Company subsequently corrected the premium class and issued a refund.

Canceled Policies:

The examiners reviewed 1443 canceled policies. There were no violations found.

II. COMPLETENESS AND ACCURACY TEST

A sample of 116 applications submitted during the scope of the examination were reviewed to verify that declinations, applications issued in a manner other than applied for, benefit changes, and cancellations were included on the respective listings provided by the Company. No violations were found.

A sample of 116 of canceled policies which were not selected for detailed review was reviewed to verify that the reason for cancellation was as reported by the Company in the data files. No violations were found.

REINSURANCE AGREEMENTS REVIEW

The Company's reinsurance agreements that were in place during the scope of the examination were reviewed to verify if any of the agreements place limitations on coverage as a result of an applicant's past lawful foreign travel, future lawful travel plans or the applicant's place of birth.

No reinsurance agreements contain any provision placing any limitations due to past and/or future foreign travel or the applicant's place of birth.

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 has implemented its Anti-Fraud Plan as required by Section 626.9891, Florida Statutes.

No violations were found.

EXAMINATION FINAL REPORT SUBMISSION

The Office hereby issues this Final Report based on information from the examiner's draft report, additional research conducted by the Office, and additional information provided by the Company.