

FINANCIAL SERVICES COMMISSION

**OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

TARGET MARKET CONDUCT FINAL EXAMINATION REPORT

OF

STATE FARM LIFE INSURANCE COMPANY

AS OF

MARCH 30, 2007

NAIC COMPANY CODE: 69108



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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 State Farm Life Insurance Company (Company) was performed by Examination Resources, LLC. The scope of this examination was July 1, 2006 through December 15, 2006. The examination began January 10, 2007 and ended on January 12, 2007. A second visit to the Company began on March 12, 2007 and ended on March 30, 2007.

The purpose of this examination was to verify the Company's compliance with Section 626.9541(1)(dd), Florida Statutes, which became effective on July 1, 2006. The examination included the following procedures:

- Review of the Company's procedures regarding declining, limiting, or canceling policies based on the applicant's past foreign travel experiences or future foreign travel plans.
- Verify the Company's forms utilized to determine insurability comply with Section 626.9541(1)(dd), Florida Statutes.
- Review all life insurance policy applications that were issued other than how they were applied for, declined, or cancelled during the examination period to verify the Company is complying with Section 626.9541(1)(dd), 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

State Farm Life Insurance Company is a foreign insurer licensed to conduct business in the State of Florida. The Company provides life insurance coverage in the State of Florida.

Total Direct Premiums Written in Florida for life insurance was as follows:

Year	Total Written Life Premium In Florida (Per Schedule T of the Financial Statement)
3 rd Qtr 2006	\$140,075,639

FOREIGN TRAVEL PROCEDURES REVIEW

Company Procedures Review

In response to the effectuation of the new law, the Company directed its underwriters not to take adverse underwriting action based on an applicant's prior or planned future foreign travel.

The Company's *Underwriting Guidelines* were not amended to indicate that declinations and limitations do not apply to Florida applicants. However, the Company stated that, although the questions appear on the applications, the issue of foreign travel was not utilized in the determination of coverage limitations or declination of coverage during the scope of the examination.

Policy Application Review

There were 19,140 life insurance applications submitted to the Company during the scope of the examination. A review of 3,410 files, comprising all life insurance policy applications that were issued other than how they were applied for, declined, or cancelled during the scope period, was conducted to determine if the Company was in compliance with Section 626.9541(1)(dd), Florida Statutes. The following violation was noted:

- 1 file contained evidence the Company failed to prevent refusal of life insurance to; refusal to continue life insurance of; or limitation of the amount, extent, or kind of life insurance coverage available to an individual based solely on the individual's past or future lawful travel plans as required by Section 626.9541(1)(dd), Florida Statutes.

Corrective Action: The Company should ensure that policies and procedures exist to prevent the declination, limitation, or cancellation of life insurance applications or policies based on past or future foreign travel plans. The Company should review all applications and policies that were declined, limited, or cancelled based on the applicant's foreign travel plans and offer the applicant the option of obtaining a life insurance policy.

REPORT SUMMARIZATION

A review was conducted of the Company's travel policy with respect to the application process for life insurance. A review of 3,410 files revealed one 1 error. The following represents general findings, however, specific details are found in each section of the report.

Policy Application Files Reviewed – 3410 Files

- Policy Applications – 3,410 files

Findings

- Policy Application Review – One (1) error was found. Page 2 of the report.

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.