

FINANCIAL SERVICES COMMISSION

**OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

TARGET MARKET CONDUCT FINAL EXAMINATION REPORT

OF

TRANSAMERICA LIFE INSURANCE COMPANY

AS OF

May 19, 2006

NAIC COMPANY CODE: 86231



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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 Transamerica 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 was extended to March 1, 2006. The examination began May 15, 2006 and ended May 19, 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 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 during the scope period to verify the Company is complying 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

Transamerica Life Insurance Company is a foreign Life and Health insurer licensed to conduct business in the State of Florida on October 4, 1969. 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	\$178,478,294
2005	\$309,406,393

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	1,588	73%	327	48%	1,915
Other Consumers	575	27%	356	52%	931
Totals	2,163	100%	683	100%	2,846

SUITABILITY DETERMINATION PROCESS REVIEW

Supervisory System of Annuity Recommendations

The Company maintains written guidelines of procedures to be utilized by agents for making recommendations to senior consumers to purchase or exchange an annuity product. The Company delegates to its agents the responsibility to offer and conduct a suitability review and the responsibility to implement a system to supervise the annuity recommendation process.

The Company's agents devise their own forms that are used to document that a suitability review has been offered or conducted, and are responsible for maintaining supporting documentation. The Company does not require these suitability forms to be submitted with policy applications. In order to verify that their agents are using a system to supervise recommendations, the Company requested in 2005 that their managing general agents provide them with an annual certification of compliance, as to suitability, for fixed and variable annuities. Beginning on February 1, 2006, managing general agents have the option to decline to provide the Company with an annual certification of compliance for fixed annuities, and if they so choose, they must submit a Fixed Annuity Questionnaire with every policy application. As of February 1, 2006, the Company continued to require managing general agents provide annual certification of compliance, as to suitability, for variable annuities.

The Fixed Annuity Questionnaire is used in addition to the agents' own suitability form. Policy applications are rejected by the Company if a Fixed Annuity Questionnaire is not received. The Fixed Annuity Questionnaire provides for the review of the suitability related information that is required by Section 627.4554(4)(a) and (b), Florida Statutes. Every 20th Questionnaire is reviewed by the Company for compliance with guidelines, and referred to a Heightened Review Group when the guidelines are not met.

The Company has a supervisory system in place as required by Section 627.4554(4)(d), Florida Statutes.

Policy Review

A sample of 100 files for policies sold to senior consumers during the scope period was reviewed to determine that the Company or its agents were complying with Florida Statutes. The findings are as follows:

- 1 file for a policy sold to a senior consumer did not include documentation the agent had made a reasonable effort to obtain suitability related information from the senior consumer at the time of the sale.

Recommended Corrective Action: The Company should ensure it is able to produce records that include documentation that a reasonable effort was made to obtain suitability related information from the senior consumer at the time of the sale.

COMPLAINT ANALYSIS

There were 6 complaints requested for review. The Department of Financial Services, Division of Consumer Services (DFS), received 4 complaints 2 complaints were filed directly with the Company. All 6 complaints related to matters outside the examination scope.

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.