

FINANCIAL SERVICES COMMISSION

**FLORIDA OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

TARGET MARKET CONDUCT FINAL EXAMINATION REPORT

OF

THE TRAVELERS LIFE AND ANNUITY COMPANY

AS OF

August 4, 2006

NAIC COMPANY CODE: 80950



TABLE OF CONTENTS

PURPOSE AND SCOPE OF EXAMINATION..... 1
COMPANY OPERATIONS 1
SUITABILITY DETERMINATION PROCESS REVIEW 2
COMPLAINT ANALYSIS 3
REPORT SUMMARIZATION 3
EXAMINATION FINAL REPORT 3

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 Travelers Life and Annuity 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 July 31, 2006 and ended August 4, 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 makes 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 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

The Travelers Life and Annuity Company is a foreign Life and Health insurer licensed to conduct business in the State of Florida on November 17, 1981. 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	\$315,597,302
2005	\$256,855,821

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	539	47%	968	29%	1,507
Other Consumers	615	53%	2,341	71%	2,956
Totals	1,154	100%	3,309	100%	4,463

SUITABILITY DETERMINATION PROCESS REVIEW

Supervisory System of Annuity Recommendations

The Company has a supervisory system in place that delegates the responsibility for the determination of suitability of the sale of annuity products to senior consumers to the broker-dealer or agency. The selling agreements with its broker-dealers and agencies specifically requires them to establish and implement procedures for the supervision of sales practices of its representatives as well as comply with all applicable laws, rules, and regulations. The Company also requires annual certifications of compliance from each of its third party distributors with which the Company has a selling agreement.

The Company's supervisory system appears to comply with the requirements of Section 627.4554(4)(d), Florida Statutes. No violations were noted.

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 the suitability determination requirements of Sections 627.4554(4)(a) and (b), and 627.4554(8), Florida Statutes.. The findings are as follows:

- 5 files for policies sold to senior consumers did not include evidence that the agent had made reasonable efforts to obtain suitability related information from the senior consumer at the time of the sale as required by Sections 627.4554(4)(a) and (b), and 627.4554(8), Florida Statutes.

Corrective Action: The Company should ensure its records provide evidence 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 9 complaints requested for review. The Department of Financial Services, Division of Consumer Services (DFS), received one complaint and 8 complaints were filed directly with the Company. All 9 complaints related to policies outside the scope period or policy issues outside the examination scope.

All complaints filed with DFS were included in the Company's complaint register.

REPORT SUMMARIZATION

A review was conducted of the Company's supervisory system over annuity suitability recommendations, in addition to a sample of 100 policy files. Five (5) errors were found. The following represents general findings; however, specific details are found in each section of the report.

Sample Files Reviewed – 100 Files

- Policies – 100 files

Findings

- Supervisory System of Annuity Recommendations – 0 errors – page 2 of the report
- Policy Review – 5 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.