



THE STATE OF FLORIDA

OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

USAA LIFE INSURANCE COMPANY

AS OF

January 14, 2011

NAIC COMPANY CODE: 69663

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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 USAA Life Insurance Company was performed to determine compliance with Section 626.9541(1)(dd) and Section 626.9891, Florida Statutes and Rules 69O-125.003 and 69D-2, Florida Administrative Code.

No violations were found during the examination.

PURPOSE AND SCOPE OF EXAMINATION

The Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of USAA Life Insurance 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, 2008 through June 30, 2010. The offsite examination began November 7, 2010 and ended January 14, 2011.

The purpose of this examination was to review compliance with Sections 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 compliance with Section 626.9541(1)(dd), Florida Statutes and Rule 69O-125.003, Florida Administration Code.
- 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.

This Final Report is based upon information from the examiner's draft report, 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

USAA Life Insurance Company is a foreign Life and Health insurer licensed to conduct business in the State of Florida on December 29, 1964. The Company is authorized to provide variable annuities, life, variable life, accident and health, group life and annuities, credit disability, and credit life 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)
2008	\$48,222,847
2009	\$51,178,638

LIFE APPLICATION REVIEW

I. FILE REVIEW

The examiners reviewed information contained in the Company's individual life underwriting files, which could have included but was 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's training materials.

The Company did not use applications that contained travel related questions but did use travel questionnaires on all underwritten applications.

The Company received 19,301 applications for life insurance coverage during the scope period.

Declinations:

The examiners reviewed all 689 applications that were declined by the Company. There were no violations found.

Policies Issued With Limitations:

The examiners reviewed all 8,073 policies that were issued with limitations such as policies issued other than applied or policies not issued at the best rate class. There were no violations found.

Policy Benefit Change:

The examiners reviewed all 341 benefit changes that required an underwriting review. There were no violations found.

Canceled Policies:

The examiners reviewed all 6,853 cancelled policies. They included any policies cancelled for underwriting reasons or applications that were withdrawn, incomplete or not taken. There were no violations found.

II. **COMPLETENESS AND ACCURACY TEST**

The purpose of this review was to determine if any policy that was not subject to the review was completely and accurately reported in the data files provided by the Company.

A sample of 115 applications submitted during the scope of the examination was reviewed to verify that declinations, applications issued in a manner other than applied for, benefit changes, and cancelations were included on the respective listings provided by the Company. No violations were found.

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.