



THE STATE OF FLORIDA

OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

PROTECTIVE LIFE INSURANCE COMPANY

December 31, 2014

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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.

PURPOSE AND SCOPE OF EXAMINATION

The Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of Protective 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 January 1, 2013 through December 31, 2013. The examination was conducted offsite. The examination began June 16, 2014 and ended October 13, 2014.

The purpose of this examination was to review compliance with Sections 626.9541(1)(dd), 626.9541(1)(g), 626.9541(1)(x) and 626.9891, Florida Statutes and Rules 69O-125.003 and 69D-2, Florida Administrative Code.

The examination included a review of the following:

- Life application files to determine if an application was denied, issued in a manner other than applied for, or terminated solely on the individual's past or future lawful foreign travel experiences, or on the applicant's national origin.
- Administrative and underwriting files for issued policies to determine if the policy was terminated, canceled or rescinded, or had a benefit change based solely on the individual's past or future lawful foreign travel experiences, or on the applicant's national origin.
- Reinsurance agreements to verify if any of the agreements place any limitations as a result of individual's past or future lawful foreign travel experiences, or on the applicant's national origin.
- Anti-Fraud Plans to verify filing and implementation.

In reviewing materials for this final 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

Protective Life Insurance Company is a foreign Life and Health insurer licensed to conduct business in the State of Florida on December 31, 1921. The Company provides Life, Accident and Health, Variable Life, Variable Annuities, Credit Life, Credit Disability, and Group Life and Annuities Insurance coverages 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)
2013	\$105,009,023

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, amendments, 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 use applications and questionnaires that contained travel related questions; however, travel is not used in the underwriting process.

Applications:

The Company received 5,637 applications for life insurance coverage during the scope period; 4,075 applications were subject for review. A sample of 115 was selected for review. No violations were found.

Policy Benefit Change:

There were 279 benefit changes subject to review. A sample of 84 was selected for review. No violations were found.

Canceled Policies:

There were 27 cancellations subject to review. A sample of 27 was selected for review. No violations were 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 25 applications that were issued in the best rating tier as noted in the data files, were reviewed to confirm they were indeed issued in the best rating tier. No violations were found.

A sample of 25 cancellations was reviewed to verify that the reason for cancellation was as reported correctly by the Company. No violations were found.

In addition, the data files provided by the Company were compared to the annual survey responses submitted by the Company. No violations were found.

UNDERWRITING MANUAL REVIEW

Underwriting guidelines were reviewed to determine if past and/or future travel and the applicant's national origin are included in the guidelines, and if so, determine if any restrictions are placed on Florida residents. The underwriting guidelines did not contain any provisions relating to past and/or future travel or the applicant's national origin.

REINSURANCE AGREEMENTS REVIEW

Reinsurance agreements were reviewed to determine if the contracts contain provisions relating to past and/or future travel and the applicant's national origin. The reinsurance agreements contain provisions relating to past and/or future travel or the applicant's national origin; however, the provisions were not applied in Florida.

ANTI-FRAUD REVIEW

The purpose of this review was to determine if the Company has filed and/or updated (if staffing changes occurred) with the Division of Insurance Fraud (DIF), a description of the Insurer Anti-fraud Investigative Unit (SIU) or an Insurer Anti-fraud Plan pursuant to Section 626.9891, Florida Statutes and Rule 69D-2.001-005, Florida Administrative Code. In addition, the review included verification that the Company has established and implemented procedures to detect potentially fraudulent activity, reporting all suspected insurance fraud acts directly to the Fraud Division and that staff is being properly trained.

Rule 69D-2.003(1)(a), Florida Administrative Code, requires an insurer to file the names of all personnel assigned to its SIU. Rule 69D-2.005(2), Florida Administrative Code, charges the Office with assuring that an insurer does not fail to implement or follow the provisions of their anti-fraud plan or SIU description. Since the Company is utilizing personnel not listed in its SIU description it is failing to implement or follow the provisions of its SIU description required under Rule 69D-2.003(1)(a). Therefore, it is recommended that the Company timely update its

SIU description and anti-fraud plans with the Division of Insurance Fraud when changes are made.

EXAMINATION FINAL REPORT SUBMISSION

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.