

FINANCIAL SERVICES COMMISSION

**OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

TARGET MARKET CONDUCT FINAL EXAMINATION REPORT

OF

ALLSTATE LIFE INSURANCE COMPANY

AS OF

June 9, 2006

NAIC COMPANY CODE: 60186



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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 Allstate 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 expanded to March 1, 2006. The examination began June 5, 2006 and ended June 9, 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 its 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

Allstate Life Insurance Company is a foreign Life and Health insurer licensed to conduct business in the State of Florida on March 6, 1957. The Company provides life insurance and annuities in the State of Florida.

Total Direct Premiums Written in Florida for annuities was as follows:

Year	Total Written Annuity Premium In Florida (Per Schedule T of the Annual Statement)
2004	\$207,406,329
2005	\$314,590,155

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	3,454	70%	592	52%	4,046
Other Consumers	1,508	30%	540	48%	2,048
Totals	4,962	100%	1,132	100%	6,094

SUITABILITY DETERMINATION PROCESS REVIEW

Supervisory System of Annuity Recommendations

All fixed and variable annuity sales in Florida are conducted by agents who report to general agencies, broker-dealers, or financial institutions. These general agencies, broker-dealers, or financial institutions are hereinafter referred to as "third parties." Effective on November 15, 2004, the Company delegated to these third parties the responsibility to maintain a system of supervision over the suitability-related requirements for senior consumer annuity sales in Florida. The Company's selling agreements require third parties to comply with all senior consumer suitability related requirements. The Company's agents offer to determine suitability at the time of sale, and their respective third party managers evaluate their suitability documentation prior to submitting the policy application to the Company. The Company does not request or require that any suitability documentation be submitted to them with the policy application.

In order to ensure the third parties are performing the required oversight functions of the senior consumer recommendation process, the Company requests those third parties, whose agents market fixed annuities or both fixed and variable annuities, to submit an annual suitability compliance certification. For 2005, the Company stated it had obtained compliance certifications from all 23 third parties whose agents market fixed annuities or both fixed and variable annuities to senior consumers in Florida. For the third parties whose agents sell only variable annuities to senior consumers, the Company does not request annual compliance certifications. In the first quarter of 2006, the Company performed a random review of 3 policy files from each of 9 third parties to determine if the required oversight function of the senior consumer recommendation process was met. The files reviewed were issued either in the first or third quarter of 2005, and they were selected from nationwide sales. It was unknown at the time of the examination if any of the 27 contracts reviewed were issued in Florida. The Company also issues customer surveys to new annuity contract owners, which includes a general question as to whether the agent discussed with the senior consumer their financial situation, to determine if the annuity contract met their needs. The survey was provided to all new annuity contract owners during the scope period, and it is currently provided to 50% of new annuity contract owners.

The Company's supervisory system appears to comply with the requirements of 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 the suitability determination requirements of Sections 627.4554(4)(a) and (b), and 627.4554(8), Florida Statutes. No violations were noted.

COMPLAINT ANALYSIS

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

REPORT SUMMARIZATION

A review was conducted of the Company's supervisory system over annuity suitability recommendations, in addition to a sample of 100 files. No 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 – 0 errors – page 3 of the report
- Complaint Review – 0 errors – page 3 of the report

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.