



THE STATE OF FLORIDA
FINANCIAL SERVICES COMMISSION

OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

AMERICAN INCOME LIFE INSURANCE COMPANY

AS OF

JANUARY 29, 2009

NAIC COMPANY CODE: 60577
NAIC GROUP CODE: 0290

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

The following represent general findings, however, specific details are found in each section of the report.

PURPOSE AND SCOPE OF EXAMINATION

The Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of American Income Life Insurance Company (Company) pursuant to Section 624.3161, Florida Statutes. The examination was performed by Examination Resources, LLC, at the offices of the Torchmark Corporation, the parent company's headquarters, at 3700 S. Stonebridge Dr., McKinney, TX. The scope period of this examination was January 1, 2004 through September 30, 2008. The examination began January 25, 2009 and ended on January 29, 2009.

The purpose of this examination was to verify the Company's compliance with Sections 626.9541(1)(g), 626.9541(1)(x), 626.9541(1)(dd), 626.9541(1)(j) and Section 626.9891, Florida Statutes, and Rules 69O-125.003 and 69D-2, Florida Administrative Code. Examination procedures included the review of underwriting and agent training manuals, forms, underwriting practices and the new business issue process; complaint handling procedures; and the Company's anti-fraud plan.

In reviewing materials for this report, the Examiners 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

The Company is a foreign life and health insurer licensed to conduct business in the State of Florida on February 3, 1959. The Company is a wholly owned subsidiary of the Torchmark Corporation, a publicly traded insurance holding company. The Company is authorized to write Life, Group Life and Annuity and Accident & Health lines of business in the State of Florida. Insurance is marketed primarily through captive agents and focuses primarily on affiliation business. The Company's Total Direct Premiums Written in Florida for Life Insurance was as follows:

Year	Total Written Life Premium In Florida (Per Schedule T of the Financial Statement)
2004	\$15,696,627
2005	\$16,514,558
2006	\$17,407,430
2007	\$17,744,802
2008*	\$16,562,254

*YTD as of September 30, 2008

LIFE INSURANCE APPLICATION REVIEW

The company received 54,478 life insurance applications during the examination period of January 1, 2004 through September 30, 2008. The examination targeted the review of life insurance applications for compliance with Sections 626.9541(1)(g), 626.9541(1)(x), and 626.9541(1)(dd), Florida Statutes.

While the Company captures an applicant's place of birth on some of its life insurance applications, our review did not reveal that it plays a role in how applicants are underwritten at the Company. There was no evidence in the files reviewed that the Company treats foreign born applicants differently than US born applicants in the underwriting process.

One hundred (100) randomly selected application files were reviewed.

Application File Review Summary

Total Population of Applications Received During Exam Period	54,478
Application Files Reviewed	100
Total Application Files With Exceptions Noted	0
Percentage of Application Files With Exceptions Noted	0.0%

Findings

No exceptions were noted.

COMPLAINT HANDLING REVIEW

A review was completed to test Company's compliance with complaint handling procedures, Section 626.9541(1)(j), Florida Statutes. The company complaint log was requested and provided by the Company. A random sample of 20 complaints was reviewed to verify that all complaints on the Florida Department of Financial Services (DFS) listing had been entered into the Company's complaint log.

Findings

No exceptions were noted.

ANTI-FRAUD REVIEW

The Company provided a document entitled "Torchmark Anti-Fraud Program", which states that the Company has established a Special Investigative Unit (SIU) to investigate potential fraud claims. The document also contains a section that outlines fraud indicators and a section describing the referral process to the SIU. The Company has provided a receipt dated April 24, 1996 from the Florida Department of Insurance as proof of the plan being filed with the Division of Fraud as required by 626.9891 Florida Statutes.

Findings

No exceptions were noted.

EXAMINATION FINAL REPORT SUBMISSION

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 Conduct Examiner's Handbook produced by the National Association of Insurance Commissioners.

The courtesy and cooperation of the officers and employees of the Company during the examination are acknowledged.

John Hall, AIE, CPCU, Bill Dow, AIE, FLMI, and Todd Fatzinger, CIE, CFE, FLMI, participated in this examination.

Respectfully submitted,

Examination Resources, LLC