

FINANCIAL SERVICES COMMISSION

**FLORIDA OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

**MARKET CONDUCT FINAL EXAMINATION REPORT
OF
AMERICAN SKANDIA LIFE ASSURANCE CORPORATION**

AS OF

JUNE 24, 2006

NAIC COMPANY CODE: 86630



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 American Skandia Life Assurance Corporation (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 May 23, 2006 and ended June 24, 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 compliance 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 is able to make available, records of information collected from the senior consumer in compliance with Section 627.4554(6)(a), Florida Statutes.
- Review a sample of 50 files for policies sold to senior consumers to verify the Company's compliance with the suitability determination process as 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

American Skandia Life Assurance Corporation is a foreign Life and Health insurer licensed to conduct business in the State of Florida on July 9, 1968. 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	\$282,468,110
2005	\$323,393,394

The number of annuities sold by the Company during the period of July 1, 2004 through June 30, 2005 is as follows:

	Number of Fixed Annuities	% of Fixed Annuities	Number of Variable Annuities	% of Variable Annuities	Totals
Senior Consumers	0	0%	724	37%	724
Other Consumers	0	0%	1226	63%	1226
Totals	0	0%	1950	100%	1950

SUITABILITY DETERMINATION PROCESS REVIEW

Supervisory System of Annuity Recommendations

The Company maintains written guidelines for the sale of insurance and investment products.

All products for the Company are marketed through third party broker-dealers. The Company has 1,094 active selling agreements with National Association of Securities Dealers (NASD) registered broker-dealer firms. The broker-dealer is responsible for determining suitability. The Company implemented procedures to obtain annual certifications from the broker-dealers to comply with suitability laws pursuant to Section 627.4554(4)(d)4.a., Florida Statutes, effective September 2005. The procedures require letters be sent to all third party broker-dealers with a compliance certification form attached, which is to be signed and returned. Monthly trend reports are produced by the Company, which are used to identify any areas of concern related to sales by third party broker-dealers. There were no exceptions noted regarding the Company's review process of its third party broker-dealers or its collection of annual certifications from its third party broker-dealers.

Policy Review

A sample of 70 files for policies sold to senior consumers was reviewed during the scope period to determine the Company's compliance with the suitability determination requirements of Sections 627.4554(4)(a) and (b), and 627.4554(8), Florida Statutes. The findings are as follows:

Two (2) files for policies sold to senior consumers did not include evidence that the agent made reasonable efforts to obtain the 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 sale.

COMPLAINT ANALYSIS

There were 36 complaints requested for review. Thirty (30) complaints were filed directly with the Company, including 4 complaints that were also filed with the Florida Department of Financial Services (DFS). A total of 6 complaints were filed only with DFS. Twenty-eight (28) complaints related to matters outside the examination scope. The remaining 8 complaints filed were relative to suitability, but were for policies written prior to the scope of the examination. No exceptions were noted.

REPORT SUMMARIZATION

A review was conducted of the Company's supervisory system over annuity suitability recommendations, in addition to a sample of 78 files. Two (2) errors were found. The following represents general findings, however, specific details are found in each section of the report.

Sample Files Reviewed – 78 Files

- Policies – 70 files
- Complaints – 8 files

Findings

- Policy Review – 2 errors – page 3 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.