



# **THE STATE OF FLORIDA**

## **OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS**

**TARGET MARKET CONDUCT EXAMINATION FINAL REPORT**

**OF THE**

**NATIONAL WESTERN LIFE INSURANCE COMPANY**

**ISSUED**

**DECEMBER 12, 2014**

**NAIC COMPANY CODE: 66850**

**NAIC GROUP CODE: 0000**

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## **EXECUTIVE SUMMARY**

In June 2006, the Florida Legislature enacted the Freedom to Travel Act, which modified the Florida 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 an individual's race, color, creed, marital status, sex, or national origin.

No violations were noted during the examination.

## **PURPOSE AND SCOPE OF EXAMINATION**

The Florida Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of National Western Life Insurance Company (hereinafter National Western or the Company) pursuant to Section 624.3161, Florida Statutes. The examination was performed by Global Insurance Enterprises, Inc. The scope period of this examination was January 1, 2013, through December 31, 2013. The field examination began May 19, 2014, and ended on May 22, 2014.

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

The examination procedures included reviewing:

- Policy applications to determine if applications have been denied, issued in a manner other than applied for, or were canceled based solely on the individual's past lawful foreign travel experiences or future lawful foreign travel plans, and to confirm compliance with Section 626.9541(1)(dd), Florida Statutes, and Rule 69O-125.003, Florida Administrative Code; and,
- Policy applications to determine if applications have been denied, issued in a manner other than applied for, or were canceled based on the individual's national origin, to confirm compliance with Sections 626.9541(1)(g), and 626.9541(1)(x), 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**

The National Western Life Insurance Company is a foreign life and health insurer licensed to transact business in the State of Florida as of May 14, 1965. The Company primarily writes Interest Sensitive Life products and annuities in the United States, Latin America, Eastern Europe, Asia, and the Caribbean. Fixed annuity production generates the majority of U.S.

premium income. The Company is principally engaged in the underwriting of ordinary life insurance and annuity contracts through agents.

Domestic insurance operations are conducted through a network of Independent Marketing Organizations (IMOs). Premium income from the U.S. market may be attributable to Qualified and Non-Qualified, Single Premium Deferred Annuities and Qualified Flexible Premium Deferred Annuities.

Independent contracting agents in foreign countries market to individuals in socioeconomic classes who seek currency protection through U.S. denominated policies. The largest volume of life business was written in Central and South America and marketed through international independent brokers and agents. Applications produced in foreign countries are submitted to the Company's home office in Austin, Texas, for underwriting and issuing of policies. All transactions are booked in the United States and denominated in U.S. dollars, except for a portion of business originating from Haiti, which is conducted in Gourdes. Written Life Premiums produced in Florida accounts for 9.3%, 12%, and 4.2% of all the Company's Florida written premium produced in years 2013, 2012 and 2011, respectively.

Total Written Life Premiums and Annuity Considerations written in the State of Florida were as follows:

State of Florida (Per Annual Statement Schedule T)		
Year	Written Life Premiums	Direct Written Annuity Considerations
2013	\$ 5,741,217	\$ 55,800,232
2012	\$ 10,761,221	\$ 79,123,046
2011	\$ 4,744,778	\$ 112,702,830

## FILE REVIEW

The Company identified life and annuity products maintained on one policy administration system written in the State of Florida and subject to Section 626.9541(dd), Florida Statutes.

The examiners reviewed information contained in the Company's underwriting files including applications, questionnaires, field questionnaires, telephone interviews, supplemental applications, underwriting and systems notes, and correspondence. Applicant medical records and financial information maintained in the insurer's files were included in the examiner's review. No exceptions were noted.

The Company received 56 applications for life insurance coverage over the scope of the examination. Examiners reviewed data including "All Applications" and "Declined or Issued Other Than as Applied For" data sets. The Company advised there were no policies with "Benefit Changes" or "Cancellations" during the examination period. The examiner's review indicates "Declined or Issued Other Than as Applied For" applications were included in the "All Applications" data set. The Company uses an application form that utilizes travel related questions. No exceptions were noted.

The Company did not self-report any instances of potential Freedom to Travel violations when responding to surveys covering the periods January 1, 2013 through December 31, 2013.

For the examination scope period of January 1, 2013, through December 31, 2013, the Company reported no policies were denied based on foreign travel. No exceptions were noted.

The examiners determined that the Company appears to be in compliance with the variance to Rule 690-125.003, Florida Administrative Code. No exceptions were noted.

## **TESTING PROCEDURES**

All applications in the data subset “Declined or Issued Other Than As Applied For” were reviewed and found to be included in the “All Applications” data set. Examiners reviewed all of the 26 applications described as “Declined or Issued Other Than as Applied For”. No exceptions were noted.

## **EXAMINATION FINAL REPORT SUBMISSION**

The Office hereby issues this Final Report based upon information from the examiner’s draft report, additional research conducted by the Office, and additional information provided by the Company.