



# **THE STATE OF FLORIDA**

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

### **MARKET CONDUCT FINAL EXAMINATION REPORT**

**OF**

**THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY**

**AS OF**

**November 19, 2009**

**NAIC COMPANY CODE: 67091**

**NAIC GROUP CODE: 860**

---

## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY .....</b>	<b>1</b>
<b>PURPOSE AND SCOPE OF EXAMINATION .....</b>	<b>1</b>
<b>COMPANY OPERATIONS.....</b>	<b>2</b>
<b>LIFE APPLICATION REVIEW .....</b>	<b>2</b>
<b>REINSURANCE AGREEMENTS REVIEW.....</b>	<b>3</b>
<b>ANTI-FRAUD PLAN REVIEW .....</b>	<b>3</b>
<b>EXAMINATION FINAL REPORT SUBMISSION .....</b>	<b>4</b>

## **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 of Northwestern Mutual Life Insurance Company was performed to determine compliance with Sections 626.9541(1)(g), 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.

No violations were found during the examination.

## **PURPOSE AND SCOPE OF EXAMINATION**

The Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of Northwestern Mutual 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 July 1, 2007 through June 30, 2009. The onsite examination began October 19, 2009 and ended November 19, 2009.

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

The examination included the following procedures:

- Review policy applications to determine if applications were denied, issued in a manner other than applied for, had benefit changes or canceled based solely on the individual's past lawful foreign travel experiences, or future lawful foreign travel plans, and compliance with Section 626.9541(1)(dd), Florida Statutes and Rule 69O-125.003, Florida Administration Code.
- Review policy applications to determine if applications were denied, issued in a manner other than applied for, had benefit changes or canceled based solely on national origin, and compliance with Section 626.9541(1)(g) and (x), Florida Statutes.

- Review reinsurance agreements to verify if any of the agreements place any limitations as a result of the applicant's past and/or future lawful foreign travel or the applicant's place of birth.
- Review Anti-Fraud Plan to ensure it has been filed and implemented as required by Rule 69D-2, Florida Administrative Code and Section 626.9891, Florida Statutes.

This Final Report is based upon information from the examiner's draft report, 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**

Northwestern Mutual Life Insurance Company is a foreign Life and Health insurer licensed to conduct business in the State of Florida on July 8, 1957. The Company provides Accident and Health, Group Life & Annuities, Life, Variable Annuities and Variable Life coverage 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)
2007	430,380,626
2008	435,646,141
2009	449,242,126

### **LIFE APPLICATION REVIEW**

#### **I. FILE REVIEW**

The examiners reviewed information contained in the Company's individual life underwriting files, including but not limited to the application, 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 that contained travel related questions and did use travel questionnaires.

The Company received 29,141 applications for life insurance coverage during the scope period.

#### **Declined Applications:**

The examiners reviewed 2,585 declined applications. No violations were found.

**Policy Issued With Limitations or Policy Benefit Change:**

The examiners reviewed 5,920 policies issued with limitations or with policy benefit changes. No violations were found.

**Canceled Policies:**

The examiners reviewed 506 canceled policies. No violations were found.

II. **COMPLETENESS AND ACCURACY TEST**

A sample of 116 applications submitted during the scope of the examination were reviewed to verify that declinations, applications issued in a manner other than applied for, benefit changes, and cancelations were included on the respective listings provided by the Company. No violations were found.

A sample of 116 of canceled policies which were not selected for detailed review was reviewed to verify that the reason for cancelation was as reported by the Company in the data files. No violations were found.

**REINSURANCE AGREEMENTS REVIEW**

The Company's reinsurance agreements that were in place during the scope of the examination were reviewed to verify if any of the agreements place limitations on coverage as a result of an applicant's past lawful foreign travel, future lawful travel plans or the applicant's place of birth.

No reinsurance agreements contain any provision placing any limitations due to past and/or future lawful foreign travel or the applicant's place of birth.

**ANTI-FRAUD PLAN REVIEW**

The Company has submitted a description of its SIU in form DFS-L1-1689 as required by Rule 69D-2.003, Florida Administrative Code.

The Company has submitted its Anti-Fraud Plan in form DFS-L1-1690 as required by Rule 69D-2.004, Florida Administrative Code.

The Company has implemented its Anti-Fraud Plan as required by Section 626.9891, Florida Statutes.

No violations were found.

**EXAMINATION FINAL REPORT SUBMISSION**

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