



THE STATE OF FLORIDA

OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS

TARGET MARKET CONDUCT EXAMINATION FINAL REPORT

OF THE

NATIONAL WESTERN LIFE INSURANCE COMPANY

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EXECUTIVE SUMMARY

A target market conduct examination of the National Western Life Insurance Company was performed to determine insurer compliance with Market Conduct Annual Statement (MCAS) reporting of the company's transactions and affairs. MCAS reporting provides participating MCAS states with a uniform method of collecting key data elements from insurers. MCAS data is provided and maintained under confidentiality agreements. The examination determined the Company made 12 report line errors in the filing of the 2011 MCAS Life Report and 14 errors on the 2011 MCAS Annuities Report. The examination determined the insurer made 14 report line errors in the filing of the 2012 MCAS Life Report and 12 errors on the 2012 MCAS Annuities Report. Errors found during the examination process are detailed within this report of examination.

PURPOSE AND SCOPE OF EXAMINATION

The Florida Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of the National Western Life Insurance Company (herein after "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 the examination was January 1, 2011 through December 31, 2012. The field examination began May 19, 2014 and ended on May 22, 2014; off-site analysis continued through April 17, 2015.

Examination procedures included reconciling policy data to the 2011 and 2012 MCAS Life and Annuity Reports, reviewing samples of contracts and claims file attributes, the insurer Anti-Fraud Plans and Special Investigations Unit (SIU) description filings, and consumer complaints.

This final report is based upon information obtained during the examination, 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 (NAIC).

COMPANY BACKGROUND

National Western Life Insurance Company is a foreign life and health insurer licensed in the state of Florida on May 14, 1965. The Company conducts business in 49 U.S. states, the District of Columbia, 4 U.S. territorial possessions, and Haiti. National Western accepts applications from residents of Central and South America, the Caribbean, the Pacific Rim, Eastern Europe and Asia. Foreign policy applications are submitted by independent contractors and are underwritten and issued in the United States. The Company is authorized to write Life, Accident and Health, Group Life and Annuities. Written Life Premiums produced in Florida account for 4.0%, 12.0%, 9.3%, 6.3%, and 18.3% of the Company's total Florida business produced in years 2011 through 2015.

Total 2011 through 2015 Florida Written Life Insurance Premiums and Annuities

Direct Written Life Premiums and Annuities (Per Annual Statement Schedule T)			
Year	Written Life Premiums	Direct Written Annuity Considerations	Life Premiums as Percentage of Total Florida Considerations
2015	\$15,847,343	\$70,791,975	18.3%
2014	\$11,659,405	\$ 61,817,418	6.3%
2013	\$ 5,741,217	\$ 55,800,232	9.3%
2012	\$10,761,221	\$ 79,123,046	12.0%
2011	\$ 4,744,778	\$112,702,830	4.0%

FILE REVIEW

File reviews consisted of sample testing of select reporting lines and the reconciliation of the Company data sets to filed NAIC reports. The examiners reviewed information contained in the policy and claims administration systems and complaint logs. The Company confirms all life and annuity products are maintained on a single policy administration system.

MCAS REPORTING

This examination reviewed the insurer's MCAS processes, procedures for collecting, aggregating, and extracting data used in the filing of the 2011 and 2012 MCAS Life and Annuity Reports. Each MCAS contains interrogatories, and those interrogatories for 2011 and 2012 are provided in the appendices of this report of examination. Instructions for completing reports are made available to insurers each year through the National Association of Insurance Commissioners (NAIC). All reports are attested to the completeness and accuracy of the submission. Such reports are filed in accordance with the requirements of Section 626.424, Florida Statutes.

Throughout this report, the Company's efforts to provide additional information effectively reduced the number of errors identified in the MCAS Reports. While differences remain, the examiners and the Office identify these differences are mostly attributable to incidental inclusion of non-Florida residents in certain data sets. The Company responds in most instances no variation exists between the data provided and the information reported except where noted.

EXAM PROCEDURES

The Company was asked to provide complete data sets utilized in the 2011 and 2012 MCAS Life and Annuity Reports and for samples of selected reporting lines. Procedures for evaluating each report and line examined included the reconciliation of information filed against the universe of files provided, analysis to determine accuracy of information reported and of the applicable contracts, and verification that data and files are maintained and reported in accordance with the Florida Insurance Code. The Company agrees with the examination findings except where noted. Findings are reported by exception basis.

2011 MCAS LIFE REPORT

MCAS Life Reporting for calendar year 2011 consisted of the responses to 29 interrogatories. The examiners selected 8 responses for sampling review and 23 responses for reconciliation review. The examination identified 12 errors in the filing of the 2011 MCAS Life Report.

REPLACEMENT POLICIES

The examiners selected for testing a sample of 10 Life with Cash Value [LCV] policies reporting the Number of Replacement Policies Issued during the Period entered on Line 9. The examination reviewed the Number of Internal Replacements Issued during the Period reported on Line 10, the Number of External Replacements Issued during the Period reported on Line 11, the Number of Policies Replaced where the Age of Insured at Replacement was < 65 reported on Line 12, and the Number of Policies Replaced where the Age of Insured at Replacements was Age 65 and Over reported on Line 13.

The examiner's analysis identified an error on Line 10 reporting the Number of Internal Replacements Issued and an error on Line 11 reporting the Number of External Replacements Issued during the Period.

POLICIES SURRENDERED

The examiners reviewed the Number of Policies Surrendered under 2 Years from Policy Issue reported on Line 14, the Number of Policies Surrendered between 2 Years and 5 Years from Policy Issue reported on Line 15, the Number of Policies Surrendered between 6 Years and 10 Years from Policy Issue reported on Line 16, and a sample of 20 LCV policies reporting the Number of Policies Surrendered during the Period on Line 17.

The examiner's analysis identified an error on Line 16 reporting the Number of Policies Surrendered between 6 Years and 10 Years from Policy Issue and an error on Line 17 reporting the Number of Policies Surrendered during the Period.

NUMBER OF NEW POLICIES

The examiners reviewed the Number of New Policies Issued during the Period where the Age of Insured at Issue was < 65 reported on Line 18, the Number of New Policies Issued during the Period where Age of Insured at Issue was Age 65 and over reported on Line 19, and a sample of 5 LCV policies reporting the Number of New Policies Issued during the Period reported on Line 20.

The examiner's analysis identified an error on Line 18 reporting the Number of New Policies Issued during the Period where the Age of Insured at issue was < 65 and an error on Line 20 reporting the Number of New Policies Issued during the Period.

POLICIES IN-FORCE

The examination reviewed the LCV and the Life Without Cash Value (LWOCV) policies reporting the Number of Policies In-Force at the End of the Period on Line 21. The examiners identified an error reporting the Number of Policies In-Force at the End of the Period.

DOLLAR AMOUNT OF DIRECT WRITTEN PREMIUM

The examination reviewed the LCV and LWOCV policies reporting the Dollar Amount of Direct Written Premium during the period on Line 22. The examiners identified an error on Line 22 reporting the Dollar Amount of Direct Written Premium during the Period.

FACE AMOUNT OF INSURANCE ISSUED

The examination reviewed the LCV and LWOCV policies reporting the Face Amount of Insurance Issued during the Period on Line 23. The examiners identified an error on Line 23 reporting the Face Amount of Insurance Issued during the Period.

Additional information provided by the Company reduced the MCAS difference identified by the examiners. The remaining difference is policies contained in the data sets reporting face amounts with an aggregate difference to the files reported.

FACE AMOUNT OF INSURANCE IN-FORCE AT THE END OF THE PERIOD

The examiners reviewed the LCV and LWOCV policies reporting the Face Amount of Insurance In-Force at the End of the Period entered on Line 24. The examiner's identified an error on Line 24 reporting the Face Amount of Insurance In-Force at the End of the Period.

Additional information provided by the Company reduced the MCAS difference identified by the examiners. The majority of the difference is policies reported as surrendered during the period with face value remaining at the end of the period that the examiners did not include in their reconciliation of the data reported for this line.

DEATH CLAIMS DURING THE PERIOD

The examiners reviewed the Number of Death Claims Closed with Payment, during the Period, within 60 Days from the Date of Due Proof of Loss reported on Line 26, the Number of Death Claims Closed with Payment, during the Period, Beyond 60 Days from the Date of Due Proof of Loss (Include Only Claims where the Final Decision was Payment In Full) reported on Line 27, the Number of Death Claims Denied, Resisted or Compromised during the Period reported on Line 28, and a sample of 5 LCV policies and 1 LWOCV policies reporting the Number of Death Claims Received during the Period reported on Line 29.

The examiner's analysis identified an error on Line 26 reporting the Number of Death Claims Closed with Payment, during the Period, within 60 Days from the Date of Due Proof of Loss and an error on Line 29 reporting the Number of Death Claims Received during the Period. The examiners did not include claims reported on non-Florida residents included in the data sets for these lines.

The Company responds the data sets and supplemental information provided to the examiners agree with information reported on lines 16, 17, 18, 20, 23 and, 24.

RECOMMENDATION

It is recommended the Company adopt policies that adhere more closely to MCAS definitions and reporting guidance provided in the NAIC MCAS Instructions to improve reporting accuracy.

2011 MCAS ANNUITY REPORT

MCAS Annuity Reporting for calendar year 2011 consisted of the responses to 26 interrogatories. For the purposes of the examination, the examiners selected 16 responses for sampling review and 21 responses for reconciliation review. The examination identified 14 errors in the filing of the 2011 MCAS Annuities Report.

REPLACEMENT ANNUITIES

The examiners selected for testing a sample of 20 Fixed Replacement Annuities reporting the Number of Replacement Contracts Issued during the Period entered on Line 9. The examiners reviewed the Number of Internal Replacement Contracts Issued during the Period reported on Line 10, the Number of External Replacement Contracts Issued during the Period reported on Line 11, the Number of Contracts Replaced where Age of Annuitant at Replacement is < 65 reported on Line 12, the Number of Contracts Replaced where Age of Annuitant at Replacement is Age 65 to 80 reported on Line 13, and the Number of Contracts Replaced where Age of Annuitant at Replacement is > 80 reported on Line 14.

The examiner's analysis identified an error on Line 9 reporting the Number of Replacement Contracts Issued during the Period, an error on Line 11 reporting the Number of External Replacement Contracts Issued during the Period, an error on Line 12 reporting the Number of Contracts Replaced where Age of Annuitant at Replacement is < 65, an error on Line 13 reporting the Number of Replacement Contracts where Age of Annuitant at Replacement is 65 to 80 and, an error on Line 14 reporting the Number of Replacement Contracts where Age of Annuitant at Replacement is > 80.

Additional information provided by the Company reduced the differences the examiners identified for these lines. In their analysis the examiners did not include in their reconciliation contracts in the data sets issued to non-Florida residents, resulting in the majority of the differences identified.

NEW IMMEDIATE CONTRACTS

The examiners selected for testing a sample of 5 Fixed Annuities reporting the Number of New Immediate Contracts Issued during the Period entered on Line 15. The examiner's analysis identified an error on Line 15 reporting the Number of New Immediate Contracts Issued during the Period.

NEW DEFERRED CONTRACTS

The examination reviewed the Number of New Deferred Contracts Issued during the Period where Age of Annuitant is < 65 reported on Line 16, the Number of New Deferred Contracts Issued during the Period where Age of Annuitant is 65 to 80 reported on Line 17, the Number of New Deferred Contracts Issued during the Period where Age of Annuitant is > 80 reported on Line 18, and a sample of 39 annuities reporting the Number of New Deferred Contracts Issued during the Period on Line 19.

The examiner's analysis identified an error on Line 16 reporting the Number of New Deferred Contracts Issued during the Period where Age of Annuitant was < 65, an error on Line 17 reporting the Number of New Deferred Contracts Issued during the Period where Age of Annuitant was 65 to 80, an error on Line 18 reporting the Number of New Deferred Contracts Issued during the Period where the Age of Annuitant was > 80 and error on Line 19 reporting the Number of New Deferred Contracts Issued during the Period.

The examiner's review identified the Company inaccurately included a group and non-Florida residents' contracts in the data sets. In their analysis the examiners did not include in their reconciliation contracts in the data sets issued to non-Florida residents, resulting in the majority of the differences identified.

COMPANY RESPONSE

“These contracts are indexed and the contract dates are actually issued in 2011. The data sets agree with the report.”

CONTRACTS SURRENDERED DURING THE PERIOD

The examiners reviewed the Number of Contracts Surrendered Under 2 Years from Policy Issue reported on Line 20, the Number of Contracts Surrendered between 2 Years and 5 Years from Policy Issue reported on Line 21, the Number of Contracts Surrendered between 6 Years and 10 Years from Policy Issue reported on Line 22 and a sample of 20 annuities reporting the Number of Contracts Surrendered during the Period on Line 23.

The examiner's analysis identified an error on Line 21 reporting the Number of Contracts Surrendered between 2 Years and 5 Years from Policy Issue and an error on Line 22 reporting the Number of Contracts Surrendered between 6 Years and 10 Years from Policy Issue.

A review of the sample made in conjunction with the review of Line 23 reporting the Number of Contracts Surrendered during the Period identified an error on Line 21 reporting the Number of Contracts Surrendered between 2 Years and 5 Years from Policy Issue, an error on Line 22 reporting the Number of Contracts Surrendered between 6 Years and 10 Years from Policy Issue, and an error on Line 23 reporting the Number of Contracts Surrendered during the Period.

COMPANY RESPONSE

The Company disagrees with the examiners conclusions in the review of Line 22 and Line 23 responding they “reported individual certificates in its MCAS response. No group policies were included.”

In response to the Company, the examiners attribute the differences to contracts surrendered outside the queried contract age that were included in the data sets and are not included in the reconciliation of these lines.

DOLLAR AMOUNT OF ANNUITY CONSIDERATIONS

The examiners reviewed the Dollar Amount of Annuity Considerations during the Period reported on Line 25. The examiners identified an error on Line 25 reporting the Dollar Amount of Annuity Considerations during the Period.

The Company responds the data sets and supplemental information provided to the examiners agree with the information reported on lines 9, 11 through 19, 21 through 23, and 25.

RECOMMENDATION

It is recommended the Company adopt policies that adhere more closely to MCAS definitions and reporting guidance provided in the NAIC MCAS Instructions to improve reporting accuracy.

2012 MCAS LIFE REPORT

MCAS Life Reporting for calendar year 2012 consisted of the responses to 31 interrogatories. The examiners selected 18 responses for sampling review and 25 responses for reconciliation review. The examination identified 14 errors in the filing of the 2012 MCAS Life Report.

REPLACEMENT POLICIES ISSUED DURING THE PERIOD

The examiners selected for testing a sample of 15 Life with Cash Value [LCV] policies reporting the Number of Replacement Policies Issued during the Period entered on Line 9. The examination reviewed the Number of Internal Replacements Issued during the Period reported on Line 10, the Number of External Replacements Issued during the Period reported on Line 11, the Number of Policies Replaced where Age of Insured at Replacement was < 65 reported on Line 12, and the Number of Policies Replaced where Age of Insured at Replacement was Age 65 and Over reported on Line 13.

The examiner's analysis identified an error on Line 10 reporting the Number of Internal Replacements Issued during the Period and an error on Line 11 reporting the Number of External Replacements Issued during the Period.

NUMBER OF POLICIES SURRENDERED

The examination reviewed the Number of Policies Surrendered Under 2 Years from Policy Issue reported on Line 14, the Number of Policies Surrendered between 2 Years and 5 Years from Policy Issue reported on Line 15, the Number of Policies Surrendered between 6 Years and 10 Years from Policy Issue reported on Line 16 and a sample of 15 LCV policies reporting the Number of Policies Surrendered during the Period reported on Line 17.

The examiner's analysis identified an error on Line 15 reporting the Number of Policies Surrendered between 2 Years and 5 Years from Policy Issue and an error on Line 16 reporting the Number of Policies Surrendered between 6 Years and 10 Years from Policy Issue. The examiners attribute these errors to policies in the data sets surrendered outside the queried contract age.

NEW POLICIES ISSUED DURING THE PERIOD

The examiners reviewed the LCV policies reporting the Number of New Policies Issued during the Period where Age of Insured at Issue was < 65 entered on Line 18, the Number of New Policies Issued during the Period where Age of Insured at Issue was Age 65 and Over reported on Line 19, and the Number of New Policies Issued during the Period reported on Line 20.

The examiners identified an error on Line 18 reporting the Number of New Policies Issued during the Period where the Age of the Insured at issue was < 65, an error on Line 19 reporting the Number of New Policies Issued during the Period where the Age of the Insured at Issue was Age 65 and Over and, an error on Line 20 reporting the Number of New Policies Issued during the period. The examiners attribute these errors to policies issued to non-Florida residents and duplicate policies in the data sets that the examiners did not include in the reconciliation of these lines.

POLICIES APPLIED FOR AND FREE LOOKS

The examiners reviewed the LCV policies reporting the Number of Policies Applied for during the Period entered on Line 21 and the Number of Free Looks (Policies Returned) during the Period reported on Line 22. The examiners identified an error on Line 21 reporting the Number of Policies Applied for during the Period. The examiners attribute the error to policies issued to non-Florida residents and duplicate policies in the data sets that the examiners did not include in the reconciliation of these lines.

NUMBER OF POLICIES IN-FORCE

The examiners reviewed the LCV and LWOCV policies reporting the Number of Policies In-Force at the End of the Period entered on Line 23. The examiners identified an error on Line 23 reporting the Number of Policies In-Force at the End of the Period.

DIRECT WRITTEN PREMIUM

The examiners reviewed the LCV and LWOCV policies reporting the Dollar Amount of Direct Written Premium during the Period entered on Line 24. The examiners identified an error on Line 24 reporting the Dollar Amount of Direct Written Premium during the Period.

FACE AMOUNT OF INSURANCE ISSUED

The examiners reviewed the LCV policies reporting the Face Amount of Insurance Issued during the Period entered on Line 25. The examiners identified an error on Line 25 reporting the Face Amount of Insurance Issued during the Period.

FACE AMOUNT OF INSURANCE IN-FORCE

The examiners reviewed the LCV and LWOCV policies reporting the Face Amount of Insurance In-Force at the End of the Period entered on Line 26. The examiners identified an error on Line 26 reporting the Face Amount of Insurance In-Force at the End of the Period.

NUMBER OF DEATH CLAIMS CLOSED

The examiners reviewed the LCV policies reporting the Number of Death Claims Closed with Payment, during the Period, within 60 Days from the Date of Due Proof of Loss entered on Line 28. The examiners identified an error on Line 28 reporting the Number of Death Claims Closed with Payment, During the Period, within 60 Days from the Date of Due Proof of Loss. The examiners attribute the error to claims reported on non-Florida residents. The examiners did not include these claims in the reconciliation of this line.

NUMBER OF DEATH CLAIMS RECEIVED

The examiners selected for testing a sample of 5 LCV policies reporting the Number of Death Claims Received during the Period entered on Line 31. The examiner's analysis identified an error on Line 31 reporting the Number of Death Claims Received during the Period. The examiners attribute the error to claims reported on non-Florida residents. The examiners did not include these claims in the reconciliation of this line.

The Company responds the data sets and supplemental information provided to the examiners agree with the information reported on lines 15, 16, 18 through 21, 28 and, 31.

RECOMMENDATION

It is recommended the Company adopt policies that adhere more closely to MCAS definitions and reporting guidance provided in the NAIC MCAS Instructions to improve reporting accuracy.

2012 MCAS ANNUITY REPORT

MCAS Annuity Reporting in 2012 consisted of the responses to 28 interrogatories. The examiners selected 17 responses for sampling review and 21 responses for reconciliation review. The examination identified 12 errors in the filing of the 2012 MCAS Annuity Report.

REPLACEMENT CONTRACTS ISSUED

The examiners selected for testing a sample of 20 annuities reporting the Number of Replacement Contracts Issued during the Period entered on Line 9. The examination reviewed the Number of Internal Replacement Contracts Issued during the Period reported on Line 10, the Number of External Replacement Contracts Issued during the Period reported on Line 11, the Number of Contracts Replaced where Age of Annuitant at Replacement was < 65 reported on Line 12, the Number of Contracts Replaced where Age of Annuitant at Replacement was 65 to 80 reported on Line 13, and the Number of Contracts Replaced where Age of Annuitant at Replacement was > 80 reported on Line 14.

The examiner's analysis identified an error on Line 9 reporting the Number of Replacement Contracts Issued during the Period, an error on Line 11 reporting the Number of External Replacement Contracts Issued during the Period, an error on Line 12 reporting the Number of Contracts Replaced where the Age of Annuitant at Replacement was < 65 and, an error on Line 13 reporting the Number of Contracts Replaced where the Age of Annuitant at Replacement was 65 to 80.

The examiners reconciled all the data provided by the Company which reduced the errors for these lines. The examination identifies contracts reported in the data sets that were issued to non-Florida residents that the examiners did not include in the review of these lines.

NEW IMMEDIATE AND DEFERRED ISSUED CONTRACTS

The examination reviewed the Number of New Immediate Contracts Issued during the Period reported on Line 15, the Number of New Deferred Contracts Issued during the Period where Age of Annuitant was < 65 reported on Line 16, the Number of New Deferred Contracts Issued during the Period where Age of Annuitant was 65 to 80 reported on Line 17 and, the Number of New Deferred Contracts Issued during the Period where Age of Annuitant was > 80 reported on Line 18. The examiners selected for testing a sample of 5 annuities reporting the Number of New Immediate Contracts Issued during the Period reported on Line 15 and a sample of 20 annuities reporting the Number of New Deferred Contracts Issued during the Period reported on Line 19.

The examiner's analysis identified an error on Line 16 reporting the Number of New Deferred Contracts Issued During The Period where Age of Annuitant was < 65, an error on Line 17 reporting the Number of New Deferred Contracts Issued during the Period where Age of Annuitant was 65 to 80 and, an error on Line 19 reporting the Number of New Deferred Contracts Issued during the Period. The examiners attribute these errors to contracts reported in the data sets issued to non-Florida residents that the examiners did not include in the review of these lines.

NUMBER OF CONTRACTS SURRENDERED

The examination reviewed the Number of Contracts Surrendered Under 2 Years from Policy Issue reported on Line 20, the Number of Contracts Surrendered between 2 Years and 5 Years from Policy Issue reported on Line 21, the Number of Contracts Surrendered between 6 Years and 10 Years from Policy Issue reported on Line 22 and, a sample of 20 annuities reporting the Number of Contracts Surrendered during the Period reported on Line 23.

The examiner's analysis identified an error on Line 21 reporting the Number of Contracts Surrendered between 2 Years and 5 Years from Policy Issue, and an error on Line 22 reporting the Number of Contracts Surrendered between 6 Years and 10 Years from Policy Issue. The examiners attribute the differences to contracts surrendered after the 5th year (60th month) that were included in the data sets and were not included in the review of these lines.

CONTRACTS APPLIED FOR

The examiners selected for testing a sample of 20 annuities reporting the Number of Contracts Applied for during the Period entered on Line 24. The examiner's analysis identified an error on Line 24 reporting the Number of Contracts Applied for during the Period. The examiners attribute the differences to duplicate contracts included in the data sets and were not included in the review of this line.

DOLLAR AMOUNT OF ANNUITY CONSIDERATIONS

The examination selected for review the Dollar Amount of Annuity Considerations during the Period reported on Line 27. The examiners identified an error on Line 27 reporting the Dollar Amount of Annuity Considerations during the Period.

NUMBER OF COMPLAINTS RECEIVED DIRECTLY FROM CONSUMERS

The examination selected review the Number of Complaints Received Directly from Consumers reported on Line 28. The examiners review identified an error on Line 28 reporting the Number of Complaints Received Directly from Consumers.

The Company responds the data sets and supplemental information provided to the examiners agree with the information reported on lines 9, 11, 12, 14, 16, 17, 19, 21, 22, and 24.

Recommendation

It is recommended the Company adopt policies that adhere more closely to MCAS definitions and reporting guidance provided in the NAIC MCAS Instructions to improve reporting accuracy.

COMPLAINTS

The examiners reconciled the 2010 through 2012 Florida Department of Financial Services Division of Consumer Services (FLDFS) consumer complaint logs to the Company logs of complaints received directly from consumers. The examiners determined the Company records agree with the FLDFS log of consumer complaints.

ANTI-FRAUD PLAN

The Company files an Anti-Fraud Plan with the Florida Department of Financial Services, Division of Insurance Fraud (Division). Special Investigations Unit (SIU) description filings are made to the Division electronically. The Company Anti-Fraud Plan and SIU description filings for the scope period through the on-site date were reviewed. The examiners determined the Company records appear to comply with Section 626.9891, Florida Statutes, and Rule 69D-2, Florida Administrative Code.

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.

Received by the
Office of Insurance Regulation

DEC 19 2016

Bureau of Market Investigations

FORM 118

FINANCIAL SERVICES COMMISSION OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS

I hereby certify that I am the officer in charge of the Florida business of:

National Western Life Insurance Company.

I have read the report of the Market Conduct Examination Issued On

December 2, 2016

filed with the Office of Insurance Regulation. Any recommendations contained in the report will be considered within a reasonable time.

This form is hereby executed in compliance with Section 624.319(5), Florida Statutes.

Rey Perez

Sr Vice President - Chief Legal Officer & Secretary

Name

Title



Signature

December 13, 2016

Date

Sworn to and subscribed before me this 13th
day of December, 2016



NOTARY PUBLIC Wynell K. Hall
Signature

My commission expires 1-27-18

This form is to be completed, notarized and returned to: Keith Nault, Market Investigations, 200 East Gaines St., Larson Building, Tallahassee, Florida 32399-4210, within 30 days from receipt. If Form 118 is not returned to the Office within 30 days of the date of signature on the return receipt card, this matter will be forwarded to our Legal Division for appropriate legal action.

APPENDIX A

Line	2011 Life Report Interrogatories
01	Life Cash Value - Does the Company have Data to Report for this Product Type?
02	Individual Life Non-Cash Value - Does the Company have Data to Report for this Product Type?
03/04	Is there a Reason that the Reported Individual Life Cash Value Information may Identify the Company as an Outlier or be Substantially Different from Previously Reported Data (Such as Assuming Blocks of Business; Shifting Market Strategies; Underwriting Changes, Etc)?
05/06	Is there a Reason that the Reported Individual Life Non-Cash Value Information may Identify the Company as an Outlier or be Substantially Different from Previously Reported Data (Such as Assuming Blocks of Business; Shifting Market Strategies; Underwriting Changes, Etc)?
07	Additional State Specific Individual Life Cash Value Comments (Optional):
08	Additional State Specific Individual Life Non-Cash Value Comments (Optional):
09	Number of Replacement Policies Issued during the Period.
10	Number of Internal Replacements Issued during the Period.
11	Number of External Replacements Issued during the Period.
12	Number of Policies Replaced where Age of Insured at Replacement was < 65.
13	Number of Policies Replaced where Age of Insured at Replacement was Age 65 and Over.
14	Number of Policies Surrendered Under 2 Years from Policy Issue.
15	Number of Policies Surrendered between 2 Years And 5 Years from Policy Issue.
16	Number of Policies Surrendered between 6 Years And 10 Years from Policy Issue.
17	Number of Policies Surrendered during the Period.
18	Number of New Policies Issued during the Period where Age of Insured at Issue was < 65.
19	Number of New Policies Issued during the Period where Age of Insured at Issue was Age 65 and Over.
20	Number of New Policies Issued during the Period.
21	Number of Policies In-Force at the End of the Period.
22	Dollar Amount of Direct Written Premium during the Period.
23	Face Amount of Insurance Issued during the Period.
24	Face Amount of Insurance In-Force at the End of the Period.
25	Number of Complaints Received Directly from Consumers.
26	Number of Death Claims Closed with Payment, during the Period, within 60 Days from the Date of Due Proof of Loss (Include Only Claims where the Final Decision was Payment in full.)
27	Number of Death Claims Closed with Payment, during the Period, Beyond 60 Days from the Date of Due Proof of Loss (Include Only Claims where the Final Decision was Payment in full.)
28	Number of Death Claims Denied, Resisted or Compromised during the Period.
29	Number of Death Claims Received during the Period.

Line	2011 Annuity Report Interrogatories (Cont)
01	Individual Fixed Annuities - Does the Company have Data to Report for this Product Type?
02	Individual Variable Annuities – Does the Company have Data to Report for this Product Type?
03/04	Is there a Reason that the Reported Individual Fixed Annuities Information may Identify the Company as an Outlier or be Substantially Different from Previously Reported Data (Such as Assuming Blocks of Business; Shifting Market Strategies; Underwriting Changes, Etc.)? If Yes, Explain:
05/06	Is there a Reason that the Reported Individual Variable Annuities Information may Identify the Company as an Outlier or be Substantially Different from Previously Reported Data (Such as Assuming Blocks of Business; Shifting Market Strategies; Underwriting Changes, Etc.)? If Yes, Explain:
07	Additional State Specific Individual Fixed Annuities Comments (Optional):
08	Additional State Specific Individual Variable Annuities Comments (Optional):
09	Number of Replacement Contracts Issued during the Period.
10	Number of Internal Replacement Contracts Issued during the Period.
11	Number of External Replacement Contracts Issued during the Period.
12	Number of Contracts Replaced where Age of Annuitant at Replacement is < 65.
13	Number of Contracts Replaced where Age of Annuitant at Replacement is 65 to 80.
14	Number of Contracts Replaced where Age of Annuitant at Replacement is > 80.
15	Number of New Immediate Contracts Issued during the Period.
16	Number of New Deferred Contracts Issued during the Period where Age of Annuitant is < 65.
17	Number of New Deferred Contracts Issued during the Period where Age of Annuitant is 65 To 80.
18	Number of New Deferred Contracts Issued during the Period where Age of Annuitant is > 80.
19	Number of New Deferred Contracts Issued during the Period.
20	Number of Contracts Surrendered Under 2 Years from Policy Issue.
21	Number of Contracts Surrendered between 2 Years and 5 Years from Policy Issue.
22	Number of Contracts Surrendered between 6 Years And 10 Years from Policy Issue.
23	Number of Contracts Surrendered during the Period.
24	Number of Contracts In-Force at the End of the Period.
25	Dollar Amount of Annuity Considerations during the Period.
26	Number of Complaints Received Directly from Consumers.

APPENDIX B

Line	2012 Life Report Interrogatories
1	Individual Life Cash Value - Does the Company have Data to Report for this Product Type?
2	Individual Life Non-Cash Value – Does the Company have Data to Report for this Product Type?
03/04	Is there a Reason that the Reported Individual Life Cash Value Information May Identify the Company as an Outlier or be Substantially Different from Previously Reported Data (Such as Assuming Blocks of Business; Shifting Market Strategies; Underwriting Changes, Etc.)? If Yes, Explain:
05/06	Is There a Reason that the Reported Individual Life Non-Cash Value Information May Identify the Company as an Outlier or be Substantially Different from Previously Reported Data (Such as Assuming Blocks of Business; Shifting Market Strategies; Underwriting Changes, Etc.)? If Yes, Explain:
7	Additional State Specific Individual Life Cash Value Comments (Optional):
8	Additional State Specific Individual Life Non-Cash Value Comments (Optional):
9	Number of Replacement Policies Issued during the Period.
10	Number of Internal Replacements Issued during the Period.
11	Number of External Replacements Issued during the Period.
12	Number of Policies Replaced where Age of Insured at Replacement was < 65.
13	Number of Policies Replaced where Age of Insured At Replacement was Age 65 and Over.
14	Number of Policies Surrendered Under 2 Years from Policy Issue.
15	Number of Policies Surrendered between 2 Years And 5 Years from Policy Issue.
16	Number of Policies Surrendered between 6 Years And 10 Years from Policy Issue.
17	Number of Policies Surrendered during the Period.
18	Number of New Policies Issued during the Period where Age of Insured at Issue was < 65.
19	Number of New Policies Issued during the Period where Age of Insured at Issue was Age 65 and Over.
20	Number of New Policies Issued during the Period.
21	Number of Policies Applied for during the Period.
22	Number of Free Looks during the Period.
23	Number of Policies In-Force at the End of the Period.
24	Dollar Amount of Direct Written Premium during the Period.
25	Face Amount of Insurance Issued during the Period.
26	Face Amount of Insurance In-Force at the End of the Period.
27	Number of Complaints Received Directly from Consumers.
28	Number of Death Claims Closed with Payment, during the Period, within 60 Days from the Date of Due Proof of Loss (Include Only Claims where the Final Decision was Payment in full.)
29	Number of Death Claims Closed with Payment, During the Period, Beyond 60 Days from the Date of Due Proof of Loss (Include Only Claims where the Final Decision was Payment in full.)
30	Number of Death Claims Denied, Resisted or Compromised during the Period.
31	Number of Death Claims Received during the Period.

Line	2012 Annuity Report Interrogatories (Cont)
01	Individual Fixed Annuities - Does the Company have Data to Report for this Product Type?
02	Individual Variable Annuities – Does the Company have Data to Report for this Product Type?
03/04	Is there a Reason that the Reported Individual Fixed Annuities Information May Identify the Company as an Outlier or be Substantially Different from Previously Reported Data (Such as Assuming Blocks of Business; Shifting Market Strategies; Underwriting Changes, Etc.)? If Yes, Explain:
05/06	Is There A Reason that the Reported Individual Variable Annuities Information May Identify the Company as an Outlier or be Substantially Different from Previously Reported Data (Such as Assuming Blocks of Business; Shifting Market Strategies; Underwriting Changes, Etc.)? If Yes, Explain:
07	Additional State Specific Individual Fixed Annuities Comments (Optional):
08	Additional State Specific Individual Variable Annuities Comments (Optional):
09	Number of Replacement Contracts Issued during the Period.
10	Number of Internal Replacement Contracts Issued during the Period.
11	Number of External Replacement Contracts Issued during the Period.
12	Number of Contracts Replaced where Age of Annuitant at Replacement is < 65.
13	Number of Contracts Replaced where Age of Annuitant at Replacement is 65 to 80.
14	Number of Contracts Replaced where Age of Annuitant at Replacement is > 80.
15	Number of New Immediate Contracts Issued during the Period.
16	Number of New Deferred Contracts Issued during the Period where Age of Annuitant is < 65.
17	Number of New Deferred Contracts Issued during the Period where Age of Annuitant is 65 To 80.
18	Number of New Deferred Contracts Issued during the Period where Age of Annuitant is > 80.
19	Number of New Deferred Contracts Issued during the Period.
20	Number of Contracts Surrendered Under 2 Years from Policy Issue.
21	Number of Contracts Surrendered between 2 Years And 5 Years from Policy Issue.
22	Number of Contracts Surrendered between 6 Years And 10 Years from Policy Issue.
23	Number of Contracts Surrendered during the Period.
24	Number of Contracts Applied for during the Period.
25	Number of Free Looks during the Period.
26	Number of Contracts In-Force at the End of the Period.
27	Dollar Amount of Annuity Considerations during the Period.
28	Number of Complaints Received Directly from Consumers.