



THE STATE OF FLORIDA

OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

NORTH AMERICAN COMPANY FOR LIFE AND HEALTH INSURANCE

AS OF

January 6, 2011

NAIC COMPANY CODE: 66974

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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 of North American Company for Life and Health Insurance was performed to determine compliance with Section 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.

<u>TABLE OF TOTAL VIOLATIONS</u>			
Statute/Rule	Description	Files Reviewed	Number of Violations
Section 626.9541(1)(dd), Florida Statutes	An applicant was underwritten into a less favorable rating tier based solely on their frequency of foreign travel.	3,376	1

PURPOSE AND SCOPE OF EXAMINATION

The Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of North American Company for Life and Health Insurance 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, 2010. The onsite examination began December 19, 2010 and ended January 6, 2011.

The purpose of this examination was to review compliance with Sections 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 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 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

North American Company for Life and Health Insurance is a foreign Life and Health insurer licensed to conduct business in the state of Florida on October 10, 1921. The Company provides life, credit life, credit disability, accident and health, and group life and annuities 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	31,512,256
2008	29,289,800
2009	29,551,572

LIFE APPLICATION REVIEW

I. FILE REVIEW

The examiners reviewed information contained in the Company's individual life underwriting files, which could have included but was 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's training materials.

The Company did use applications that contained travel related questions and did use travel questionnaires.

The Company received 4,090 applications for life insurance coverage during the scope period.

Declinations:

The examiners reviewed all 299 applications that were declined by the Company.

There were no violations found.

Policies Issued With Limitations:

The examiners reviewed all 1,926 policies that were issued with limitations, issued other than applied for or not issued in the best rating tier in which the applicant qualified for, were subject to the review.

There was 1 violation found.

1. In 1 instance the Company issued a policy with limitations solely on past or future lawful foreign travel plans in violation of Section 626.9541(1)(dd), Florida Statutes. An application was submitted for the Preferred Non-tobacco tier, was approved at a less favorable tier of Standard Non-tobacco based solely on the applicant's frequent travel to France, Spain, Brazil, and China. A travel questionnaire was required. Based on the less favorable rating assigned, the applicant declined the policy.

a) **CORRECTIVE ACTION:**

The Company should issue policies in accordance with the requirements of Section 626.9541(1)(dd), Florida Statutes.

b) **SUMMARY OF COMPANY'S RESPONSE:**

The Company stated that their standard rate class is priced for normal life expectancy, and that they did not deem the applicant to have a less than normal life expectancy. Therefore, in offering the client a policy at standard rates they believe they did not limit the amount, the extent, or the duration of the coverage based solely on the applicant's past or future foreign travel.

Policy Benefit Change:

All policy benefit changes that required an underwriting review were subject to the review. There were 10 policy benefit changes during the scope period. All were reviewed.

There were no violations found.

Canceled Policies:

The examiners reviewed all 1,141 cancelled policies. They included any policies cancelled for underwriting reasons or applications that were withdrawn, incomplete or not taken. There were no violations found.

II. **COMPLETENESS AND ACCURACY TEST**

The purpose of this review was to determine if any policy that was not subject to the review was completely and accurately reported in the data files provided by the Company.

A sample of 112 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.

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 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.