



# **THE STATE OF FLORIDA**

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

**TARGET MARKET CONDUCT EXAMINATION FINAL REPORT**

**OF THE**

**PRINCIPAL NATIONAL LIFE INSURANCE COMPANY**

**Issued**

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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 found during the examination.

## **PURPOSE AND SCOPE OF EXAMINATION**

The Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of the Principal National Life Insurance Company (hereinafter Principal National 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, 2013, through December 31, 2013. The field examination began June 3, 2014, and ended on June 6, 2014.

The purpose of this examination was to review 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 review of the following:

- 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 Rules 69O-125.003; 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, and 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**

Principal National Life Insurance Company is a foreign life and health insurer licensed to transact business in the State of Florida as of August 28, 2009. The Company writes Universal Life insurance products in Florida. Life Insurance premiums in Florida account for 7.6%, 8.7%, and 8.8% of the Company's total direct written premiums produced in years 2013, 2012, and 2011, respectively. The Company markets its products through independent agents, brokers, and registered representatives.

Life Insurance Premiums written in the State of Florida during the scope period of the examination were as follows:

State of Florida (Per Annual Statement Schedule T)	
Year	Life Insurance Premiums Written
2013	\$ 36,212,400
2012	\$ 48,736,466
2011	\$ 40,461,809

## **FILE REVIEW**

The Company identified life 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, producer reports, 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 examiners review. No exceptions were found.

The Company received 3,649 applications for life insurance coverage during the scope of the examination. Examiners reviewed data including "All Applications" and "Declined or Issued Other Than as Applied For" and "Benefit Changes" data sets. The examiners review indicates "Declined or Issued Other Than as Applied For" applications were included in the "All Applications" data set. "Benefit Changes" were included in the "All Applications" data set for those policies that were issued during the examination period. The application and certain underwriting forms contain travel related questions.

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

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

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 found.

## **TESTING PROCEDURES**

All of the applications in the data subset "Declined or Issued Other Than as Applied For" were reviewed and were found to be included in the "All Applications" data set. "Benefit Changes" were also included in the "All Applications" data set for those policies that were issued during the examination period.

The examiners reviewed 39 applications from the “All Applications” data set where the disposition was “Withdrawn” & “Not Taken” and where the birthplace equaled “All Other” or “Not Applicable.” No exceptions were found.

From the “Declined and Issued Other Than as Applied For” data set all of the applications where the birthplace equaled “All Other” or “Not Applicable” plus a statistical sample of 39 policies from the remaining data set were reviewed. No exceptions were found.

From the “Benefit Changes” data set, all of policies where the birthplace equaled “All Other” or “Not Applicable” plus a judgmental sample of 6 policies from the remaining data set were reviewed. No exceptions were found.

### **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.