



# **THE STATE OF FLORIDA**

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

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

**OF**

**USAA Life Insurance Company**

**AS OF**

**JANUARY 11, 2008**

**NAIC COMPANY CODE: 69663**

**NAIC GROUP CODE: 0200**

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## PURPOSE AND SCOPE OF EXAMINATION

Under authorization of the Financial Services Commission, Office of Insurance Regulation (Office), Market Investigations, pursuant to Section 624.3161, Florida Statutes, a target market conduct examination of USAA Life Insurance Company (Company) was performed by Examination Resources, LLC., the contract examiner for the Office. The scope of this examination was July 1, 2006 through September 30, 2007. The examination began December 3, 2007 and ended on January 11, 2008.

The purpose of this examination was to verify the Company's compliance with the Section 626.9541(1)(dd), Florida Statutes and Rule 69O-125.003, Florida Administrative Code. The examination included the following procedures:

- Review of the Company's procedures regarding declining, limiting, or canceling policies based on the applicant's or insured's past or future lawful foreign travel plans.
- Review of all applications denied or issued in a manner different than applied for during the exam period to verify the Company is complying with Section 626.9541(1)(dd), Florida Statutes and Rule 69O-125.003, Florida Administrative Code.

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

USAA Life Insurance Company is a foreign insurer licensed to conduct business in the State of Florida. The Company provides life insurance coverage in the State of Florida.

Total Direct Premiums Written in Florida for life insurance was as follows:

| Year  | Total Written Life Premium In<br>Florida<br>(Per Schedule T of the<br>Financial Statement) |
|-------|--------------------------------------------------------------------------------------------|
| 2006  | \$41,993,249                                                                               |
| 2007* | \$33,630,794                                                                               |

\*As of September 30, 2007

## **FOREIGN TRAVEL PROCEDURES REVIEW**

### **Company Procedures Review**

In response to the statute, the Company did not remove the foreign travel questions from life applications. The Company provided the examiner with (5) internal Company communications that indicated that the Company was attempting to alert their personnel of the Florida law related to lawful foreign travel.

### **Policy Review**

There were 13,861 life insurance applications submitted to the Company during the scope of the examination. A review of 3,372 files, comprising all life insurance policy applications that were denied or issued in a manner different than applied for were reviewed to determine that the Company was in compliance with the Freedom to Travel Act; Section 626.9541(1)(dd), Florida Statutes and Rule 69O-125.003, Florida Administrative Code. The following violations were noted:

- 2 files contained evidence the Company failed to prevent refusal of life insurance to; refusal to continue life insurance of; or limitation of the amount, extent, or kind of life insurance coverage available to an individual based solely on the individual's past or future lawful travel plans as required by Section 626.9541(1)(dd), Florida Statutes and 69O-125.003(1), Florida Administrative Code.
  - 1 file contained an application that was denied based solely on the basis of future travel plans to a foreign country (Philippines).
  - 1 file contained an application where policy issuance was postponed during the underwriting process (denied issuance) based solely on the disclosure of future foreign travel plans (Bahrain).

**Corrective Action:** The Company should ensure that policies and procedures exist to prevent the declination, limitation, or cancellation of life insurance applications or policies based solely on past or future lawful foreign travel plans. The Company should review the applications that was declined, limited, or cancelled based on the applicant's foreign travel plans and offer the applicant the option of obtaining a life insurance policy.

## **REPORT SUMMARIZATION**

A review was made of the Company's travel policy with respect to the application process for life insurance, in addition to 3,372 application files. Two (2) violations were found. The following represents general findings, specific details are found in each section of the report.

### **Application Files Reviewed**

- Applications – 3,372 files were reviewed.

### **Findings**

- Application Review – Two (2) violations were found.

## **EXAMINATION FINAL REPORT**

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