

MARKET CONDUCT EXAMINATION REPORT OF
NORTH AMERICAN COMPANY FOR LIFE AND HEALTH INSURANCE
AS OF DECEMBER 31, 2021

West Des Moines, Iowa
August 20, 2023

HONORABLE DOUG OMMEN
Commissioner of Insurance
State of Iowa
Des Moines, Iowa

Commissioner:

In accordance with your authorization and pursuant to Iowa statutory provisions, an Examination has been made of the records, business affairs and financial condition of

NORTH AMERICAN COMPANY FOR LIFE AND HEALTH INSURANCE

WEST DES MOINES, IOWA

AS OF DECEMBER 31, 2021

at its home office located at 8300 Mills Civic Pkwy, West Des Moines, Iowa.

INTRODUCTION

This market conduct examination report, containing applicable comments, explanations, and findings, is presented herein. In general, this is a report by exception. Comments regarding practices and procedures reviewed during the examination have been omitted from the report if no improprieties were found. All unacceptable or noncomplying practices may not have been identified. The failure to identify specific company practices does not constitute acceptance of these practices.

SCOPE OF EXAMINATION

The risk-focused, market conduct examination of North American Company for Life and Health Insurance, hereinafter referred to as the "Company", covers the intervening period from January 1, 2017, through December 31, 2021, and including the period up to the date of the report. The Company's affiliate, Midland National Life Insurance Company, was examined concurrently with this examination with separate reports prepared for each entity.

The risk-focused examination reviews internal policies, procedures, and control structures for compliance with applicable Iowa statutes and administrative rules. The examination then focuses on compliance with those policies, procedures, and control structures.

This Report of Examination reflects the examination of the Company's activities with Iowa consumers.

HISTORY

The Company was incorporated in Illinois on May 13, 1886, under the name North American Accident Association, a mutual assessment company. It was reincorporated as a stock company on August 16, 1899, under the title North American Accident Insurance Company. In 1958, the Company was purchased by CIT Financial Corporation. The Company's name was changed to The North American Company for Life, Accident and Health Insurance on January 1, 1960. The Company's present title, North American Company for Life and Health Insurance was adopted September 30, 1967.

In 1984, the Company was acquired by RCA Corporation. In 1986, General Electric purchased RCA Corporation of which the Company was a part. In the same year, the Company was sold by RCA Corporation to a private investor group, who had direct ownership of Institutional Founders Life Insurance Company (“IFLIC”), a Texas corporation. At that time, IFLIC became the Company’s parent corporation.

In 1996, Sammons Enterprises, Inc. (“SEI”), a Texas general business corporation, acquired NACOLAH Holding Corporation, the parent company of IFLIC. Effective January 1, 2002, NACOLAH Holding Corporation was merged into its parent, Sammons Financial Group, Inc., formerly Sammons Financial Holdings, Inc., whose name was changed to Sammons Financial Group, Inc. (“SFG”) effective January 3, 2002; thereby making SFG the parent company of IFLIC.

As a result of the transfer of Sammons Enterprises, Inc. (“SEI”) stock in compliance with the last will and testament of Charles A. Sammons, effective February 28, 2002, the Ultimate Controlling Person of SEI is The Charles A. Sammons 1987 Charitable Remainder Trust Number Two, dated July 8, 1987 (“the Trust”). Previously the Estate of Charles A. Sammons (“the Estate”) had been the Ultimate Controlling Person of SEI. The trustees for the Trust are the same as the persons who acted as executors for the Estate.

Effective April 1, 2003, IFLIC was voluntarily dissolved and the Company assumed all of its policies pursuant to an assumption reinsurance agreement and all of IFLIC’s remaining assets and liabilities were transferred to SFG, its parent.

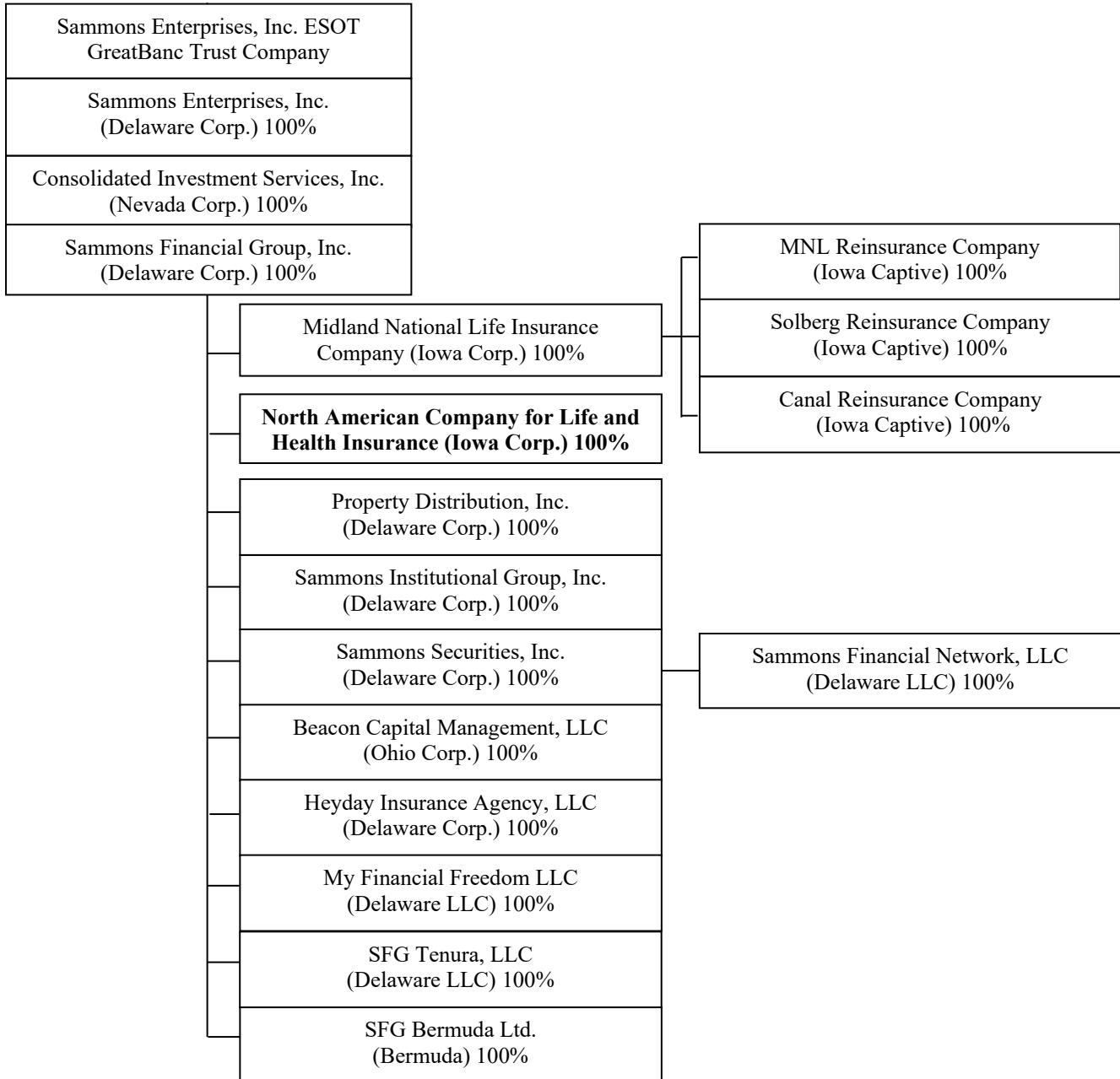
The Company redomesticated to Iowa on September 27, 2007. The redomestication was made in order to simplify regulatory compliance for the Company’s holding company system by utilizing a common regulator for the Company and its affiliates and to reduce current taxes and future tax costs related to the anticipated growth of the Company’s annuity business.

In January 2010, the Ultimate Parent, The Charles A. Sammons 1987 Charitable Remainder Trust Number Two, transferred all stock in the organization to the SEI Employee Stock Ownership Trust (“ESOT”).

INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of a Holding Company System as defined by Chapter 521A, Code of Iowa. SEI Employee Stock Ownership Trust (“ESOT”) is the ultimate controlling person for the group. An Insurance Holding Company System Registration Statement was filed with the Iowa Insurance Division for each year of the examination period.

An organizational chart identifying the Companies within the Holding Company System follows:



TERRITORY AND PLAN OF OPERATION

The Company is authorized to transact business in 49 jurisdictions, the District of Columbia and Puerto Rico. The Company is not licensed to conduct its business in the state of New York.

The Company focuses on the upper-middle income and affluent customer markets offering a diversified portfolio of life insurance products (including BOLI & COLI), traditional fixed deferred and immediate annuities in addition to fixed indexed annuities. The company distributes its products through approximately 350 independent managing general agents and their 5,000 independent down line agents.

The majority of the fixed annuities are marketed through national annuity marketing organizations and annuity brokerage agencies. Mutual fund IRAs and variable annuities are distributed through a network of broker-dealers. Management plans to continue to expand its distribution network through leveraging multiple distribution channels with unique strategies.

TREATMENT OF POLICYHOLDERS

Claim Practices

Examiners reviewed the Company's claim handling policies and procedures to ensure standards exist. The Examiners then reviewed a sample of 28 life insurance paid claims to verify timeliness of settlement, accuracy of payments, and adherence to claim policies and procedures. No issues of non-compliance were found. All were found to follow claim handling guidelines and applicable statutes and regulations. The Company did not have any denied claims in Iowa for the exam period. No issues of non-compliance were found.

Complaints

Examiners reviewed the Company's complaint handling policies and procedures. Complaints are handled and addressed by the Legal and Compliance department. Examiners found the complaint register to be in compliance with Iowa Administrative Code 191.15.13 (1). Examiners also reviewed a sample of 30 consumer complaints, all were handled in accordance with applicable regulations.

Underwriting

Examiners reviewed the underwriting procedures, guidelines, and rating practices for reasonableness and to ensure adherence to underwriting standards. Examiners reviewed a sample of 50 Annuity and 50 Life new business applications and found all to be issued in a timely manner and in accordance with Company standards. Examiners also reviewed a sample of 16 declined applications and found all to be handled in accordance with Company guidelines except one (1) declination which the Company is unable to locate a denial letter for the producer, as the Company notified the producer of the suitability denial via telephone.

MARKETING AND SALES

The Company's Marketing Department is responsible for the development of all advertising and marketing materials. All advertisements are reviewed and approved by the Compliance department. Examiners reviewed the advertising log for the exam period and noted that it is in compliance with Iowa Administrative Code 191.15.13(2).

POLICYHOLDER SERVICES

Examiners reviewed the Company's procedures for non-forfeiture options, annual reports to policy owners, and quality assurance reviews over billing and accounting. All were found to be in compliance with state statutes and regulations.

PRODUCER LICENSING

Examiners reviewed producer licensing policies and procedures, the Company's onboarding, training, licensing, and termination procedures. These procedures were found to be in compliance with state statutes and regulations.

CONCLUSION

Acknowledgment is hereby made of the cooperation and assistance extended by the officers and employees of the Group during this examination.

In addition to the undersigned, Bouavan Kha, examiner for the Iowa Insurance Division, participated in the examination and preparation of this report.

Respectfully submitted,

/S/ Amanda Theisen
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Supervisor and Assistant Chief - Examinations
Iowa Insurance Division
State of Iowa