

MARKET CONDUCT  
EXAMINATION REPORT OF  
NORTH AMERICAN COMPANY FOR LIFE AND HEALTH INSURANCE  
WEST DES MOINES, IOWA  
AS OF DECEMBER 31, 2016

Des Moines, Iowa  
February 20, 2018

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

Commissioner:

In accordance with your authorization and pursuant to Iowa statutory provisions, a risk-focused market conduct examination has been made of the business practices of

NORTH AMERICAN COMPANY FOR LIFE AND HEALTH INSURANCE

WEST DES MOINES, IOWA

AS OF DECEMBER 31, 2016

at its home office located at 4350 Westown Parkway, West Des Moines, Iowa 50266.

INTRODUCTION

This 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. North American Company for Life and Health Insurance, hereinafter referred to as the "Company", was previously examined as of December 31, 2009.

The Company's affiliate, Midland National Life Insurance Company ("MNL") was examined concurrently with this examination.

SCOPE OF EXAMINATION

The risk-focused, market conduct examination covers the period from January 1, 2012 through December 31, 2016. It was conducted and performed solely for the Iowa Insurance Division by its examiners. A risk-focused examination reviews and evaluates the insurer's business processes and controls related to statutory compliance and unfair trade practices.

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").

#### RISK FOCUSED PROCEDURES

The risk-focused exam reviews the Company's internal policies procedures, and control structures for compliance with applicable Iowa Codes and Administrative Rules. The exam then focuses on the Company's compliance with those policies, procedures and control structures. The following areas of operations were reviewed as a part of the risk-focused exam process:

Complaints - This portion of the exam is designed to provide a view of how the regulated entity treats individuals who have filed complaints with the Company and whether that treatment is in compliance with applicable statutes, rules and regulations. A complaint is any written communication that expresses dissatisfaction with a specific person or entity subject to regulation under the state's insurance laws.

The Examiners reviewed the complaint register and complaint handling procedures. The Company's compliant register was found to not include information in the format required by Iowa Administrative Code (IAC) Section 191.15.13 Appendix III. The Company has since corrected this issue prior to the date of this report. Additionally, an error occurred in the generation of the spreadsheet from the complaint register for Examiner review that resulted in an error in the dates received/closed. As such, the Examiners were unable to utilize the report to verify timely response within the 30 day time frame. The Examiners pulled a sample of 50 complaints to determine if the Company provides complete responses and takes appropriate actions. The samples were found to be handled properly.

Marketing and Sales - This portion of the examination is designed to evaluate the representations made by the regulated entity about its product(s) and sales practices to ensure the regulated entity is in compliance with applicable statutes, rules, and regulations.

The Examiners reviewed the Company's suitability procedures and supporting documentation and reviewed a sample of 27 suitability applications, 11 of those were selected for additional in-depth review for suitable sale over 80 years of age. All samples were found to be in compliance.

Operations Management - This portion of the examination is designed to provide a view of how the regulated entity handles nonpublic personal information including its collection, use, and disclosure in compliance with state rules and regulations.

The Examiners reviewed policies and procedures for the handling of nonpublic personal information. These policies and procedures were found to be in compliance with state statutes and regulations.

Producer Licensing - This portion of the examination is designed to test a regulated entity's compliance with state producer licensing laws and rules.

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

Policyholder Services - The policyholder service portion of the examination is designed to evaluate a regulated entity's compliance with statutes regarding policy issuance/cancellation, premium notice/billing/refund, consumer inquiry delays/no response and coverage questions.

The 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.

Claim Practices - The claims portion of the examination is designed to provide a view of how the regulated entity treats claimants and whether that treatment is in compliance with applicable statutes and regulations.

The Examiners reviewed the Company's claim handling procedures. Examiners reviewed the 10 life claims sampled by the regulated entity's external CPA firm and reviewed an additional sample of 23 life claims to ensure their claim handling process is appropriate, they are responding in a timely fashion, and that they have good claim handling notes. The Examiners also reviewed a sample of 6 denied life claims to ensure appropriate claim handling and timely responses. All samples and procedures were in compliance with applicable statutes and regulations.

Underwriting Practices - The underwriting portion of the examination is designed to provide a view of how the regulated entity treats the public and whether that treatment is in compliance with applicable statutes, rules and regulations.

The Examiners reviewed the Company's procedures relating to underwriting including the Company's audit of the function. Examiners reviewed a sample of 25 denied applications to ensure the Company was responding timely and handled appropriately according to state rules and regulations.

CONCLUSION

The cooperation and assistance extended by the officers and employees of the Company during the course of this examination is hereby acknowledged.

In addition to the undersigned, Andrya Carter, Hannah Jones, and Jean Yohnke, examiners for the Iowa Insurance Division, participated in the examination and the preparation of this report.

Respectfully submitted,

/s/ Amanda Theisen  
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Insurance Examiner Specialist  
Iowa Insurance Division  
State of Iowa