

MARKET CONDUCT
EXAMINATION REPORT OF
EAGLE LIFE INSURANCE COMPANY
WEST DES MOINES, IOWA
AS OF OCTOBER 31, 2014

West Des Moines, Iowa
April 10, 2015

HONORABLE NICK GERHART
Commissioner of Insurance
State of Iowa
Des Moines, Iowa

Commissioner:

In accordance with your authorization and pursuant to Iowa statutory provisions, a market conduct examination has been made of the records, business and marketing practices for statutory compliance of the

EAGLE LIFE INSURANCE COMPANY

WEST DES MOINES, IOWA

AS OF OCTOBER 31, 2014

The examination was conducted at the Home Office of the Company located at 6000 Westown Parkway, West Des Moines, Iowa.

INTRODUCTION

The report by exception of this examination, containing applicable comments, explanations and findings is presented herein. Additional practices, procedures and files subject to review during the examination have been omitted from the report if no improprieties were found.

SCOPE OF EXAMINATION

Eagle Life Insurance Company, hereinafter, the Company, was previously examined as of December 31, 2008. This regular market conduct examination covered the intervening period from January 1, 2009 to the close of business on October 31, 2014. It was conducted and performed solely for the Iowa Insurance Division by its examiners. This examination was performed under the authority granted to the Iowa Insurance Commissioner at section 507.2 of the Iowa Code. A general review and survey was made of the Company's marketing operations, treatment of policyholders for statutory compliance during the stated period. Records and other supporting evidences having been examined and evaluated utilizing the provisions of the NAIC Market Conduct Handbook to the extent deemed adequate.

HISTORY

The Company was incorporated on August 28, 2008. It is a wholly owned subsidiary of American Equity Investment Life Insurance Company, a life insurance company domiciled in the state of Iowa.

TERRITORY AND PLAN OF OPERATION

At December 31, 2013, the Company was authorized to transact business in all states except for Alabama, Idaho, Maryland, New York and North Carolina.

The five states with the largest amounts of direct premium writings in 2013 were:

<u>State</u>	<u>Direct Premium Collected</u>	<u>% of Total</u>
Florida	\$5,083,783	23.7%
Pennsylvania	4,673,645	21.8
Illinois	3,286,453	15.3
Minnesota	1,595,797	7.4
Massachusetts	1,042,882	4.9
Total premium	\$21,452,121	100.0%

GROWTH OF COMPANY

The growth of the Company is reflected by the following significant data taken from office copies of filed annual statements. Admitted assets exclude separate accounts assets. (000's omitted)

<u>Year</u>	<u>Total Admitted Assets</u>	<u>Total Liabilities</u>	<u>Capital and Surplus</u>	<u>Aggregate Life Reserves</u>	<u>Annuity Premium</u>
2009	\$32,759,030	\$26,864,443	\$5,894,587	\$26,201,202	\$27,722,014
2010	51,756,691	44,207,318	7,549,373	41,421,263	15,480,096
2011	106,098,826	96,372,764	9,726,062	95,804,106	56,873,738
2012	138,998,144	127,011,853	11,986,291	125,666,336	31,405,364
2013	188,713,728	149,201,473	39,512,256	147,493,970	22,857,379

MARKETING AND SALES

Advertising

The Company uses a Microsoft access database to track corporate forms and advertising material. The Company is in violation of Iowa Code: 15.13(2) Insurer's control over advertisements. Every insurer shall establish and at all times maintain a system of control over the content, form, and method of dissemination of all advertisements which explain a particular policy. All such advertisements, whether written, created, designed or presented by the insurer or its appointed producer, shall be the responsibility of the insurer whose particular policies are so advertised. As part of this requirement, each insurer shall maintain at its home or principal office a complete file containing a specimen copy of every printed, published or prepared advertisement of its policies, with a notation indicating the manner and extent of distribution and the form number of any policy advertised. Such file shall be subject to inspection by the insurance division. All such advertisements shall be maintained for a period of either four years or until the filing of the next regular report on examination of the insurer, whichever is the longer period of time.

The following issues were found within the database:

1. The database does not capture all types of advertising activities (e.g., excludes sponsorships, billboards, radio advertisements, professional journals, and testimonials).
2. The manner and extent of advertising distribution is not being captured in the database.

3. The database contains information that does not appear accurate or appropriate. Examples would include the following:
 - a. records that lacked a company code,
 - b. a number of corporate forms that have been discontinued, but the record was not coded as such,
 - c. records had the "ownership" field left blank (i.e., the department or individual responsible for the corporate form),
 - d. The database does not track different versions to the same form

The Company's internet website at www.american-equity.com was reviewed for content and compliance. No exceptions were noted.

Producer Training

A review of producer training materials was conducted. Producer training materials were found to be in compliance with state statutes and regulations.

SUITABILITY DETERMINATION PROCESS REVIEW

The Company has formulated Suitability guidelines which include the following:

- Company requires that suitability forms and Financial Inventory Worksheets be filled out and signed by both the agent and the applicant. All questions have to be answered and documentation is required by the company for reasons behind those reasons.
- All annuity applications are reviewed for suitability by company staff in the New Business/Suitability department.
- Company keeps a Suitability Procedural Manual that is available for each individual in suitability department. This Manual gives guidance on reviewing applications submitted to ensure they are in compliance with suitability requirements.
- Process is semi-automated as information is entered into Life Pro, system determines the level of review that is required.

Iowa Administrative Code 191-15.75(6) requires each insurer selling annuities in the state to establish a supervision system that is reasonably designed to achieve the insurer's and its insurance producers' compliance with the requirements of Iowa law for suitability of annuity sales recommendations. As part of the Supervision System, an insurer is required to "annually provide a report to senior management, including to the senior manager responsible for audit functions, which details a review, with appropriate testing, reasonably designed to determine the effectiveness of the Supervision System, the exceptions found and corrective action taken or recommended, if any." The Company has developed a suitability report to senior management. The Company's Internal Audit is responsible for evaluating the effectiveness of the suitability program on at least an annual basis.

Replacements

The Company tracks replacements through a monthly report. Monthly Replacement reports are automatically generated and reviewed by the company's compliance department for agents that have written a certain number of business and have a replacement number and percentage above a specified amount (20 policies written or 60% of business). Compliance department will review these reports on a monthly basis, and further investigations are conducted as deemed necessary. Replacements were reviewed while doing the policy master file testing. A replacement form had been provided to each applicant that contained brief information concerning policy replacement. It appears the Company handles replacement in compliance with applicable statutes and regulations.

PRODUCER LICENSING

A review of the producer licensing practices of the Company was conducted during this examination. The Company has policies and procedures in place to reasonably ensure that producers are appropriately licensed and appointed and meet all requirements.

A sample of 40 appointed producers was reviewed to determine if the appointment form was properly completed prior to the producer writing business for the Company. The contracts were reviewed to determine the date the producer was allowed to solicit business. The producers' licenses were reviewed to determine the type of product the producer is eligible to solicit. It appears that the Company handles the appointment of producers in compliance with applicable statutes and regulations.

COMPLAINT HANDLING

The Company's complaint handling policies and procedures were reviewed. The Company appears to be handling complaints according to their guidelines.

The Company's complaint registers for the period January 1, 2009 through October 31, 2014 were reviewed. No exceptions were noted. The Company's complaint registers appear to comply with applicable statutes and regulations.

A random sample of 85 complaints filed directly with the Company from the period January 1, 2009 through October 31, 2014 was examined. Based on the results of this review, it was determined that complaints are handled in a timely and appropriate manner and that documentation was adequate to support the Company's resolution of the complaint.

UNDERWRITING AND RATING

Individual Annuity Contracts

All 28 of Individual Annuity contracts issued during the examination period and in force as of December 31, 2013 were reviewed to determine if file documentation adequately supports decisions made. No discrepancies were noted. The Company's policies and procedures appeared to be in compliance with applicable statutes and regulations.

Declined Applications

There were no denied applications for the Company during the exam period.

CLAIM HANDLING

Annuity Time Payment Study

The Company began writing business late in 2012. There have only been two policies that have been surrendered under their free look period during the exam period and the premium was refunded.

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, Amanda Buseman CFE; Lindsay Bates, AFE; Randy Guzman and Alex Matovu, examiners for the Iowa Insurance Division participated in the examination and the preparation of this report.

Respectfully submitted,

/s/ Jeffrey S. Payne
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Iowa Insurance Division
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