

TARGETED MARKET CONDUCT EXAMINATION REPORT

National Western Life Insurance Company
NAIC # 66850
1675 Broadway #1200
Denver, CO 80202

As of October 2, 2017

Iowa Insurance Division

Colorado Division of Insurance

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The Honorable Douglas Ommen
Insurance Commissioner
Iowa Insurance Division
601 Locust St., 4th Floor
Des Moines, IA 50309

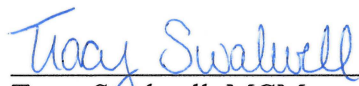
The Honorable Marguerite Salazar
Colorado Division of Insurance
1560 Broadway, Suite 850
Denver, CO 80202

Dear Commissioners Ommen and Salazar:

In accordance with your respective authorization, and pursuant to Iowa Code chapter 507 and Colorado insurance laws §§ 10-1-201 through 10-1-205, a market conduct examination has been conducted on the business affairs of

National Western Life Insurance Company
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hereafter referred to as “National Western Life Insurance Company” or the “Company”, the following report of such examination is respectfully submitted,



Tracy Swalwell, MCM
Iowa Insurance Division
Examiner-in-Charge

PURPOSE AND SCOPE OF REVIEW

A targeted market conduct examination of National Western Life Insurance Company was conducted pursuant to Iowa and Colorado statutory provisions.

The Iowa Insurance Division (“Division”) conducted targeted desk examinations on many companies to review the policies and procedures that comprise the Company’s annuity suitability supervision system and compare these policies and procedures against the model annuity suitability regulation requirements. The relevant time period was January 1, 2014 through September 30, 2015. The review of electronic files provided by the Company was performed at the Division and conducted according to the guidelines and procedures recommended in the NAIC Market Regulation Handbook.

Interrogatories were submitted to the Company as part of the MAWG Fixed Index Annuity Collaborative Action and written responses were provided.

EXECUTIVE SUMMARY

The Company appears to have adequate policies and procedures in place to review annuity suitability recommendations.

DESK EXAMINATION

The examination included a review of the contracts, policies, written procedures, and other documents of the Company. A confidential comprehensive evaluation was provided to the Company focusing on the following areas: (1) how the Company informs producers of their obligations through training and other materials; (2) controls to review the suitability determination and product recommendation; and (3) methods of recording suitability decisions.

As a result of the evaluation, it is evident that the Company has procedures in place to supervise suitability recommendations. The Company employs a system to initially screen applications using a scoring system tied to specific suitability criteria. The Company requires and verifies training of producers but does not test the quality of training. Heightened review is performed of applications which received yellow flags or a certain score. Additional monitoring of replacements is conducted. The Company requires producers to submit certain materials but it is unclear what records the producer is required to maintain or if the Company audits producer records.

CONCLUSION

I would like to acknowledge the cooperation and courtesy extended by National Western Life Insurance Company staff. In addition to the undersigned, Johanna Nagel of the Iowa Insurance Division participated in this examination.

Respectfully submitted,



Tracy Swalwell, MCM
Iowa Insurance Division
Examiner-in-Charge