

DELAWARE DEPARTMENT OF INSURANCE  
MARKET CONDUCT EXAMINATION REPORT

American National Insurance Company

NAIC # 60739

Examination Authority # 60739-15-751

One Moody Plaza  
Galveston, TX 77550

As of

March 31, 2015

Trinidad Navarro  
Commissioner



Delaware Department of Insurance

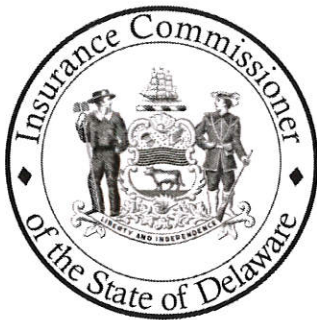
I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of March 31, 2015 on

**American National Insurance Company**

is a true and correct copy of the document filed with this Department.

Attest By:

A handwritten signature in blue ink, appearing to be "T. Navarro", written over a horizontal line.



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover.

A handwritten signature in blue ink, "Trinidad Navarro", written over a horizontal line.

Trinidad Navarro  
Insurance Commissioner

Trinidad Navarro  
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION  
OF THE  
**American National Insurance Company**  
AS OF  
March 31, 2015

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.

  
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Trinidad Navarro  
Insurance Commissioner

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Honorable Trinidad Navarro  
Insurance Commissioner  
State of Delaware  
841 Silver Lake Boulevard  
Dover, Delaware 19904

Dear Commissioner Navarro:

In compliance with the instructions contained in Certificate of Examination Authority Number 60739-15-751 and pursuant to statutory provisions including 18 Del. C. §318-322, a market conduct examination has been conducted of the affairs and practices of:

**American National Insurance Company**

This examination was performed as of March 31, 2015. American National Insurance Company, hereinafter referred to as the "Company" or as "ANICO," was incorporated under the laws of Delaware. The re-examination consisted of an off-site phase and was performed at the offices of the Delaware Department of Insurance, hereinafter referred to as the "Department" or "DDOI," or other suitable locations.

The report of examination herein is respectfully submitted.

## **EXECUTIVE SUMMARY**

American National Insurance Company (the "Company") incorporated in Texas on March 17, 1905 and commenced business in 1905. The Company's main administrative offices are located in Galveston, TX.

This target market conduct examination was a focused review of the Company's compliance with recommendations and findings from the previous market conduct examination report dated June 30, 2011.

This examination focused on the Company's annuity business in the following areas of operation: Marketing and Sales, Replacements and Underwriting.

The following exceptions were noted in the areas of operation reviewed:

### **3 Exceptions – 18 Del. Admin. Code. 1204 §7.1.2.2**

- *Replacement of Life Insurance*  
-For failure to provide written communication advising of the replacement to the existing insurer as required or was beyond seven working days.

### **5 Exceptions – 18 Del. Admin. Code. 1204 §5.2.1**

- *Replacement of Life Insurance*  
-For failure to present to the applicant, not later than at the time of taking the application, a Notice Regarding Replacement.

## **SCOPE OF EXAMINATION**

The Market Conduct Examination was conducted pursuant to the authority granted by 18 *Del. C.* §318-322 and covered the experience period of November 1, 2013 through March 31, 2015 unless otherwise noted. The purpose of the examination was to determine the Company's compliance with Delaware insurance laws and regulations related to the annuity market place.

## **METHODOLOGY**

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC. While the examiners' report on the errors found in individual files, the examination also focuses on general business practices of the Company.

The Company identified the universe of files for each segment of the review. Based on the universe sizes identified all files were reviewed for this examination.

**American National Insurance Company  
Delaware Market Conduct Examination Report**

Delaware Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. An exception is any instance of Company activity that does not comply with an insurance statute or regulation. Exceptions contained in the Report may result in imposition of penalties. Generally, practices, procedures, or files that were reviewed by Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review these areas of concern in order to determine the potential impact upon Company operations or future compliance.

## **COMPANY HISTORY AND PROFILE**

American National Insurance Company was incorporated in the State of Texas on March 17, 1905. The Company is currently licensed in 49 states, the District of Columbia, Puerto Rico, Guam, Northern Mariana Islands and American Samoa as a life and health insurer.

The Company and its subsidiaries make up the American National family of companies. The American National family of companies includes six life insurers and eight property and casualty carriers. The American National family is organized into seven separate marketing distribution channels with coordinated management of personnel and marketing strategies.

## **MARKETING AND SALES - ADVERTISEMENTS**

The Company provided a list of all advertising materials available for use during the experience period. The Company segregated this material into two sections: 1) Company Generated Advertising; and 2) Producer Generated Advertising. They also provided a log showing which policy form is associated with the identified piece of advertising material.

The Company identified a universe of seven company generated advertisements and a universe of 25 producer generated advertisements. All of the advertisement materials identified by the Company were reviewed and no exceptions were noted.

## **BUSINESS LISTINGS**

### **A) Issued Annuities**

The Company identified a universe of 52 new Annuities issued by American National during the experience period. All 52 annuity contracts were reviewed. The following

violations were noted:

**3 Exceptions – 18 Del. Admin. Code. 1204 §7.1.2.2***Replacement of Life Insurance*

*Each insurer that uses an agent of broker in a life insurance or annuity sale shall:*

*7.1.2 Where a replacement is involved:*

*7.1.2.2 Send to each existing insurer a written communication advising of the replacement or proposed replacement of the policy. The communication should include the information obtained pursuant to section 7.1.2.1 above and a Summary or Ledger Statement describing the proposed new policy. This written communication shall be made within 7 working days of the date the application is received in the replacing insurer's home office, or the date the proposed life insurance policy or annuity contract is issued, whichever is sooner.*

The written communication advising of the replacement to the existing insurer was not provided to the existing insurer.

**Recommendation:** It is recommended that the Company review its procedures to ensure that written communication advising of the replacement is provided to the existing insurer in compliance with 18 Del. Admin. Code 1204 §7.1.

**5 Exceptions – 18 Del. Admin. Code. 1204 §5.2.1***Replacement of Life Insurance*

*Where replacement is involved, the agent or broker shall:*

*5.2.1 Present to the applicant, not later than at the time of taking the application, a "Notice Regarding Replacement" (Delaware Insurance Form R, attached as Exhibit A), or other substantially similar form approved by the Commissioner. The notice shall be signed by both the applicant and the agent or broker and a copy left with the applicant.*

The replacement form was dated after the application date for five policy files.

**Recommendation:** It is recommended that the Company review its procedures to ensure that Notice Regarding Replacement be provided not later than the time of taking the application in compliance with 18 Del. Admin. Code 1204 §5.2.

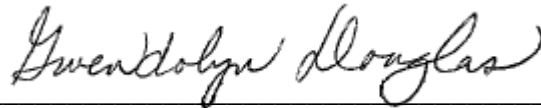


## **CONCLUSION**

The recommendations made below identify corrective measures the Department finds necessary as a result of the Exceptions noted in the Report. Location in the Report is referenced in parenthesis.

1. It is recommended that the Company review its procedures to ensure that written communication advising of the replacement is provided to the existing insurer in compliance with 18 Del. Admin. Code 1204 §7.1.
2. It is recommended that the Company review its procedures to ensure that Notice Regarding Replacement be provided not later than the time of taking the application in compliance with 18 Del. Admin. Code 1204 §5.2. (Business Listings)

The examination conducted by Shelly Schuman and Gwendolyn Douglas is respectfully submitted.



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Gwendolyn J. Douglas, CIE, MCM, CFE,  
CFE (Fraud)  
Examiner-in-Charge  
Market Conduct  
Delaware Department of Insurance