



**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT**

**MARKET CONDUCT
EXAMINATION REPORT**

OF

**METROPOLITAN LIFE
INSURANCE COMPANY
NEW YORK, NY**

**As of: September 3, 2013
Issued: November 22, 2013**

**MARKET ACTIONS BUREAU
LIFE AND HEALTH DIVISION**

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

RECEIVED
INSURANCE DEPARTMENT

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ADMIN HEARINGS OFFICE

IN RE: : VIOLATIONS:
: :
METROPOLITAN LIFE INSURANCE : Sections 903(a) and 904(b) of the
COMPANY : Insurance Department Act, Act of May
200 Park Avenue : 17, 1921, P.L. 789, No. 285 (40 P.S.
New York, NY 10166-0188 : § 323.3 and 323.4
: :
: Section 671-A of Act 147 of 2002
: (40 P.S. § 310.71)
: :
: Section 354, (40 P.S. §§ 477b, 625-4,
: 625-8, 510c, 510d, 510e and 511b
: :
: Title 31, Pennsylvania Code, Sections
: 81.4(b)(1), 81.5(b), 81.6(a)(2)(ii),
: 81.6(c), 89a.106(a)(3), 89a.113(e) and
: (f), 89a.127, 146.3, 146.5, 146.6 and
: 146.7
: :
: Sections 5(a)(10)(ii)(iii)(iv)(v) of the
: Unfair Insurance Practices Act, Act of
: July 22, 1974, P.L. 589, No. 205 (40
: P.S. §§1171.5)
: :
Respondent. : Docket No. MC13-11-023

CONSENT ORDER

AND NOW, this *22nd* day of *November*, 2013, this Order is hereby
issued by the Insurance Department of the Commonwealth of Pennsylvania pursuant
to the statutes cited above and in disposition of the matter captioned above.

1. Respondent hereby admits and acknowledges that it has received proper notice of its rights to a formal administrative hearing pursuant to the Administrative Agency Law, 2 Pa.C.S. § 101, et seq., or other applicable law.

2. Respondent hereby waives all rights to a formal administrative hearing in this matter, and agrees that this Consent Order shall have the full force and effect of an order duly entered in accordance with the adjudicatory procedures set forth in the Administrative Agency Law, supra, or other applicable law.

3. Respondent neither admits nor denies the Findings of Fact or Conclusions of Law contained herein. Respondent denies violating any Pennsylvania Law or Regulation.

4. Respondent cooperated with the Insurance Department throughout the examination.

FINDINGS OF FACT

5. The Insurance Department finds true and correct each of the following Findings of Fact:

- (a) Respondent is Metropolitan Life Insurance Company, and maintains its address at 200 Park Avenue, New York, NY 10166-0188.

- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from January 1, 2010 to December 31, 2010.
- (c) On August 28, 2013, the Insurance Department issued a Market Conduct Examination Report to Respondent.
- (d) Respondent provided a response to the Examination Report via its letter dated September 17, 2013.
- (e) The Examination Report notes the following violations:
 - (i) Section 903(a) of the Insurance Department Act (40 P.S. § 323.3), which requires every company that is subject to examination to keep all books, records, accounts, papers, documents and any computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the Department may require in order that its representatives may readily verify the financial condition of the company, and ascertain whether the company has complied with the laws of this Commonwealth;
 - (ii) Section 904(b) of the Insurance Department Act (40 P.S. § 323.4), which requires every company or person from whom information is sought must provide to the examiners timely, convenient and free access to all books,

records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined;

- (iii) Section 671-A of Act 147 of 2002 (40 P.S. § 310.71), which prohibits producers from transacting business within this Commonwealth without written appointment as required by the Act;
- (iv) Section 354 of the Insurance Company Law (40 P.S. § 477b), which prohibits issuing, selling, or disposing of any policy, contract or certificate until the forms have been submitted to, and formally approved by, the Insurance Commissioner;
- (v) Section 404-A of the Insurance Company Law, No. 284 (40 P.S. §625-4), which requires that when the individual policy or annuity is delivered to the policyholder by the producer by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set and state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery receipt, and such date shall commence any applicable policy or annuity examination period. Copies of the delivery receipt must be provided to the policyholder on the date of policy or annuity delivery and to the issuing insurer. When the individual policy or annuity is delivered by a means

other than by hand-delivery by the producer, the insurer shall establish appropriate means of verifying delivery by the producer of the policy or annuity and of establishing the date from which any applicable policy or examination period shall commence;

- (vi) Section 408-A(a)(3) of the Insurance Company Law, No. 284 (40 P.S. §625-8), which requires that if the insurer identifies a life insurance policy form as one to be marketed without an illustration, any use of an illustration with any policy using that policy form prior to the first policy anniversary is prohibited;
- (vii) Section 408-A(c)(4)(i) of the Insurance Company Law, No. 284 (40 P.S. §625-8), which requires a statement to be signed and dated by the applicant or the policy owner in the case of an illustration provided at time of delivery, reading as follows: “I have received a copy of this illustration and understand that any nonguaranteed elements illustrated are subject to change and could be either higher or lower. The producer has told me they are nonguaranteed.”;
- (viii) Section 408-A(c)(4)(ii) of the Insurance Company Law, No. 284 (40 P.S. §625-8), which requires a statement to be signed and dated by the producer reading as follows: “I certify that this illustration has been presented to the applicant or the policy owner and that I have explained

that any nonguaranteed elements illustrated are subject to change. I have made no statements that are inconsistent with the illustration.”;

- (ix) Section 408-A(e)(1)(i) of the Insurance Company Law, No. 284 (40 P.S. §625-8), which states if the policy is applied for as illustrated, a copy of that illustration, signed in accordance with this section, shall be submitted to the insurer no later than the time the application is sent to the insurer. A copy shall also be provided to the applicant no later than the time the application is signed by the applicant;

- (x) Section 408-A(e)(2)(i) of the Insurance Company Law, No. 284(40 P.S. §625-8), which requires that the producer shall certify in writing on a form provided by the insurer that no illustration was used in the sale of the life insurance policy. On the same form, the applicant shall acknowledge that no illustration was provided and shall further acknowledge an understanding that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery. This form shall be submitted to the insurer as soon as practical after the application is signed by the applicant;

- (xi) Section 408-A(e)(2)(ii) of the Insurance Company Law, No. 284 (40 P.S. §625-8), which requires that where a computer screen illustration is used,

the producer shall certify in writing on a form provided by the insurer that a computer screen illustration was displayed. Such form shall require the producer to provide, as applicable, the generic name of the policy and any riders illustrated, the guaranteed and non-guaranteed interest rates illustrated, the number of policy years illustrated, the initial death benefit, the premium amount illustrated and the assumed number of years of premiums. On the same form, the applicant shall further acknowledge that an illustration matching that which was displayed on the computer screen will be provided no later than the time the application is provided to the insurer. A copy of this signed form shall be provided to the applicant at the time it is signed;

- (xii) Section 408-A(e)(2)(iii) of the Insurance Company Law, No. 284 (40 P.S. §625-8), states the following applies if no illustration is used by a producer in the sale of a life insurance policy or if a computer screen illustration is displayed: if the policy is issued, a basic illustration conforming to the policy as issued shall be sent with the policy and signed by the policy owner no later than the time the policy is delivered. A copy shall be provided to the policy owner at the time the policy is delivered and to the insurer as soon as practical after the policy is delivered;
- (xiii) Section 408-A(e)(3)(i) of the Insurance Company Law, No. 284 (40 P.S. §625-8), which provides that the producer shall certify in writing on a

form provided by the insurer that the policy applied for is other than as illustrated. On the same form, the applicant shall acknowledge that the policy applied for is other than as illustrated and shall further acknowledge an understanding that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery. This form shall be submitted to the insurer or fraternal benefit society as soon as practical after the application is signed by the applicant;

(xiv) Section 408-A(e)(3)(ii) of the Insurance Company Law, No. 284 (40 P.S. §625-8), which requires that if the policy is issued, a basic illustration conforming to the policy as issued shall be sent with the policy and signed by the policy owner no later than the time the policy is delivered. A copy shall be provided to the policy owner no later than the time the policy is delivered and to the insurer as soon as practical after the policy is delivered;

(xv) Section 410D(a)(2) of the Insurance Company Law, No. 284 (40 P.S. §510c), which provides that individual fixed dollar life insurance or endowment policies which are offered as replacements for an existing life insurance policy or annuity contract with the same insurer or insurer group shall not be delivered in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such policy or attached thereto a notice stating in substance that the policyholder shall

be permitted to return the policy within at least forty-five (45) days of its delivery;

- (xvi) Section 410E(a)(2) of the Insurance Company Law, No. 284 (40 P.S. §510d), which states that individual fixed dollar annuity contracts which are offered as replacements for an existing annuity contract or life insurance policy with the same insurer or insurer group shall not be entered into in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such contract or attached thereto a notice stating in substance that the contract holder shall be permitted to return the contract within at least forty-five (45) days of its delivery;

- (xvii) Section 410E(b)(2) of the Insurance Company Law, No. 284 (40 P.S. §510d), which states that individual variable dollar annuity contracts which are offered as replacements for an existing annuity contract or life insurance policy with the same insurer or insurer group shall not be entered into in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such contract or attached thereto a notice stating in substance that the contract holder shall be permitted to return the contract within at least 45 days of its delivery;

- (xviii) Section 410E(b)(3) of the Insurance Company Law, No. 284 (40 P.S.

§510d), which states that individual variable dollar annuity contracts which are offered as replacements for an existing annuity contract or life insurance policy with an insurer or insurer group other than the one which issued the original contract or policy shall not be entered into in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such contract or attached thereto a notice stating in substance that the contract holder shall be permitted to return the contract within at least 20 days of its delivery;

(xix) Section 410F(c)(5)(i) and (ii) of Insurance Company Law, No. 284 (40 P.S. §510e), which requires the company to:

- (i) notify the policyholder at the time a cash loan is made of the initial rate of interest on the loan;
- (ii) notify the policyholder with respect to premium loans of the initial rate of interest on the loan as soon as it is reasonably practical to do so after making the initial loan;
- (iii) send to policyholders with loans reasonable advance notice of any increase in the rate;

(xx) Section 411b of Insurance Company Law, No. 284 (40 P.S. §511b), which states that life insurance death benefits not paid within 30 days after satisfactory proof of death was submitted to the insurer shall bear interest at the rate of interest payable on death benefits left on deposit by the

beneficiary with the insurer. This interest shall accrue from the date of death of the insured to the date the benefits are paid to the beneficiary. In cases where satisfactory proof of death is submitted more than 180 days after the death of the insured and the death benefits are not paid within 30 days after satisfactory proof of death was submitted to the insurer, interest shall accrue from the date on which satisfactory proof was submitted to the date on which the benefits of the policy are paid;

- (xxi) Sections 5(a)(10)(ii) of the Unfair Insurance Practices Act, Act of July 22, 1974, P.L. 589, No. 205 (40 P.S. §1171.5), Section 5(a)(10)(ii) which prohibits failing to acknowledge and act promptly upon written or oral communications with respect to claims arising under insurance policies;
- (xxii) Section 5(a)(10)(iii) of the Unfair Insurance Practices Act, (40 P.S. §1171.5(a)(10)), which prohibits failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies;
- (xxiii) Section 5(a)(10)(iv) of Act 205 (40 P.S. § 1171.5(a)(10)), which states that any of the following acts, if committed with such frequency as to indicate a business practice, shall constitute unfair claim settlement or compromise practices: refusing to pay claims without conducting a reasonable

investigation based upon all available information;

(xxiv) Section 5(a)(10)(v) of Act 205 (40 P.S. § 1171.5), which states that any of the following acts, if committed with such frequency as to indicate a business practice, shall constitute unfair claim settlement or compromise practices: Failure to affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed and communicated to the company or its representative;

(xxv) Title 31, Pennsylvania Code, Section 81.4(b)(1), which states that if a replacement is involved, the agent or broker shall present to the applicant, not later than at the time of taking the application, a Notice Regarding Replacement of Life Insurance and Annuities;

(xxvi) Title 31, Pennsylvania Code, Section 81.5(b), which requires the insurer, as part of a completed application for life insurance or annuity, require a statement signed by the applicant regarding whether the proposed insurance or annuity will replace existing life insurance or annuity;

(xxvii) Title 31, Pennsylvania Code, Section 81.6(a)(2)(ii), which provides: an insurer that uses an agent or broker in a life insurance or annuity sale shall, if replacement is involved: Send to each existing insurer a written communication advising of the replacement or proposed replacement and

the identification information obtained under subparagraph (i) and in the case of life insurance, the disclosure statement as required by Section 83.3, or ledger statement containing comparable policy data on the proposed life insurance. This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner;

(xxviii) Title 31, Pennsylvania Code, Section 81.6(c), which requires the replacing insurer to maintain evidence of the Notice Regarding Replacement of Life Insurance and Annuities;

(xxix) Title 31, Pennsylvania Code, Section 89a.106(a)(3), which states:

(a) Each insurer offering long-term care insurance shall, as a protection against unintentional lapse, comply with the following conditions:

(3) Lapse or termination for nonpayment of premium. No individual long term care policy or certificate may lapse or be terminated for nonpayment of premium unless the insurer, at least 30 days before the effective date of the lapse or termination, has given notice to the insured and to those persons designated under paragraph (1), at the address provided by the insured for purposes of receiving notice of lapse or termination. Notice shall be given by first class

United States mail, postage prepaid; and notice may not be given until 30 days after a premium is due and unpaid. Notice shall be deemed to have been given as of 5 days after the date of mailing. (b) Reinstatement. In addition to the requirement in subsection (a), a long term care insurance policy or certificate shall include a provision that provides for reinstatement of coverage, in the event of lapse if the insurer is provided proof that the policyholder or certificate holder was cognitively impaired or had a loss of functional capacity before the grace period contained in the policy expired. This option shall be available to the insured if requested within 5 months after termination and shall allow for the collection of a past due premium, when appropriate. The standard of proof of cognitive impairment or loss of functional capacity may not be more stringent than the benefit eligibility criteria on cognitive impairment or the loss of functional capacity contained in the policy and certificate;

(xxx) Title 31, Pennsylvania Code, Section 89a.113(e) which states: where replacement is intended, the replacing insurer shall notify, in writing, the existing insurer of the proposed replacement. The existing policy shall be identified by the insurer, the name of the insured and policy number or address including zip code. Notice shall be made within 5 working days

from the date the application is received by the insurer or the date the policy is issued, whichever is sooner;

(xxxi) Title 31, Pennsylvania Code, Section 89a.113(f) , which requires the insurer to maintain records demonstrating delivery date of policies so that this date can be used to determine the commencement of the 30-day policy examination period. Delivery date shall be deemed the date the policy is received by the policyholder;

(xxxii) Title 31, Pennsylvania Code, Section 89a.127, which states: a long-term care insurance shopper's guide in the format developed by the National Association of Insurance Commissioners, or a guide developed or Approved by the Commissioner, shall be provided to all prospective applicants of a long-term care insurance policy or certificate.

(1) In the case of producer solicitations, a producer shall deliver the shopper's guide prior to the presentation of an application or enrollment form.

(2) In the case of direct response solicitations, the shopper's guide shall be presented in conjunction with an application or enrollment form;

(xxxiii) Title 31, Pennsylvania Code, Section 146.3, which provides that the claim

files of the insurer shall be subject to examination by the Commissioner or by his appointed designees. The files shall contain notes and work papers pertaining to the claim in the detail that pertinent events and the dates of the events can be reconstructed;

(xxxiv) Title 31, Pennsylvania Code, Section 146.5, which provides that every insurer, upon receiving notification of a claim, shall within 10 working days, acknowledge the receipt of such notice unless payment is made within such period of time. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgement shall be made in the claim file of the insurer and dated;

(xxxv) Title 31, Pennsylvania Code, Section 146.6 states that if an investigation cannot be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected;

(xxxvi) Title 31, Pennsylvania Code, Section 146.7, which provides that within 15 working days after receipt by the insurer of properly executed proof of loss, the first party claimant shall be advised of the acceptance or denial of the claim by the insurer.

CONCLUSIONS OF LAW

6. In accord with the above Findings of Fact and applicable provisions of law, the Insurance Department makes the following Conclusions of Law:

- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.

- (b) Respondent's violations of Section 671-A of Act 147 of 2002 are punishable by the following, under Section 691-A of Act 147 of 2002 (40 P.S. § 310.91):
 - (i) suspension, revocation or refusal to issue the certificate of qualification or license;
 - (ii) imposition of a civil penalty not to exceed five thousand dollars (\$5,000.00) for every violation of the Act;
 - (iii) an order to cease and desist; and
 - (iv) any other conditions as the Commissioner deems appropriate.

- (c) Respondent's violation of Section 354 of The Insurance Company Law is punishable by the following, under Section 354 of The Insurance Company Law (40 P.S. § 477b):
 - (i) suspension or revocation of the license(s) of Respondent;

- (ii) refusal, for a period not to exceed one year thereafter, to issue a new license to Respondent;
 - (iii) imposition of a fine of not more than one thousand dollars (\$1,000.00) for each act in violation of the Act.
- (d) Respondent's violations of 40 P.S. §§625-4, 625-8, 510c, 510d, 510e and 511b are punishable by the following, under 40 P.S. §625-10: Upon determination by hearing that this act has been violated, the commissioner may issue a cease and desist order, suspend, revoke or refuse to renew the license, or impose a civil penalty of not more than \$5,000 per violation.
- (e) Respondent's violations of Title 31, Pennsylvania Code, Chapter 81, are punishable under Title 31, Pennsylvania Code, Section 81.8(b) and (c), which provide that failure to comply, after a hearing, may subject a company to penalties provided in 40 P.S. § 475. Failure to comply shall be considered a separate violation and may not be considered in lieu of a proceeding against the company for a violation of 40 P.S. §§472, 473 or 474. In addition, failure to make the disclosure may be considered a violation of the Unfair Insurance Practices Act (40 P.S. §§ 1171.1 to 1171.15);
- (f) Respondent's violations of Title 31, Pennsylvania Code, Sections 89a.106 and 89a.113 and 89a.127 are punishable under 40 Purdons Statutes,

Section 991.1114 which states that an insurer or agent found to have violated the requirements relating to the regulations of long-term care insurance or the marketing of such insurance shall be subject to a civil penalty of up to three times the amount of any commissions paid for each policy involved in the violation or \$10,000, whichever is greater.

- (g) Respondent's violations of Title 31, Pennsylvania Code, Sections 146.3, 146.5, 146.6 and 146.7 are punishable under Section 9 of the Unfair Insurance Practices Act (40 P.S. §§ 1171.9):
 - (i) cease and desist from engaging in the prohibited activity;
 - (ii) suspension or revocation of the license(s) of Respondent.

- (h) In addition to any penalties imposed by the Commissioner for Respondent's violations of the Unfair Insurance Practices Act (40 P.S. §§ 1171.1 – 1171.5), the Commissioner may, under Sections 10 and 11 of the Unfair Insurance Practices Act (40 P.S. §§ 1171.10, 1171.11) file an action in which the Commonwealth Court may impose the following civil penalties:
 - (i) for each method of competition, act or practice which the company knew or should have known was in violation of the law, a penalty of not more than five thousand dollars (\$5,000.00);

- (ii) for each method of competition, act or practice which the company did not know nor reasonably should have known was in violation of the law a penalty of not more than one thousand dollars (\$1,000.00).

ORDER

7. In accord with the above Findings of Fact and Conclusions of Law, the Insurance Department orders and Respondent consents to the following:

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) Respondent shall file an affidavit stating under oath that it will provide each of its directors, at the next scheduled directors meeting, a copy of the adopted Report and related Orders. Such affidavit shall be submitted within thirty (30) days of the date of this Order.
- (c) Respondent shall comply with all recommendations contained in the attached Report.
- (d) Respondent shall pay Sixty Thousand Dollars (\$60,000) to the Pennsylvania Insurance Department, Commonwealth of Pennsylvania in

settlement of all violations contained in the Report.

- (e) Payment of this matter shall be made by check payable to the Pennsylvania Insurance Department. Payment should be directed to Cherie L. Leese, Administrative Officer, Bureau of Market Actions, 1311 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.

8. In the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, based upon the Findings of Fact and Conclusions of Law contained herein may pursue any and all legal remedies available, including but not limited to the following: The Insurance Department may enforce the provisions of this Order in the Commonwealth Court of Pennsylvania or in any other court of law or equity having jurisdiction; or the Department may enforce the provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

9. Alternatively, in the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, the Department may declare this Order to be null and void and, thereupon, reopen the entire matter for appropriate action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

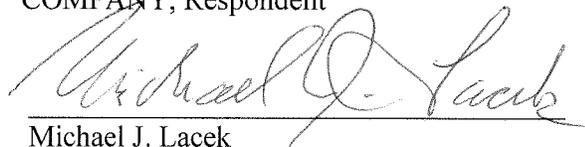
10. In any such enforcement proceeding, Respondent may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact and Conclusions of Law contained herein.

11. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

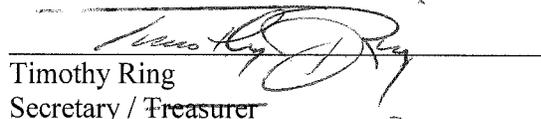
12. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

13. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegee is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law contained herein, and this Consent Order is not effective until executed by the Insurance Commissioner or a duly authorized delegee.

BY: METROPOLITAN LIFE INSURANCE
COMPANY, Respondent



Michael J. Lacek
Associate General Counsel



Timothy Ring
Secretary / Treasurer



COMMONWEALTH OF PENNSYLVANIA
By: Ronald A. Gallagher, Jr.
Deputy Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 27th day of April, 2011, in accordance with Section 905(c) of the Pennsylvania Insurance Department Act, Act of May 17, 1921, P.L. 789, as amended, P.S. § 323.5, I hereby designate Ronald A. Gallagher, Deputy Insurance Commissioner, to consider and review all documents relating to the market conduct examination of any company and person who is the subject of a market conduct examination and to have all powers set forth in said statute including the power to enter an Order based on the review of said documents. This designation of authority shall continue in effect until otherwise terminated by a later Order of the Insurance Commissioner.




Michael F. Consedine
Insurance Commissioner

METROPOLITAN LIFE INSURANCE COMPANY
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I. INTRODUCTION

The Market Conduct Examination was conducted on Metropolitan Life Insurance Company; hereafter referred to as “Company,” at the Company’s office located in Johnstown Pennsylvania from October 1, 2012, through December 21, 2012. A satellite location was used from January 7, 2013, through April 5, 2013. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

Pennsylvania Market Conduct Examination Reports generally note only those items, to which the Department, after review, takes exception. A violation is any instance of Company activity that does not comply with an insurance statute or regulation. Violations 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.

Throughout the course of the examination, Company officials were provided status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials to discuss the various types of violations identified during the examination and review written summaries provided on the violations found.

The courtesy and cooperation extended by the Officers and Employees of the Company during the course of the examination is acknowledged.

The following examiners participated in the Examination and in the preparation of this Report.

Yonise A. Roberts Paige, MCM
Pennsylvania Insurance Department
Market Conduct Division Chief

Lonnie L. Suggs, MCM
Pennsylvania Insurance Department
Market Conduct Examiner

Roshanak Fekrat, MCM, CPA, CFE, CIA
Global Insurance Enterprises, Inc.
Firm Supervisory Partner

Samuel BowerCraft, MSIS, CISA
Global Insurance Enterprises, Inc.
Senior IT Examiner

George Brown, MCM, CFE, CIE
Global Insurance Enterprises, Inc.
Market Conduct Examiner

Ray Conover, MCM, FLMI, AIE, ARe
Global Insurance Enterprises, Inc.
Market Conduct Examiner

Aram Morvari, MCM, MBA
Global Insurance Enterprises, Inc.
Market Conduct Examiner

Tina Renfrow, CFE, MBA
Global Insurance Enterprises, Inc.
Market Conduct Examiner

Verification

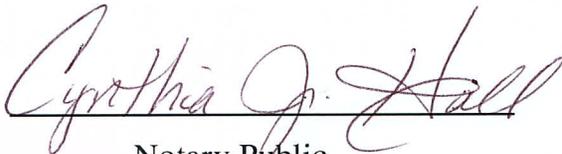
Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).



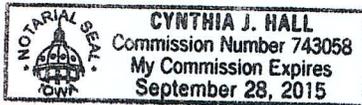
Lonnie L. Suggs, MCM
[Examiner in Charge]

Sworn to and Subscribed Before me

This Day of , 2013



Notary Public



II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by Sections 903 and 904 (40 P.S. §323.3 and §323.4) of the Insurance Department Act and covered the experience period of January 1, 2010, through December 31, 2010, unless otherwise noted. The purpose of the examination was to ensure compliance with Pennsylvania insurance laws and regulations.

The examination focused on the market conduct activities in areas such as: Company Operations and Management, Marketing and Sales, Forms, Producer Licensing, Appointments and Terminations, Consumer Complaints, Underwriting Practices and Procedures, Claims Handling Practices and Procedures and Market Conduct Annual Statement (MCAS) Reporting Practices and Procedures.

The Company was requested to identify the universe of files for each segment of the review. Based on the universe sizes identified, random sampling was utilized to select the files reviewed for this examination.

During the course of the examination, for control purposes, some of the review segments identified in this Report may have been broken down into various sub-categories by line of insurance or Company administration. These specific sub-categories, if not reflected individually in the Report, would be included and grouped within the respective general categories of the Examination Report.

III. COMPANY HISTORY AND LICENSING

The National Travelers Insurance Company was originally incorporated on May 4, 1866 in the State of New York. Its name was changed to Metropolitan Life Insurance Company on March 24, 1868.

The Company received its certificate of authority to operate in the Commonwealth of Pennsylvania on January 1, 1867. The Company is authorized to do business in all 50 states, the District of Columbia, Puerto Rico, Guam, Northern Mariana Islands, the U.S. Virgin Islands and Canada.

On January 6, 1915, Metropolitan Life mutualized, changing from a stock life insurance company owned by individuals to a mutual company operated for the benefit of its policyholders.

In 1990, the company changed its corporate signature from Metropolitan Life to the shorter MetLife.

On November 29, 1998, the Company announced that it would pursue converting to a stock company from a mutual company through demutualization under Section 7312 of the New York Insurance Law. On September 28, 1999, the MetLife Board of Directors adopted a plan for converting the organization from a mutual to a stock company. On November 24, 1999, MetLife announced that it had filed its demutualization plan with the New York State Superintendent of Insurance and on February 18, 2000, the Company's policyholders approved the plan to convert to a stock company.

On April 5, 2000, MetLife held its initial public offering (IPO). With the demutualization, Metropolitan Life Insurance Company had become a wholly owned subsidiary of MetLife, Inc.

In 2003, MetLife, Inc. and John Hancock Life Insurance Company announced that Metropolitan Life Insurance Company had agreed to purchase John Hancock's group life insurance business. During the same year, Security Equity life Insurance Company and MetLife Security Company of Louisiana were merged into the Metropolitan Life Insurance Company.

In 2005, MetLife Inc. entered into an agreement to acquire Citigroup's Travelers Life and Annuity business and substantially all of Citigroup's international insurance business, except its business in Mexico. In 2010, MetLife completed its purchase of American Life Insurance Company, from American International Group (AIG).

MetLife's life insurance products and services comprise term life, whole life, universal life and variable universal life. MetLife also offers fixed annuities, variable annuities, deferred annuities and immediate annuities. In addition, the company writes accident and health insurance business.

In its December 31, 2010 Annual Statement, the Company reported for the Commonwealth of Pennsylvania, direct premiums of \$371,166,252 for ordinary life insurance, \$393,604,534 for annuity considerations, \$266,932,762 for accident and health insurance premiums and \$424,643,965 for other considerations.

IV. COMPANY OPERATIONS AND MANAGEMENT

The Company was requested to provide information documenting its management and operational procedures in areas for which they conduct business for the Commonwealth of Pennsylvania. The following areas were reviewed:

- General Procedures and Company History
- Auditing Programs and Procedures
- Controls of Computer Information
- Outsourcing and Monitoring of Management Services
- Retention of Records
- Licensed for Lines of Business
- Privacy of Consumer Information

These areas were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulation. No violations were noted.

V. MARKETING AND SALES

A. Marketing and Sales

The Company was requested to provide a list of all marketing and sales material utilized during the experience period. The Company provided a list of 635 pieces of marketing and sales material utilized in the Commonwealth during the experience period. The files consisted of: letters, direct mailers, brochures, presentations, radio and television scripts, cards, illustrations, product guidelines, product manuals and the Company's web page.

A sample of 113 pieces of marketing and sales material was requested, received and reviewed. The marketing and sales material and the Company's web site was reviewed to ensure compliance with Act 205, Section 5 (40 P.S. §1171.5), Unfair Methods of Competition and Unfair or Deceptive Acts or Practices and Title 31, Pennsylvania Code, Chapter 51. No violations were noted.

B. Advertising Certificate of Compliance

The Company was requested to provide a copy of the Advertising Certificate of Compliance for the experience period. The certification was received and reviewed to ensure compliance with Title 31, Pennsylvania Code, Section 51.5. Section 51.5 provides that "A company required to file an annual statement which is now or which hereafter becomes subject to this chapter shall file with the Department with its Annual Statement a Certificate of Compliance executed by an authorized officer of the company wherein it is stated that to the best of his knowledge, information and belief the advertisements which were disseminated by the company during the preceding statement

year complied or were made to comply in all respects with the provisions of the insurance laws and regulations of this Commonwealth.” No violations were noted.

VI. FORMS

The Company was requested to provide a list and copies of all policy and/or member forms, conversion contracts, applications, riders, amendments and endorsements used during the experience period. The forms provided and forms reviewed in various underwriting sections of the exam were reviewed to ensure compliance with Insurance Company Law, Section 354 and Title 18, Pennsylvania Consolidated Statutes, Section 4117(k), Fraud notice. The following violations were noted:

3 Violations – Insurance Company Law, Section 354 (40 P.S. §477b)

It shall be unlawful for any insurance company, association, or exchange, including domestic mutual fire insurance companies, doing business in this Commonwealth, to issue, sell, or dispose of any policy, contract, or certificate, covering life, health, accident, personal liability, fire, marine, title, and all forms of casualty insurance or contracts pertaining to pure endowments or annuities, or any other contracts of insurance, or use applications, riders, or endorsements, in connection therewith, until the forms of the same have been submitted to and formally approved by the Insurance Commissioner. Evidence of the Department’s approval could not be established in the noted files.

Form #	Description
PPS-APP-9-08	Application
PPS-APP-5-09	Application
MPP (05/09)	Application

VII. PRODUCER LICENSING, APPOINTMENT AND TERMINATION

The Company was requested to provide a list of all producers active and terminated during the experience period. Section 671-A (40 P.S. §310.71) of the Insurance Department Act prohibits producers from doing business on behalf of or as a representative of any entity without a written appointment from that entity. Section 641.1-A (40 P.S. §310.41a) of the Insurance Department Act prohibits a company from accepting insurance applications or securing any insurance business through anyone acting without a license. Section 671.1-A (40 P.S. §310.71a) of the Insurance Department Act requires the Company to report all producer terminations to the Department.

The Company identified a universe of 13,765 active and 922 terminated producers during the experience period. A random sample of 72 active and 68 terminated producer files were requested, received and reviewed. The sample was compared to departmental records of producers to verify appointments, terminations and licensing. In addition, producer licensing and appointments were also reviewed in the various underwriting sections. The following violations were noted:

2 Violations – Insurance Department Act, No. 147, Section 671-A (40 P.S. §310.71)

- (a) Representative of the insurer. – An insurance producer shall not act on behalf of or as a representative of the insurer unless the insurance producer is appointed by the insurer. An insurance producer not acting as a representative of an insurer is not required to be appointed.
- (b) Representative of the consumer. – An insurance producer acting on behalf of or representing an insurance consumer shall execute a written agreement with the insurance consumer prior to representing or acting on their behalf that:
 - (1) Delineates the services to be provided; and
 - (2) Provides full and complete disclosure of the fee to be paid to the insurance producer by the insurance consumer.

- (c) Notification to department. – An insurer that appoints an insurance producer shall file with the department a notice of appointment. The notice shall state for which companies within the insurer’s holding company system or group the appointment is made.
- (d) Termination of appointment. – Once appointed, an insurance producer shall remain appointed by an insurer until such time as the insurer terminates the appointment in writing to the insurance producer or until the insurance producer’s license is suspended, revoked or otherwise terminated.
- (e) Appointment fee. – An appointment fee of \$15.00 will be billed annually to the insurer for each producer appointed by the insurer during the preceding calendar year regardless of the length of time the producer held the appointment with the insurer. The appointment fee may be modified by regulation.
- (f) Reporting. – An insurer shall, upon request, certify to the department the names of all licensees appointed by the insurer. The Company failed to file a notice of appointment and submit appointment fees to the Insurance Department for the noted producers.

Last Name	First Name
Piccolomini	Louis
Nagle	Karen

VIII. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of consumer complaint logs for 2006, 2007, 2008, and 2009. The Company identified 202 consumer complaints received during the experience period. A random sample of 120 complaint files were requested, received, and reviewed. The Company also provided complaint logs as requested. The Department's list of written consumer complaints that were forwarded to the Company during the experience period was compared to the Company's complaint log.

The complaint files and the 4 years of complaint logs were reviewed for compliance with the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171). Section 5 (a) (11) of the Act requires maintenance of a complete record of all complaints received during the preceding four (4) years. The record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of the complaint and the time it took to process each complaint. Written complaint files involving claims were also reviewed for compliance with Title 31, PA Code, Section 146.5(b) and 146.5(c), Unfair Claims Settlement Practices. No violations were noted.

XI. UNDERWRITING

The Underwriting review consisted of 21 general segments.

A.	Underwriting Guidelines
B.	Individual Whole Life Insurance Policies Issued
C.	Individual Life Insurance Policies Issued as Replacements
D.	Individual Fixed Annuity Contracts Issued
E.	Individual Variable Annuity Contracts Issued
F.	Individual Term Life Insurance Policies Terminated
G.	Individual Variable Life Insurance Policies Terminated
H.	Individual Whole Life Insurance Policies Terminated
I.	Universal Life Insurance Policies Terminated
J.	Individual Fixed Annuity Contracts Surrendered
K.	Individual Variable Annuity Contracts Surrendered
L.	Individual Whole Life Insurance Policy Loans
M.	Universal Life Insurance Policy Loans
N.	Variable Life Insurance Policy Loans
O.	Individual Long-Term Care Policies Issued
P.	Individual Long-Term Care Policies Issued as Replacements
Q.	Individual Long-Term Care Policies Terminated
R.	Group Long-Term Care Policies Issued
S.	Group Long-Term Care Policies Issued as Replacements
T.	Group Long-Term Care Policies Terminated
U.	Group Life Conversion Policies Issued

Each segment was reviewed for compliance with underwriting practices and included forms identification and producer identification. Issues relating to forms or licensing

appear in those respective sections of the Report and are not duplicated in the Underwriting portion of the Report.

A. Underwriting Guidelines

The Company was requested to provide copies of all underwriting guidelines and manuals utilized during the experience period. The documents provided were reviewed to ensure that underwriting guidelines were in place and being followed in a uniform and consistent manner and that no underwriting practices or procedures were in place that could be considered discriminatory in nature, or specifically prohibited by the Commonwealth of Pennsylvania's Statutes and Regulations. No violations were noted.

The following underwriting manuals, guidelines and procedures were provided and reviewed:

- MetLife - The Underwriting Guide – September 2012
- Producer's Guide – Field Underwriting and New Business Producers – 2009
- Producer's Guide – Field Underwriting and New Business Producers – 2010
- Use of the Individual Decision Guidelines Manual
- Calligo Guidelines Index
- Numerous Users' Guides
- ICD9 Master List 7-09
- Substandard Health Rating
- Preferred Standard Health Rating
- Underwriting Judgment
- Materials for communication with the Public – 2009-2010
- Suitability Worksheet
- Decision Guidelines for Specific Diagnosis

B. Individual Whole Life Insurance Policies Issued

The Company was requested to provide a list of all individual life insurance policies issued during the experience period. The Company identified a universe of 3,709 individual whole life insurance policies issued during the experience period. A random sample of 72 individual whole life insurance policy files were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania Statutes and Regulations. The following violations were noted:

1 Violation - Title 31, Pennsylvania Code, Section 81.5 (b)

The insurer shall require as part of a completed application for life insurance or annuity a statement signed by the applicant as to whether the proposed insurance or annuity will replace existing life insurance or annuity. The applicant's replacement question was not answered in the noted application.

1 Violation - Insurance Company Law, Section 404-A (40 P.S. §625-4)

When the producer delivers the individual policy or annuity to the policyholder by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set and state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery receipt, and such date shall commence any applicable policy or annuity examination period. Copies of the delivery receipt must be provided to the policyholder on the date of policy or annuity delivery and to the issuing insurer. When the individual policy or annuity is delivered by a means other than by hand delivery by the producer, the insurer shall establish appropriate means of verifying delivery by the producer of the policy or annuity and of establishing the date from which any applicable policy or examination period shall commence. Evidence of policy delivery could not be established in the noted file.

1 Violation – Insurance Company Law, Section 408-A (e) (2) (ii) (40 P.S. §625-8)

The following applies if no illustration is used by a producer in the sale of a life insurance policy or if a computer screen illustration is displayed. Where a computer screen is used, the producer shall certify in writing on a form provided by the insurer that a computer screen illustration was displayed. Such form shall require the producer to provide, as applicable, the generic name of the policy and any riders illustrated, the guaranteed and no nonguaranteed interest rates illustrated, the number of policy years illustrated, the initial death benefit, the premium amount illustrated and the assumed number of years of premiums. On the same form, the applicant shall further acknowledge that an illustration matching the policy displayed on the computer screen will be provided no later than the time the application is provided to the insurer. A copy of this signed form shall be provided to the applicant at the time it is signed. Certification by the agent and acknowledgement by the applicant that an illustration was used or provided on a computer screen could not be established in the noted file.

1 Violation – Insurance Company Law, Section 408-A (e) (2) (iii) (40 P.S. §625-8)

The following applies if a producer in the sale of a life insurance policy uses no illustration or if a screen illustration is displayed. If the policy is issued, a basic illustration conforming to the policy as issued shall be sent with the policy and signed by the policy owner no later than the time the policy is delivered. A copy shall be provided to the policy owner at the time the policy is delivered and to the insurer. Certification and acknowledgement of the delivery of an illustration could not be established in the noted file.

C. Individual Life Insurance Policies Issued as Replacements

The Company was requested to provide a list of all individual life insurance policies issued as replacement during the experience period. The Company identified a universe

of 543 individual life insurance policies issued as replacements during the experience period. A random sample of 65 individual life insurance policies issued as replacement files were requested, received and reviewed. Of the 65 policies requested 2 policy files were not replacement policies. The remaining 63 files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violations were noted:

2 Violations - Title 31, Pennsylvania Code, Section 81.6 (a) (2) (ii)

An insurer that uses an agent or broker in a life insurance or annuity sale shall, if replacement is involved: Send to each existing insurer a written communication advising of the replacement or proposed replacement and the identification information obtained under subparagraph (I) and in the case of life insurance, the disclosure statement as required by §83.3 (relating to disclosure statement) or ledger statement containing comparable policy data on the proposed life insurance. This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner. The replacement letter to the replaced Company was untimely in the noted files.

10 Violations - Title 31, Pennsylvania Code, Section 81.6 (c)

The replacing insurer shall maintain evidence of the Notice Regarding Replacement of Life Insurance and Annuities. The noted files did not contain a copy of the required notice of replacement.

1 Violation - Insurance Company Law, Section 404-A (40 P.S. §625-4)

When the individual policy or annuity is delivered to the policyholder by the producer by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set and state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery receipt, and

such date shall commence any applicable policy or annuity examination period. Copies of the delivery receipt must be provided to the policyholder on the date of policy or annuity delivery and to the issuing insurer. When the individual policy or annuity is delivered by a means other than by hand delivery by the producer, the insurer shall establish appropriate means of verifying delivery by the producer of the policy or annuity and of establishing the date from which any applicable policy or examination period shall commence. Evidence of policy delivery could not be established in the noted file.

1 Violation – Insurance Company Law, Section 408-A (a) (1) (40 P.S. §625-8(a) (3)

If the insurer identifies a life insurance policy form as one to be marketed without an illustration, any use of an illustration with any policy using that policy form prior to the first policy anniversary is prohibited. Certification and acknowledgement of the use of an illustration for a non-illustrated product was contained in the noted file.

6 Violations – Insurance Company Law, Section 408-A (c) (4) (i) (40 P.S. §625-8)

A statement to be signed and dated by the applicant or the policy owner in the case of an illustration provided at time of delivery, reading as follows: “I have received a copy of this illustration and understand that any nonguaranteed elements illustrated are subject to change and could be either higher or lower. At the time of policy delivery, the applicant’s acknowledgement of an illustration receipt was not dated in the noted files.

6 Violations – Insurance Company Law, Section 408-A (c) (4) (ii) (40 P.S. §625-8)

A statement to be signed and dated by the producer reading as follows: “I certify that this illustration has been presented to the applicant or the policy owner and that I have explained that any nonguaranteed elements illustrated are subject to change. I have made no statements that are inconsistent with the illustration.” The agent’s certification could not be established in the noted files.

1 Violation – Insurance Company Law, Section 408-A (e) (1) (i) (40 P.S. §625-8)

The following applies if a basic illustration is used by a producer in the sale of a life insurance policy. If the policy is applied for as illustrated, a copy of that illustration, signed in accordance with this section, shall be submitted to the insurer no later than the time the policy application is sent to the insurer. A copy shall also be provided to the applicant no later than the time the application is signed by the applicant. At the time of application, the agent's certification and the applicant's acknowledgement of the illustration used could not be established in the noted file.

1 Violation – Insurance Company Law, Section 408-A (e) (3) (i) (40 P.S. §625-8)

The producer shall certify in writing on a form provided by the insurer that the policy applied for is other than as illustrated. On the same form the applicant shall acknowledge that the policy applied for is other than as illustrated and shall further acknowledge an understanding that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery. This form shall be submitted to the insurer as soon as practical after the application is signed by the applicant. At the time of application, the noted file did not contain the signed certification and acknowledgement that the illustration used in the sale of the life insurance policy did not conform to the policy as applied for.

1 Violation – Insurance Company Law, Section 408-A (e) (3) (ii) (40 P.S. §625-8)

The following applies if an illustration is used by a producer in the sale of a life insurance policy but the policy applied for is other than as illustrated. If the policy is issued, a basic illustration conforming to the policy as issued shall be sent with the policy and signed by the policy owner no later than the time the policy is delivered. A copy shall be provided to the policy owner no later than the time the policy is delivered and to the insured as soon as practical after the policy is delivered. At the time of policy delivery, the noted file did not contain a signed acknowledgment of the delivery of the illustration.

9 Violations – Insurance Company Law, Section 410-D (a) (2) (40 P.S. §510c)

Individual fixed dollar life insurance or endowment policies which are offered as replacements for an existing life insurance policy or annuity contract with an insurer or insurer group other than the one which issued the original policy or contract shall not be delivered in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such policy or attached thereto a notice stating in substance that the policyholder shall be permitted to return the policy within at least twenty (20) days of its delivery and to have the premium refunded if after examination of the policy the policyholder is not satisfied with it for any reason. Evidence of the required 20-day "free look" statements could not be established in the noted files.

D. Individual Fixed Annuity Contracts Issued

The Company was requested to provide a list of all individual annuity contracts issued during the experience period. The Company identified a universe of 484 individual fixed annuity contracts issued during the experience period. A random sample of 15 individual fixed annuity contracts issued were requested, received, and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violations were noted:

9 Violations - Title 31, Pennsylvania Code, Section 81.6(c)

The replacing insurer shall maintain evidence of the Notice Regarding Replacement of Life Insurance and Annuities. The noted files did not contain a copy of the required notice of replacement.

11 Violations – Insurance Company Law, Section 410-E (a) (2) (40 P.S. §510d)

Individual fixed dollar annuity contracts which are offered as replacements for an existing annuity contract or life insurance policy with the same insurer or insurer group

shall not be entered into in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such contract or attached thereto a notice stating in substance that the contractholder shall be permitted to return the contract within at least forty-five (45) days of its delivery. Evidence of the required 45-day “free look” statement could not be established in the noted files.

E. Individual Variable Annuity Contracts Issued

The Company was requested to provide a list of all individual annuity contracts issued during the experience period. The Company identified a universe of 3,612 individual variable annuity contracts issued during the experience period. A random sample of 15 individual variable annuity contracts issued were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania’s Statutes and Regulations. The following violations were noted:

2 Violations - Title 31, Pennsylvania Code, Section 81.4 (b)(1)

If replacement is involved, the agent or broker shall: present to the applicant, not later than at the time of taking the application, a Notice Regarding Replacement of Life Insurance and Annuities. At the time of application, the noted files did not contain the required replacement forms.

2 Violations - Title 31, Pennsylvania Code, Section 81.6 (c)

The replacing insurer shall maintain evidence of the Notice Regarding Replacement of Life Insurance and Annuities. The noted files did not contain a copy of the required notice of replacement.

2 Violations – Title 31, Pennsylvania Code, Section 81.6 (a)(2)(ii)

An insurer that uses an agent or broker in a life insurance or annuity sale shall, if replacement is involved: Send to each existing insurer a written communication advising of the replacement or proposed replacement and the identification information obtained under subparagraph (I) and in the case of life insurance, the disclosure statement as required by § 83.3 (relating to disclosure statement) or ledger statement containing comparable policy data on the proposed life insurance. This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner. Evidence of the required replacement letter to the replaced Companies could not be established in the noted files.

2 Violations – Insurance Company Law, Section 410-E (b)(2) (40 P.S. §510d)

Individual variable annuity contracts which are offered as replacements for an existing annuity contract or life insurance policy with the same insurer or insurer group shall not be entered into in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such contract or attached thereto a notice stating in substance that the contract holder shall be permitted to return the contract within at least forty-five (45) days of its delivery. Evidence of the required 45-day "free look" statement could not be established in the noted files.

1 Violation – Insurance Company Law, Section 410-E (b)(3) (40 P.S. §510d)

Individual variable annuity contracts which are offered as replacements for an existing annuity contract or life insurance policy with an insurer or insurer group other than the one which issued the original contract or policy shall not be entered into in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such contract or attached thereto a notice stating in substance that the contract holder shall be permitted to return the contract within at least twenty (20) days of its

delivery. Evidence of the required 20-day “free look” statement could not be established in the noted files.

F. Individual Term Life Insurance Policies Terminated

The Company was requested to provide a list of all individual life insurance policies terminated during the experience period. The Company identified a universe of 1,192 individual term life insurance policies terminated during the experience period. A random sample of 15 term life insurance policies terminated files were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania’s Statutes and Regulations. The following violations were noted:

6 Violations - Insurance Department Act, Section 903 (40 P.S. §323.3)

(a) Every Company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, at its discretion, may require in order that its authorized representatives may readily ascertain whether the Company or person has complied with the laws of this Commonwealth. Evidence of the required proof of termination letters could not be established in the noted files.

G. Individual Variable Life Insurance Policies Terminated

The Company was requested to provide a list of all individual life insurance policies terminated during the experience period. The Company identified a universe of 208 individual variable life insurance policies terminated during the experience period. A

random sample of 10 individual variable life insurance policies terminated files were requested, received and reviewed. The 10 files were terminated due to policy lapse. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. No violations were noted.

H. Individual Whole Life Insurance Policies Terminated

The Company was requested to provide a list of all life insurance policies terminated during the experience period. The Company identified a universe of 2,538 individual whole life insurance policies terminated during the period. A random sample of 15 individual whole life insurance policies terminated files were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. No violations were noted.

I. Universal Life Insurance Policies Terminated

The Company was requested to provide a list of all policies terminated during the experience period. The Company identified a universe of 283 universal life insurance policies terminated during the experience period. A random sample of 10 universal life insurance policies terminated files were requested, received and reviewed. The 10 universal life insurance policy files were terminated due to policy lapse. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. No violations were noted.

J. Individual Fixed Annuity Contracts Surrendered

The Company was requested to provide a list of all individual annuities surrendered during the experience period. The Company identified a universe of 412 individual fixed annuities surrendered during the experience period. A random sample of 15 individual fixed annuity contracts surrendered files were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. No violations were noted.

K. Individual Variable Annuity Contracts Surrendered

The Company was requested to provide a list of all annuities surrendered during the experience period. The Company identified a universe of 2,546 individual variable annuities surrendered during the experience period. A random sample of 15 individual variable fixed annuity contracts surrendered files were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. No violations were noted.

L. Individual Whole Life Insurance Policy Loans

The Company was requested to provide a list of all life insurance policy loans issued during the experience period. The Company identified a universe of 73 individual whole life insurance policy loans issued during the experience period. A random sample of 5 individual whole life insurance policy loan files issued were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violations were noted:

5 Violations –Insurance Company Law, Section 410-F (40 P.S. §510e (C) (5)(i)(ii))

(i) notify that policyholder at the time a cash loan is made of the initial rate of interest on the loan;

(ii) notify the policyholder with respect to premium loans of the initial rate of interest on the loan as soon as it is reasonably practical to do so after making the initial loan. Notice need not be given to the policyholder when a further premium loan is added, except as provided in subsection(c)(5)(iii). Notification to policyholders of the initial interest rate at the time the cash loan was made could not be established in the noted files.

M. Universal Life Insurance Policy Loans

The Company was requested to provide a list of all life insurance policy loans issued during the experience period. The Company identified a universe of 57 universal life insurance policy loans issued during the experience period. A random sample of 5 universal life insurance policy loan files issued were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania’s Statutes and Regulations. The following violations were noted:

5 Violations –Insurance Company Law, Section 410-F (40 P.S. §510e (C) (5)(i)(ii))

(i) notify that policyholder at the time a cash loan is made of the initial rate of interest on the loan;

(ii) notify the policyholder with respect to premium loans of the initial rate of interest on the loan as soon as it is reasonably practical to do so after making the initial loan. Notice need not be given to the policyholder when a further premium loan is added, except as provided in subsection(c)(5)(iii). Notification to policyholders of the initial interest rate at the time the cash loan was made could not be established in the noted files.

N. Variable Life Insurance Policy Loans

The Company was requested to provide a list of all life insurance policy loans issued during the experience period. The Company identified a universe of 62 variable life insurance policy loans issued during the experience period. A random sample of 5 variable life insurance policy loan files issued were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violations were noted:

5 Violations –Insurance Company Law, Section 410-F (40 P.S. §510e (C) (5)(i)(ii))

(i) notify that policyholder at the time a cash loan is made of the initial rate of interest on the loan;

(ii) notify the policyholder with respect to premium loans of the initial rate of interest on the loan as soon as it is reasonably practical to do so after making the initial loan. Notice need not be given to the policyholder when a further premium loan is added, except as provided in subsection(c)(5)(iii). Notification to policyholders of the initial interest rate at the time the cash loan was made could not be established in the noted files.

O. Individual Long-Term Care Policies Issued

The Company was requested to provide a list of all individual long-term care policies issued during the experience period. The Company identified a universe of 388 individual long-term care policies issued. A random sample of 15 individual long-term care policies issued files were selected, received and reviewed. The policy files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. No violations were noted.

P. Individual Long-Term Care Policies Issued as Replacements

The Company was requested to provide a list of all individual long-term care policies issued as replacements. The Company identified a universe of 7 individual long-term care policies issued as replacements during the experience period. All 7 individual long-term care policies issued as replacement files were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violations were noted:

1 Violation - Title 31, Pennsylvania Code, Section 89a.113 (e)

(e) Where replacement is intended, the replacing insurer shall notify, in writing, the existing insurer of the proposed replacement. The existing policy shall be identified by the insurer, the name of the insured and policy number or address including zip code. Notice shall be made within 5 working days from the date the application is received by the insurer or the date the policy is issued, whichever is sooner. The replacement letter to the replaced Company was untimely in the noted file.

Q. Individual Long-Term Care Policies Terminated

The Company was requested to provide a list of all individual long-term care term policies terminated during the experience period. The Company identified a universe of 378 individual long-term care policies terminated during the experience period. A random sample of 15 individual long-term care policies terminated files were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violations were noted:

8 Violations - Title 31, Pennsylvania Code, Section 89a.106(a)(3)

(a) Each insurer offering long-term care insurance shall, as a protection against unintentional lapse, comply with the following conditions:

(1) Notice before lapse or termination. An individual long-term care policy or certificate may not be issued until the insurer has received from the applicant either a written designation of at least one person, in addition to the applicant, who is to receive notice of lapse or termination of the policy or certificate for nonpayment of premium, or a written waiver dated and signed by the applicant electing not to designate additional persons to receive notice. The applicant has the right to designate at least one person who is to receive the notice of termination, in addition to the insured. Designation may not constitute acceptance of liability on the third party for services provided to the insured. The form used for the written designation must provide space clearly designated for listing at least one person. The designation shall include each person's full name and home address. In the case of an applicant who elects not to designate an additional person, the waiver shall state: "Protection against unintended lapse. I understand that I have the right to designate at least one person other than myself to receive notice of lapse or termination of this long-term care insurance policy for nonpayment of premium. I understand that notice will not be given until 30 days after a premium is due and unpaid. I elect not to designate a person to receive this notice." The insured shall be able to change the written designation at any time. The insurer shall notify the insured of the right to change this written designation, at least once every 2 years.

(2) Deduction plans. When the policyholder or certificate holder pays premium for a long-term care insurance policy or certificate through a payroll or pension deduction plan, the requirements contained in paragraph (1) need not be met until 60 days after the policyholder or certificate holder is no longer on the payment plan. The application or enrollment form for those policies or certificates shall clearly indicate the payment plan selected by the applicant.

(3) Lapse or termination for nonpayment of premium. No individual long-term care policy or certificate may lapse or be terminated for nonpayment of premium unless the insurer, at least 30 days before the effective date of the lapse or termination, has given notice to the insured and to those persons designated under paragraph (1), at the address provided by the insured for purposes of receiving notice of lapse or termination. Notice shall be given by first class United States mail, postage prepaid; and notice may not be given until 30 days after a premium is due and unpaid. Notice shall be deemed to have been given as of 5 days after the date of mailing. Evidence of the required 30-day lapse or termination notice could not be established in the noted files.

R. Group Long-Term Care Policies Issued

The Company was requested to provide a list of all group long-term care policies issued during the experience period. The Company identified a universe of 212 group long-term care policies issued. A random sample of 15 group long-term care policies issued files were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violations were noted:

6 Violations – Title 31, Pennsylvania Code, Section 89a.127

A long-term care insurance shopper's guide in the format developed by the National Association of Insurance Commissioners, or a guide developed or approved by the Commissioner, shall be provided to all prospective applicants of a long-term care insurance policy or certificate.

(1) In the case of producer solicitations, a producer shall deliver the shopper's guide prior to the presentation of an application or enrollment form.

(2) In the case of direct response solicitations, the shopper's guide shall be presented in conjunction with an application or enrollment form. Evidence of mailing for the required shopper's guide to the prospective applicants could not be established in the noted files.

S. Group Long-Term Care Policies Issued as Replacements

The Company was requested to provide a list of all group long-term care policies issued as replacements during the experience period. The Company identified a universe of 2 group long-term care policies issued as replacements during the experience period. The 2 policy files were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violations were noted:

2 Violations - Title 31, Pennsylvania Code, Section 89a.113 (e)

(e) Where replacement is intended, the replacing insurer shall notify, in writing, the existing insurer of the proposed replacement. The existing policy shall be identified by the insurer, the name of the insured and policy number or address including zip code. Notice shall be made within 5 working days from the date the application is received by the insurer or the date the policy is issued, whichever is sooner. The replacement letter to the replaced Company was untimely in the noted files.

2 Violations - Title 31, Pennsylvania Code, Section 89a.113 (f)

(f) The insurer shall maintain records demonstrating delivery date of policies so that this date can be used to determine the commencement of the 30-day policy examination period. Delivery date shall be deemed the date the policy is received by the policyholder. Evidence of the policy delivery date could not be established in the noted files.

2 Violations - Title 31, Pennsylvania Code, Section 89a.127

A long-term care insurance shopper's guide in the format developed by the NAIC or a guide developed or approved by the Commissioner, shall be provided to all prospective applicants of a long-term care insurance policy or certificate.

(1) In the case of producer solicitations, a producer shall deliver the shopper's guide prior to the presentation of an application or enrollment form.

(2) In the case of direct response solicitations, the shopper's guide shall be presented in conjunction with an application or enrollment form. Evidence of mailing for the required shopper's guide to the prospective applicants could not be established in the noted files.

T. Group Long-Term Care Policies Terminated

The Company was requested to provide a list of all group long-term care policies terminated during the experience period. The Company identified a universe of 378 group long-term care policies terminated during the experience period. A random sample of 15 group long-term care policies terminated files were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. No violations were noted.

U. Group Life Conversion Policies Issued

The Company was requested to provide a list of all applicants issued for conversion of group life insurance coverage to individual life insurance coverage during the experience period. The Company identified a universe of 209 group life conversion applications received during the experience period. A random sample of 5 group life conversion application files were requested, received and reviewed. The files were reviewed to

ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violations were noted:

2 Violations – Insurance Company Law, Section 408-A (e)(2)(i) (40 P.S. §625-8)

The following applies if no illustration is used by a producer in the sale of a life insurance policy or if a computer screen is displayed. The producer shall certify in writing on a form provided by the insurer that no illustration was used in the sale of the life insurance policy. On the same form the applicant shall acknowledge an understanding that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery. The signed certification and acknowledgement that an illustration was used in the sale of the life insurance policy could not be established in the noted files.

2 Violations – Insurance Company Law, Section 408-A (e)(2)(ii) (40 P.S. §625-8)

The following applies if no illustration is used by a producer in the sale of a life insurance policy or if a computer screen illustration is displayed. Where a computer screen is used, the producer shall certify in writing on a form provided by the insurer that a computer screen illustration was displayed. Such form shall require the producer to provide, as applicable, the generic name of the policy and any riders illustrated, the guaranteed and non-guaranteed interest rates illustrated, the number of policy years illustrated, the initial death benefit, the premium amount illustrated and the assumed number of years of premiums. On the same form, the applicant shall further acknowledge that an illustration matching that which was displayed on the computer screen will be provided no later than the time the application is provided to the insurer. A copy of this signed form shall be provided to the applicant at the time it is signed. Certification by the agent and acknowledgement by the applicant that an illustration was used or provided on a computer screen could not be established in the noted files.

X. CLAIMS & CLAIMS MANUALS

The Claim review consisted of 11 general segments.

A.	Claims Manual
B.	Individual Whole Life Insurance Claims Paid
C.	Individual Term Life Insurance Claims Paid
D.	Individual Universal Life Insurance Claims Paid
E.	Individual Variable Life Insurance Claims Paid
F.	Individual Annuity Claims paid
G.	Individual Whole Life Insurance Claims Denied
H.	Individual Long-Term Care Claims Paid
I.	Individual Long-Term Care Claims Denied
J.	Group Long-Term Care Claims Paid
K.	Group Long-Term Care Claims Denied

All claim files sampled were reviewed for compliance with requirements of the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171) and Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices.

A. Claim Manuals

The Company was requested to provide copies of all procedural guidelines including all manuals, memorandums, directives and any correspondence or instructions used for processing claims during the experience period. The Company provided the following claim manuals:

Individual Life and Annuity:

- Death Claims:
 - Death Claims Full Overview (12-13-2010)
 - Death Claims Workflow v1.1 (01-21-2010)
 - EV15 Death Claim Workaround v3.1 (09-09-10)
 - Full Death Claim Procedure & Workflow V2 (09-20-10)
 - Full Death Claim Procedures & Workflow V2.1 (10-08-2010)
 - Full Death Claim Procedures & Workflow V.2.2 (11-11-2010)
 - Full Death Claim Procedures & Workflow V2.3 (11-23-2010)
 - Full Death Claim Procedures & Workflow V2.4 (12-23-2010)
 - ID Death Claim OGO Requirements
 - MIC Death Claim OGO Requirements
 - MIC MET SFG Death Claims Deferred System Procedures v1 (05-01-2009)
 - MLI MET Death Claim Overview v1.2 (3-2010)
 - MLI MET Death Claim Overview v1.3 (03-30-2010)
 - Partial Death Claim Overview v3 (07-13-2009)
 - Partial Death Claim Procedures v3 (07-13-2009)
 - Partial Death Claim Procedures v3.1 (08-04-2010)
 - Partial Death Claim Procedures v4 (09-20-2010)
 - Partial Death Claim Procedures v4.1 (10-08-2010)
 - Partial Death Claim Procedures v4.2 (11-15-2010)
 - Partial Death Claim Procedures v4.3 (12-23-2010)

- Individual Life and Annuity Claims Practices June 2008

Long-Term Care

- Claims Manual:
 - Address Change Process (R0080)

- Bed Hold Days (R0001)
- Cashed Check Request Process (R0077)
- Claims – Adjustment Delete Process (R0098)
- Claims – Batch Processing (R0063)
- Claims - Check and EOB Pulls (W0016)
- Claims – Claim Status Viewing (R0038)
- Claims – Completion of Claim Form (R0035)
- Claims – Deny Button (R0042)
- Claims – Facility Invoice Review (R0037)
- Claims – Facility TLC Entry Process (W0002)
- Claims – General Guideline Invoice Review (R0036)
- Claims – Home Care Invoice Review (W0013)
- Claims – Home Care TLC Entry Process (W0015)
- Claims – Husband and Wife Invoice Processing (R0094)
- Claims – Independent – Informal Provider Invoices (W0014)
- Claims – QA Process (W0003)
- Claims – Splitting Claims (R0093)
- Claims – Submission (R0076)
- Claims – Unlock Process (R0099)
- Denials – Claim Processing Rev 10-29-09 Ver 1.00 (R0052)
- Durable Medical Equipment (R0067)
- E.O.B. Process (R0085)
- Email Instructions for Claim Submission (R0081)
- Emergency Response System (R0066)
- EOB – Claim Approver Process (R0100)
- EOB Reprint – EOB Reprints Process Rev 02-02-10 Ver 1.00 (W0022)
- Informal Provides Process (W0040)
- Legal Documents – Legal Review (R0031)
- Overpayment Comments for Letters (R0086)

- Overpayment Procedure (R0075)
- Prebills (R0074)

The claim manuals and procedures were reviewed for any inconsistencies, which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature. No violations were noted.

B. Individual Whole Life Insurance Claims Paid

The Company was requested to provide a list of all claims paid during the experience period. The Company identified a universe of 10,257 individual whole life insurance claims paid during the experience period. A sample of 22 individual whole life insurance claims paid files were requested, received and reviewed. The claim files were reviewed to ensure compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411-B, Payment of Interest (40 P.S. §511b). The following violations were noted:

1 Violation - Title 31, Pennsylvania Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of a claim, unless the investigation cannot reasonably be completed within the time. If the investigation cannot be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. Evidence of a timely status letter could not be established in the noted file.

1 Violation - Title 31, Pennsylvania Code, Section 146.7

Within 15 working days after receipt by the insurer of properly executed proofs of loss, the first- party claimant shall be advised of the acceptance or denial of the claim by the insurer. Evidence of acceptance or denial within 15 working days could not be established in the noted file.

C. Individual Term Life Insurance Claims Paid

The Company was requested to provide a list of all claims paid during the experience period. The Company identified a universe of 60 individual term life insurance claims paid during the experience period. A random sample of 2 individual term life insurance claims paid files were requested, received and reviewed. The claim files were reviewed to ensure compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411-B, Payment of Interest (40 P.S. §511b). No violations were noted.

D. Individual Universal Life Insurance Claims Paid

The Company was requested to provide a list of all claims paid during the experience period. The Company identified a universe of 253 individual universal life insurance claims paid during the experience period. A random sample of 2 individual universal life insurance claims paid files were requested, received and reviewed. The claim files were reviewed to ensure compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411-B, Payment of Interest (40 P.S. §511b). No violations were noted.

E. Individual Variable Life Insurance Claims Paid

The Company was requested to provide a list of all claims paid during the experience period. The Company identified a universe of 64 individual variable life insurance claims paid during the experience period. A random sample of 2 individual variable life insurance claims paid files were requested, received and reviewed. The claim files were reviewed to ensure compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411-B, Payment of Interest (40 P.S. §511b). The following violation was noted:

1 Violation - Title 31, Pennsylvania Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of a claim, unless the investigation cannot reasonably be completed within the time. If the investigation cannot be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. Evidence of a timely status letter could not be established in the noted file.

1 Violation – Insurance Department Act 205, Section 5 (40 P.S. §1171.5)

(a) “Unfair Methods of Competition” and “Unfair or Deceptive Acts or Practices” in the business of insurance means:

(10) Any of the following acts if committed or performed with such frequency as to indicate a business practice shall constitute unfair claim settlement or compromise practices:

- (ii) Failing to acknowledge and act promptly upon written or oral communications with respect to claims arising under insurance policies.
- (iii) Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

- (iv) Refusing to pay claims without conducting a reasonable investigation based upon all available information.
- (v) Failing to affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed and communicated to the company or its representative. The noted violation was committed or performed with such frequency to indicate a business practice.

F. Individual Annuity Claims Paid

The Company was requested to provide a list of all claims paid during the experience period. The Company identified a universe of 1,424 individual annuity claims paid during the experience period. A random sample of 15 individual annuity claims paid files were requested, received and reviewed. The claim files were reviewed to ensure compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411-B, Payment of Interest (40 P.S. §511b). The following violations were noted:

1 Violation - Title 31, Pennsylvania Code, Section 146.5

Every insurer, upon receiving notification of a claim, shall within ten working days, acknowledge the receipt of such notice unless payment is made within such period of time. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated. Evidence of acknowledgement within 10 working days could not be established in the noted file.

4 Violations - Title 31, Pennsylvania Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of a claim, unless the investigation cannot reasonably be completed within the time. If the investigation cannot be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. Evidence of a timely status letter could not be established in the noted files.

4 Violations – Insurance Department Act 205, Section 5 (40 P.S. §1171.5)

(a) “Unfair Methods of Competition” and “Unfair or Deceptive Acts or Practices” in the business of insurance means:

(10) Any of the following acts if committed or performed with such frequency as to indicate a business practice shall constitute unfair claim settlement or compromise practices:

- (ii) Failing to acknowledge and act promptly upon written or oral communications with respect to claims arising under insurance policies.
- (iii) Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.
- (iv) Refusing to pay claims without conducting a reasonable investigation based upon all available information.
- (vi) Failing to affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed and communicated to the company or its representative. The noted violation was committed or performed with such frequency to indicate a business practice.

G. Individual Whole Life Insurance Claims Denied

The Company was requested to provide a list of all claims denied during the experience period. The Company identified a universe of 3 individual whole life insurance claims denied during the experience period. All 3 individual whole life insurance claims denied were requested, received and review. The files were reviewed to ensure compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411-B, Payment of Interest (40 P.S. §511b). The following violations were noted:

1 Violation – Title 31, Pennsylvania Code, Section 146.3

The claim files of the insurer shall be subject to examination by the Commissioner or by his appointed designees. The files shall contain notes and work papers pertaining to the claim in the detail that pertinent events and the dates of the events can be reconstructed. Evidence of pertinent information could not be established in the noted file.

1 Violation - Title 31, Pennsylvania Code, Section 146.5

Every insurer, upon receiving notification of a claim, shall within ten working days, acknowledge the receipt of such notice unless payment is made within such period of time. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated. Evidence of acknowledgement within 10 working days could not be established in the noted file.

2 Violations - Title 31, Pennsylvania Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of a claim, unless the investigation cannot reasonably be completed within the time. If the investigation cannot be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and

state when a decision on the claim may be expected. Evidence of a timely status letter could not be established in the noted files.

1 Violation - Title 31, Pennsylvania Code, Section 146.7

Within 15 working days after receipt by the insurer of properly executed proofs of loss, the first- party claimant shall be advised of the acceptance or denial of the claim by the insurer. Evidence of acceptance or denial within 15 working days could not be established in the noted file.

1 Violation - Insurance Company Law, Section 411-B (40 P.S. §511b)

(a) Life insurance death benefits not paid within thirty days after satisfactory proof of death was submitted to the insurer shall bear interest at the rate of interest payable on death benefits left on deposit by the beneficiary with the insurer. This interest shall accrue from the date of death of the insured to the date benefits are paid to the beneficiary. In cases where satisfactory proof of death is submitted more than one hundred eighty days after the death of the insured, and the death benefits are not paid within thirty days after the satisfactory proof of death was submitted to the insurer, interest shall accrue from the date on which satisfactory proof was submitted to the date on which the benefits of the policy are paid.

(b) Notwithstanding section 6 of the act of May 11, 1949 (P.L. 1210, No. 367), referred to as the Group Life Insurance Policy Law, this section shall apply to all life insurance policies except variable insurance policies.

(c) The term “left on deposit” shall mean a specific settlement option provided within the life insurance policy under which the death benefit proceeds are retained by the insurer for the beneficiary and are credited with a specific rate of interest. Evidence of the required interest payment could not be established in the noted file.

2 Violations – Insurance Department Act 205, Section 5 (40 P.S. §1171.5)

(a) “Unfair Methods of Competition” and “Unfair or Deceptive Acts or Practices” in the business of insurance means:

(10) Any of the following acts if committed or performed with such frequency as to indicate a business practice shall constitute unfair claim settlement or compromise practices:

- (ii) Failing to acknowledge and act promptly upon written or oral communications with respect to claims arising under insurance policies.
- (iii) Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.
- (iv) Refusing to pay claims without conducting a reasonable investigation based upon all available information.
- (v) Failing to affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed and communicated to the company or its representative. The noted violations were committed or performed with such frequency to indicate a business practice.

H. Individual Long-Term Care Claims Paid

The Company was requested to provide a list of all claims paid during the experience period. The Company identified a universe of 465 individual long-term care claims paid during the experience period. A random sample of 15 individual long-term care claims paid files were requested, received and reviewed. The claim files were reviewed to ensure compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411-B, Payment of Interest (40 P.S. §511b). No violations were noted.

I. Individual Long-Term Care Claims Denied

The Company was requested to provide a list of all claims denied during the experience period. The Company identified a universe of 109 individual long-term care claims denied during the experience period. A random sample of 10 files were requested, received and reviewed. The claim files were reviewed to ensure compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law. The following violations were noted:

2 Violations - Title 31, Pennsylvania Code, Section 146.5

Every insurer, upon receiving notification of a claim, shall within 10 working days, acknowledge the receipt of such notice unless payment is made within such period of time. Evidence of acknowledgement within 10 working days could not be established in the noted files.

J. Group Long-Term Care Claims Paid

The Company was requested to provide a list of all claims paid during the experience period. The Company identified a universe of 2,047 group long-term care claims paid during the experience period. A random sample of 15 group long-term care claims paid files were requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411-B, Payment of Interest (40 P.S. §511b). The following violation was noted:

1 Violation -Title 31, Pennsylvania Code, Section 146.5

Every insurer, upon receiving notification of a claim, shall within 10 working days, acknowledge the receipt of such notice unless payment is made within such period of

time. Evidence of acknowledgement within 10 working days could not be established in the noted file.

K. Group Long-Term Care Claims Denied

The Company was requested to provide a list of all claims denied during the experience period. The Company identified a universe of 77 group long-term care claims denied during the experience period. A random sample of 15 group long-term care claims denied files were requested, received and reviewed. The files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law. The following violations were noted:

4 Violations – Title 31, Pennsylvania Code, Section 146.3

The claim files of the insurer shall be subject to examination by the Commissioner or by his appointed designees. The files shall contain notes and work papers pertaining to the claim in the detail that pertinent events and the dates of the events can be reconstructed. Evidence of pertinent information could not be established in the noted files.

4 Violations - Title 31, Pennsylvania Code, Section 146.5

Every insurer, upon receiving notification of a claim, shall within 10 working days, acknowledge the receipt of such notice unless payment is made within such period of time. Evidence of acknowledgement within 10 working days could not be established in the noted files.

1 Violation - Title 31, Pennsylvania Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of a claim, unless the investigation cannot be completed within the time. If the investigation cannot be completed within 30 days, and every 45 days thereafter, the insurer shall

provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. Evidence of a timely status letter could not be established in the noted file.

2 Violations - Title 31, Pennsylvania Code, Section 146.7

Within 15 working days after receipt by the insurer of properly executed proofs of loss, the first- party claimant shall be advised of the acceptance or denial of the claim by the insurer. Evidence of acceptance or denial within 15 working days could not be established in the noted files.

6 Violations – Insurance Department Act 205, Section 5 (40 P.S. §1171.5)

(a) “Unfair Methods of Competition” and “Unfair or Deceptive Acts or Practices” in the business of insurance means:

(10) Any of the following acts if committed or performed with such frequency as to indicate a business practice shall constitute unfair claim settlement or compromise practices:

- (ii) Failing to acknowledge and act promptly upon written or oral communications with respect to claims arising under insurance policies.
- (iii) Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.
- (iv) Refusing to pay claims without conducting a reasonable investigation based upon all available information.
- (v) Failing to affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed and communicated to the company or its representative. The noted violations were committed or performed with such frequency to indicate a business practice.

XI. INTERNAL AUDIT & COMPLIANCE PROCEDURES

The Company was requested to provide copies of their internal audit and compliance procedures utilized during the experience period. The documents were requested, received and reviewed to ensure compliance with Insurance Company Law, Section 405-A (40 P.S. §625-5). Section 405-A provides for the establishment and maintenance of internal audit and compliance procedures, which provides for the evaluation of compliance with all statutes and regulations dealing with sales methods, advertising, and filing and approval requirements for life insurance and annuities. The procedures shall also provide for the following:

- (1) Periodic reviews of consumer complaints in order to determine patterns of improper practices.
- (2) Regular reporting to senior officers and the board of directors or an appropriate committee thereof with respect to any significant findings.
- (3) The establishment of lines of communication, control and responsibility over the dissemination of advertising and promotional materials, including illustrations and illustration explanations, with the requirement that such materials shall not be used without the approval by company employees whose compensation, other than generally applicable company bonus or incentive plans, is not directly linked to marketing or sales.
- (4) The laws require that each insurer shall make available for the Department's inspection upon request its internal audit and compliance procedures which are instituted as required by this section. No violations were noted.

XII. MCAS REPORTING

In Pennsylvania, insurers are required annually to submit a Market Conduct Annual Statement (MCAS) to the National Association of Insurance Commissioners (NAIC). The MCAS data is submitted in compliance with Pennsylvania Insurance Department Act, Section 903(a) [40 P.S. §323.3] which states in part, “Every company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, in its discretion, may require in order that its authorized representatives may readily verify the financial condition of the company or person and ascertain whether the company or person has complied with the laws of this Commonwealth.” The MCAS data is submitted, protected and analyzed under the referenced Pennsylvania examination law as a means to validate the continued solvency of an insurer.

The Market Conduct Data Integrity Examination was conducted pursuant to the authority granted by Section 903 and 904 (40 P.S. §323.3 and §323.4) of the Insurance Department Act and covered the Market Conduct Annual Statement (MCAS) reporting for 2010 and 2011. The review included the evaluation of the Company’s activities surrounding the accuracy and completeness of the mandatory filing of data for the MCAS report, which is used by regulators to collect claims, and underwriting data.

The Examination team reviewed the Company’s 2010 and 2011 MCAS Life and MCAS Annuity Submissions in conjunction with the Company’s procedures and source data used in compiling those submissions. In addition, the Company was requested to provide procedures for data extraction and the report generation process to support the creation of the MCAS report.

The review of the MCAS information was twofold; first to determine if the Company had Information Technology (IT) and data integrity controls in place along with policies and procedures, to ensure the validity of the MCAS data submission; and second, to determine if the 2010 and 2011 MCAS data reported was accurate and complete.

The following represents the sections reviewed during the course of the examination.

- A. 2010 MCAS Life Report
- B. 2011 MCAS Life Report
- C. 2010 MCAS Annuity Report
- D. 2011 MCAS Annuity Report
- E. MCAS Policies and Procedures; Data Extraction and Report Generation

Legal Reference: Pennsylvania Insurance Department Act, Section 904 (b) 40 P.S. §323.4 904

(b) Every company or person from whom information is sought, its officers, directors and agents must provide to the examiners appointed under subsection (a) timely, convenient and free access at all reasonable hours at its offices to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The officers, directors, employees and agents of the company or person must facilitate such examination and aid in such examination so far as it is in their power to do so. The refusal of any company, by its officers, directors, employees or agents, to submit to examination or to comply with any reasonable written request of the examiners shall be grounds for suspension or refusal of, or nonrenewal of any license or authority held by the company to engage in an insurance or other business subject to the department's jurisdiction. Any such proceedings for suspension, revocation or refusal of any license or authority shall be conducted pursuant to 2 Pa.C.S. (relating to administrative law and procedure).

MCAS Reference: The Market Conduct Annual Statement General Filing Information – Company Attestation

All companies that submit an MCAS filing must attest to the completeness and accuracy of their submission. The attestation is required once per filing period and applies to all submissions for a specific company code. No submissions will be accepted until an attestation is completed for the company.

A. 2010 MCAS Life Report

The examination team reviewed the Company's 2010 MCAS Life Submission, the supporting source documents and randomly selected files corresponding to the MCAS data call in order to determine completeness and accuracy of the information attested to by the Company in the MCAS submission. The attestation is required once per filing period and applies to all submissions for a specific company code. No submissions will be accepted until an attestation is completed for the company. Below are the interrogatories that every Pennsylvania insurer was required to complete for the 2010 MCAS Life Report. A total of 4 violations were noted.

Ln	MCAS DATA CALL
0	Does the company have data to report for this product type?
1	Number of new replacement policies applied for during period (include all replacements regardless of whether an insurance policy was actually issued)
2	Number of new replacement policies issued during period (include only the number of replacement insurance policies issued)
3	Do replacement counts provided include internal replacements?
4	Do replacement counts include policies surrendered?
5	Do replacement counts provided include policies/contracts purchased using loan proceeds from existing life policies and/or annuity contracts?
6	Do replacement counts provided include policies/contracts purchased through 1035 exchanges?
7	Does company maintain replacement register?
8	Number of in force policies with loan balance over 25% of maximum loan value as of end of reporting period
9	Number of policies surrendered during period
10	Number of partial surrenders during period
11	Does count of policies surrendered include partial surrenders?
12	Number of new 1035 exchanges coming into company during period
13	Number of new policies issued by the company during period
14	Number of policies in force at end of period (the number of active policies that the company has outstanding at the end of the reporting period)
15	Dollar amount of direct premium during period
16	Dollar amount of insurance issued during period (face amount)

17	Dollar amount of insurance in force at the end of period (face amount)
18	Number of complaints received directly from consumers
19	Number of complaints received directly from the corresponding department of insurance
20	Does the company maintain complaint register?
21	Number of death claims closed with payment, during period, within 60 days from date of due proof of loss (include claims where final decision was payment in full, and was made within 60 days from when date of due proof of loss occurred)
22	Number of death claims closed with payment, during period, beyond 60 days from date of due proof of loss (include claims where final decision was payment in full, and was NOT made within 60 days from when date of due proof of loss occurred)
23	Number of death claims denied, resisted or compromised during period (a claim is considered resisted when in dispute and not resolved on statement date)
24	Total number of death claims received during period (include any claim received during the period as determined by the first date the claim was opened on the company system)

**NUMBER OF NEW REPLACEMENT POLICIES APPLIED FOR
DURING THE PERIOD – LINE #1**

MCAS Definition – Replacement Policy - A policy and/or annuity contract application received by your Company that is intended to replace an existing policy and/or annuity contract. This would include both external and internal replacements.

The Company reported a universe of new replacement policies applied for (include all replacements regardless of whether an insurance policy was actually issued) during the experience period for MCAS report line #1. A random sample of 6 replacement policy files were requested, received and reviewed. A review was also performed of the replacement policy files provided in the Market Conduct portion of the exam to ensure that the MCAS data was inclusive of all the policies applicable to this line item. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania’s Statutes and Regulations. The following violations were noted:

1 Violation - Failure to exercise sufficient due diligence to ensure compliance with: Pennsylvania Insurance Department Act, Section 904 (b) 40 P.S. §323.4

(b) Every company or person from whom information is sought, its officers, directors and agents must provide to the examiners appointed under subsection (a) timely, convenient and free access at all reasonable hours at its offices to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The officers, directors, employees and agents of the company or person must facilitate such examination and aid in such examination so far as it is in their power to do so. The refusal of any company, by its officers, directors, employees or agents, to submit to examination or to comply with any reasonable written request of the examiners shall be grounds for suspension or refusal of, or nonrenewal of any license or authority held by the company to engage in an insurance or other business subject to the department's jurisdiction. Any such proceedings for suspension, revocation or refusal of any license or authority shall be conducted pursuant to 2 Pa.C.S. (relating to administrative law and procedure). The Company provided an inaccurate response on line #1 of the 2010 MCAS Life Submission regarding the number of new replacement policies applied for during the experience period (individual life cash value).

NUMBER OF POLICIES SURRENDERED

DURING THE PERIOD – LINE #9

MCAS Definition – Surrender Policy/Contract – A life insurance policy or annuity contract terminated at the request of the policy owner. It does not include life insurance policies or annuity contracts not taken or cancelled during the free look period. For annuities, systematic withdrawals and partial withdrawals should not be reported as “surrenders” for this statement.

The Company reported a universe of individual life cash value policies surrendered during the experience period for MCAS report line #9. A random sample of 5 surrendered policy files were requested, received and reviewed. An analysis was also conducted of the year over year variance of this line item from 2009-2011. The following violation was noted:

1 Violation - Failure to exercise sufficient due diligence to ensure compliance with: Pennsylvania Insurance Department Act, Section 904 (b) 40 P.S. §323.4

(b) Every company or person from whom information is sought, its officers, directors and agents must provide to the examiners appointed under subsection (a) timely, convenient and free access at all reasonable hours at its offices to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The officers, directors, employees and agents of the company or person must facilitate such examination and aid in such examination so far as it is in their power to do so. The refusal of any company, by its officers, directors, employees or agents, to submit to examination or to comply with any reasonable written request of the examiners shall be grounds for suspension or refusal of, or nonrenewal of any license or authority held by the company to engage in an insurance or other business subject to the department's jurisdiction. Any such proceedings for suspension, revocation or refusal of any license or authority shall be conducted pursuant to 2 Pa.C.S. (relating to administrative law and procedure). The Company provided an inaccurate response on line #9 of the 2010 MCAS Life Submission regarding the number of policies surrendered during the experience period (individual life cash value).

NUMBER OF COMPLAINTS RECEIVED DIRECTLY
FROM CONSUMERS – LINE #18

MCAS Definition – Complaint – Any written communication that expresses dissatisfaction with a specific person or entity subject to regulation under the state’s insurance laws. An oral communication, which is subsequently converted to a written form, will meet the definition of a complaint for this purpose.

The Company reported a universe of individual life cash value complaints received directly from consumers during the experience period for MCAS report line #18. A random sample of 20 complaint files received directly from consumers were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania’s Statutes and Regulations. The following violation was noted:

1 Violation - Failure to exercise sufficient due diligence to ensure compliance with: Pennsylvania Insurance Department Act, Section 904 (b) 40 P.S. §323.4

(b) Every company or person from whom information is sought, its officers, directors and agents must provide to the examiners appointed under subsection (a) timely, convenient and free access at all reasonable hours at its offices to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The officers, directors, employees and agents of the company or person must facilitate such examination and aid in such examination so far as it is in their power to do so. The refusal of any company, by its officers, directors, employees or agents, to submit to examination or to comply with any reasonable written request of the examiners shall be grounds for suspension or refusal of, or nonrenewal of any license or authority held by the company to engage in an insurance or other business subject to the department’s jurisdiction. Any such

proceedings for suspension, revocation or refusal of any license or authority shall be conducted pursuant to 2 Pa.C.S. (relating to administrative law and procedure). The Company provided an inaccurate response on line #18 of the 2010 MCAS Life Submission regarding the number complaints directly from consumers during the experience period (individual life cash value).

NUMBER OF DEATH CLAIMS CLOSED WITH PAYMENT
DURING THE PERIOD, WITHIN 60 DAYS FROM THE
DATE OF DUE PROOF – LINE 21

MCAS Definition - Claim Closed with Payment – A claim where the final decision was payment of the claim.

The Company reported a universe of death claims closed with payment within 60 day from the date of due proof of loss during the experience period for MCAS report line #21. The following violation was noted:

1 Violation - Failure to exercise sufficient due diligence to ensure compliance with: Pennsylvania Insurance Department Act, Section 904 (b) 40 P.S. §323.4

(b) Every company or person from whom information is sought, its officers, directors and agents must provide to the examiners appointed under subsection (a) timely, convenient and free access at all reasonable hours at its offices to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The officers, directors, employees and agents of the company or person must facilitate such examination and aid in such examination so far as it is in their power to do so. The refusal of any company, by its officers, directors, employees or agents, to submit to examination or to comply with any reasonable written request of the examiners shall be grounds for suspension or

refusal of, or nonrenewal of any license or authority held by the company to engage in an insurance or other business subject to the department's jurisdiction. Any such proceedings for suspension, revocation or refusal of any license or authority shall be conducted pursuant to 2 Pa.C.S. (relating to administrative law and procedure). The Company provided an inaccurate response on line #21 of the 2010 MCAS Life Submission regarding the number of death claims closed with payment within 60 days from the date of due proof of loss during the experience period.

B. 2011 MCAS Life Report

The examination team reviewed the Company's 2011 MCAS Life Submissions, the supporting source documents and randomly selected files corresponding to the MCAS data call in order to determine the completeness and accuracy of the information attested to by the Company in the MCAS submission. All companies that submit an MCAS filing must attest to the completeness and accuracy of their submission. The attestation is required once per filing period and applies to all submissions for a specific company code. No submissions will be accepted until an attestation is completed for the company. Below are the interrogatories that every Pennsylvania insurer was required to complete for the 2011 MCAS Life Report. A total of 2 violations were noted.

Line	INTERROGATORIES
0	Does the company have data to report for this product type?
1	Number of new replacement policies applied for during the period (include all replacements regardless of whether an insurance policy was actually issued)
2	Number of new replacement policies issued during the period (include only the number of replacement insurance policies issued)
3	Do the replacement counts provided include internal replacements?
4	Do the replacement counts provided include policies surrendered?
5	Do the replacement counts provided include policies/contracts purchased using loan proceeds from existing life insurance policies and/or annuity contracts?
6	Do the replacement counts provided include policies/contracts purchased through 1035 exchanges?
7	Does the company maintain a replacement register?
8	Number of in force policies with a loan balance over 25% of the maximum loan value as of the end of the reporting period
9	Number of replacement policies issued during period
10	Number of internal replacements issued during period
11	Number of external replacements issued during the period.
12	Number of policies replaced where age of insured at replacement was < 65
13	Number of policies replaced where age of insured at replacement was age 65 and over
14	Number of policies surrendered under 2 years from policy issue

15	Number of policies surrendered between 2 years and 5 years from policy issue
16	Number of policies surrendered between 6 years and 10 years from policy issue
17	Number of policies surrendered during the period
18	Number of new policies issued during the period where age of insured at issue was <65
19	Number of new policies issued during the period where age of insured at issue was age 65 and over
20	Number of new policies issued during the period
21	Number of policies in force at the end of the period
22	Dollar amount of direct written premium during the period
23	Face amount of insurance issued during the period
24	Face amount of insurance in force at the end of the period
25	Number of complaints received directly from consumers
26	Number of death claims closed with payment, during the period, within 60 days from the date of due proof of loss (include only claims where the final decision was payment in full)
27	Number of death claims closed with payment, during the period, beyond 60 days from the date of due proof of loss (include only claims where the final decision was payment in full)
28	Number of death claims denied, resisted or compromised during the period
29	Number of death claims received during the period

NUMBER OF DEATH CLAIMS CLOSED WITH PAYMENT
DURING THE PERIOD, WITHIN 60 DAYS – LINE #26

MCAS Definition - Claim Closed with Payment – A claim where the final decision was payment of the claim.

The Company reported a universe of death claim closed with payment, within 60 days from the date of due proof of loss, during the experience period for MCAS report line #26. A random sample of 2 death claims closed with payment within 60 days files were requested, received and reviewed. The files were reviewed to ensure compliance with the

Commonwealth of Pennsylvania's Statutes and Regulations. The following violation was noted:

1 Violation - Failure to exercise sufficient due diligence to ensure compliance with: Pennsylvania Insurance Department Act, Section 904 (b) 40 P.S. §323.4

(b) Every company or person from whom information is sought, its officers, directors and agents must provide to the examiners appointed under subsection (a) timely, convenient and free access at all reasonable hours at its offices to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The officers, directors, employees and agents of the company or person must facilitate such examination and aid in such examination so far as it is in their power to do so. The refusal of any company, by its officers, directors, employees or agents, to submit to examination or to comply with any reasonable written request of the examiners shall be grounds for suspension or refusal of, or nonrenewal of any license or authority held by the company to engage in an insurance or other business subject to the department's jurisdiction. Any such proceedings for suspension, revocation or refusal of any license or authority shall be conducted pursuant to 2 Pa.C.S. (relating to administrative law and procedure). The Company provided an inaccurate response to line #26 of the 2011 MCAS Life Submission regarding the number of death claims closed with payment, within 60 days from the date of due proof of loss, during the experience period.

NUMBER OF DEATH CLAIMS RECEIVED
DURING THE PERIOD – LINE #29

MCAS Definition - Claim – A request or demand for payment of a loss that may be included within the terms of coverage of an insurance policy. Claims with multiple beneficiaries should be counted as one claim. If a single insured dies and has multiple

policies (for individual life products), a claim should be reported for each of the insured's policies, (for example, if an insured had 3 individual life policies (2 cash value products and one non-cash value product), 3 claims would be reported (2 claims under schedule 1 and 1 claim under schedules 2).

The Company reported a universe of death claims received during the experience period for MCAS report line #29. The following violation was noted:

1 Violation - Failure to exercise sufficient due diligence to ensure compliance with: Pennsylvania Insurance Department Act, Section 904 (b) 40 P.S. §323.4

(b) Every company or person from whom information is sought, its officers, directors and agents must provide to the examiners appointed under subsection (a) timely, convenient and free access at all reasonable hours at its offices to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The officers, directors, employees and agents of the company or person must facilitate such examination and aid in such examination so far as it is in their power to do so. The refusal of any company, by its officers, directors, employees or agents, to submit to examination or to comply with any reasonable written request of the examiners shall be grounds for suspension or refusal of, or nonrenewal of any license or authority held by the company to engage in an insurance or other business subject to the department's jurisdiction. Any such proceedings for suspension, revocation or refusal of any license or authority shall be conducted pursuant to 2 Pa.C.S. (relating to administrative law and procedure). The Company provided an inaccurate response to line #29 of the 2011 MCAS Life Submission regarding the number of death claims received during the experience period.

C. 2010 MCAS Annuity Report

The examination team reviewed the Company’s 2010 MCAS Annuity Submissions, the supporting source documents and randomly selected files corresponding to the MCAS interrogatories in order to determine completeness and accuracy of the information attested to by the Company in the MCAS submission. All companies that submit an MCAS filing must attest to the completeness and accuracy of their submission. The attestation is required once per filing period and applies to all submissions for a specific company code. No submissions will be accepted until an attestation is completed for the company. Below are the interrogatories that every Pennsylvania insurer was required to complete for the 2010 MCAS Annuity Report. A total of 1 violation was noted.

Line	INTERROGATORIES
0	Does the company have data to report for this product type?
1	Number of new replacement contracts applied for during the period (include all replacements regardless of whether an annuity contract was actually issued)
2	Number of new replacement contracts issued during the period (include only the number of replacement contracts issued)
3	Do replacement counts include internal replacements?
4	Do replacement counts provided include policies/contracts purchased using loan proceeds from existing life policies and/or annuity contracts?
5	Do replacement counts provided include policies/contracts purchased through 1035 exchanges?
6	Does the company maintain a replacement register?
7	Number of contracts surrendered during the period
8	Number of new 1035 exchanges coming into company during period
9	Number of new contracts issued by the company during period
10	Number of contracts in force at the end of the period (the number of active contracts that the company has outstanding at the end of the reporting period)
11	Dollar amount of annuity considerations during the period
12	Number of complaints received directly from consumers
13	Number of complaints received directly from corresponding department of insurance
14	Does company maintain complaint register?

NUMBER OF NEW REPLACEMENT CONTRACTS ISSUED
DURING THE PERIOD – LINE #2

MCAS Definition – Replacement Policy - A policy and/or annuity contract application received by your Company that is intended to replace an existing policy and/or annuity contract. This would include both external and internal replacements.

The Company reported a universe of new replacement contracts issued during the experience period (include only the number of annuity contract issued) for MCAS report line #2. A random sample of 5 replacement contract files were requested, received and reviewed. A review was also performed of the replacement contract files provided in the Market Conduct portion of the exam to ensure that the MCAS data was inclusive of all the policies applicable to this line item. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania’s Statutes and Regulations. The following violation was noted:

1 Violation - Failure to exercise sufficient due diligence to ensure compliance with: Pennsylvania Insurance Department Act, Section 904 (b) 40 P.S. §323.4

(b) Every company or person from whom information is sought, its officers, directors and agents must provide to the examiners appointed under subsection (a) timely, convenient and free access at all reasonable hours at its offices to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The officers, directors, employees and agents of the company or person must facilitate such examination and aid in such examination so far as it is in their power to do so. The refusal of any company, by its officers, directors, employees or agents, to submit to examination or to comply with any reasonable written request of the examiners shall be grounds for suspension or refusal of, or nonrenewal of any license or authority held by the company to engage in an insurance or other business subject to the department’s jurisdiction. Any such

proceedings for suspension, revocation or refusal of any license or authority shall be conducted pursuant to 2 Pa.C.S. (relating to administrative law and procedure). The Company provided an inaccurate response on line #2 of the 2010 MCAS Annuity Submission regarding the number of new replacement contracts issued during the experience period (individual variable annuity).

D. 2011 MCAS Annuity Report

The examination team reviewed the Company's 2011 MCAS Annuity Submissions, the supporting source documents and randomly selected files corresponding to the MCAS interrogatories in order to determine completeness and accuracy of the information attested to by the Company in the MCAS submission. The attestation is required once per filing period and applies to all submissions for a specific company code. No submissions will be accepted until an attestation is completed for the company. Below are the interrogatories that every Pennsylvania insurer was required to complete for the 2011 MCAS Annuity Report. No violations were noted.

Line	INTERROGATORIES
1	Individual Fixed Annuities - Does the company have data to report for this product type?
2	Individual Variable Annuities - Does the company have data to report for this product type?
3 /4	Is there a reason that the reported Individual Fixed Annuities information may identify the company as an outlier or be substantially different from previously reported data (such as assuming blocks of business; shifting market strategies; underwriting changes, etc)?
5 /6	Is there a reason that the reported Individual Variable Annuities information may identify the company as an outlier or be substantially different from previously reported data (such as assuming blocks of business; shifting market strategies; underwriting changes, etc)?
7	Additional state specific Individual Fixed Annuities comments (optional)
8	Additional state specific Individual Variable Annuities comments (optional):
9	Number of replacement contracts issued during the period
10	Number of internal replacement contracts issued during the period
11	Number of external replacement contracts issued during the period
12	Number of contracts replaced where age of annuitant at replacement was < 65
13	Number of contracts replaced where age of annuitant at replacement was age 65 to 80
14	Number of contracts replaced where age of annuitant at replacement was > 80
15	Number of new immediate contracts issued during the period
16	Number of new deferred contracts issued during the period where age of annuitant

	was > 65
17	Number of new deferred contracts issued during the period where age of annuitant was 65 to 80
18	Number of new deferred contracts issued during the period where age of annuitant was > 80
19	Number of new deferred contracts issued during the period
20	Number of contracts surrendered under 2 years from policy issue
21	Number of contracts surrendered between 2 years and 5 years from policy issue
22	Number of contracts surrendered 6 years and 10 years from policy issue
23	Number of contracts surrendered during the period
24	Number of contracts in force at the end of the period
25	Dollar amount of annuity considerations during the period
26	Number of complaints received directly from consumers

E. MCAS Polices and Procedures; Data Extraction and Report Generation

The examination team reviewed the Company's 2010 and 2011 MCAS IT and data integrity controls, source documents and its general MCAS policies and procedures to determine if the Company had policies and procedures in place to ensure its compliance with the MCAS reporting requirements. 1 violation was noted:

1 Violation - Failure to exercise sufficient due diligence to ensure compliance with: Pennsylvania Insurance Department Act, Section 904 (b) 40 P.S. §323.4

(b) Every company or person from whom information is sought, its officers, directors and agents must provide to the examiners appointed under subsection (a) timely, convenient and free access at all reasonable hours at its offices to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The officers, directors, employees and agents of the company or person must facilitate such examination and aid in such examination so far as it is in their power to do so. The refusal of any company, by its officers, directors, employees or agents, to submit to examination or to comply with any reasonable written request of the examiners shall be grounds for suspension or refusal of, or nonrenewal of any license or authority held by the company to engage in an insurance or other business subject to the department's jurisdiction. Any such proceedings for suspension, revocation or refusal of any license or authority shall be conducted pursuant to 2 Pa.C.S. (relating to administrative law and procedure). The Company's informal policies and procedures related to the MCAS reporting process during the experience period did not provide the Company the ability to ensure the accuracy of the data reported in the 2010 and 2011 MCAS submissions.

Department Concern:

The Company should implement formal standardized policies and procedures for preparing and validating the MCAS submission data. The Company should take the necessary steps to resolve the following issues, which impact its ability to produce complete and accurate MCAS, report submissions:

- The absence of formal documentation for the MCAS process, which indicates who is responsible for each area of the MCAS reporting process, when it is performed, and how the report is finalized.
- The lack of a formal validation process between the data queries relied on for MCAS reporting and the reported values, and evidence to support reported items and validation of reported items (i.e. checklists, use of control totals, retained datasets).
- The Company should implement procedures to retain all information and data to support the MCAS Report transmission to comply with record retention guidelines rather than relying on efforts to recreate the data.

XIII. RECOMMENDATIONS

The recommendations made below identify corrective measures the Department finds necessary as a result of the number of some violations, or the nature and severity of other violations, noted in the Report.

1. The Company must review and revise procedures to ensure all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the Company are maintained in such manner and for such period of time to ensure compliance with Section 903 of the Insurance Department Act of 1921 (40 P.S. §323.3).
2. The Company must review and revise procedures to ensure compliance with Section 904 of the Insurance Department Act of 1921 (40 P.S. §323.4).
3. The Company must review and revise procedures to ensure compliance with the requirements of the Insurance Department Act of 1921 “Unfair Methods of Competition” and “Unfair or Deceptive Acts or Practices” in the business of Insurance Act 205, Section 5 (40 P.S. §1171.5).
4. The Company must review and revise licensing procedures to ensure compliance with Section 671-A of the Insurance Department Act of 1921 (40 P.S. §310.71).
5. The Company must review and revise procedures to ensure compliance with the policy delivery receipt requirements of Section 404-A of the Insurance Company Law (40 P.S. §625-4).

6. The Company must review and revise procedures to ensure compliance with the Illustration requirements of Section 408-A of the Insurance Company Law (40 P.S. §625-8).
7. The Company must review and revise procedures to ensure compliance with the “free look” requirements of Section 410-D (a) (2) of the Insurance Company Law (40 P.S. §510c).
8. The Company must review and revise procedures to ensure compliance with the “free look” requirements of Section 410-E of the Insurance Company Law (40 P.S. §510d).
9. The Company must review and revise procedures to ensure compliance with the policy loan interest rate notification requirements of Section 410-F of the Insurance Company Law (40 P.S. §510e (C) (5)(i)(ii)).
10. The Company must review and revise procedures to ensure compliance with the payment of benefits requirements of Section 411-B of the Insurance Company Law (40 P.S. §511b).
11. The Company must review and revise procedures to ensure compliance with the replacement requirements of Title 31, Pennsylvania Code, Chapter 81.
12. The Company must review and revise procedures to ensure compliance with the long-term care unintentional lapse, replacement, policy delivery and shoppers guide requirements of Title 31, Pennsylvania Code, Chapter 89a.
13. The Company must review and revise procedures to ensure compliance with the unfair claims settlement practices of Title 31, Pennsylvania Code, Chapter 146.

XIV. COMPANY RESPONSE

Metropolitan Life Insurance Company
501 Boylston Street
Boston, MA 02116



Michael J. Lacek
Associate General Counsel

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By Federal Express and Electronic Mail

September 17, 2013

Yonise Roberts Paige, Chief
Market Actions Bureau
Life and Health Division
Pennsylvania Insurance Department
1321 Strawberry Square
Harrisburg, PA 17120

RE: Metropolitan Life Insurance Company
Examination Warrant Number: 12-M24-009

Dear Ms. Paige:

Metropolitan Life Insurance Company ("MetLife" or the "Company") has received your letter, dated August 28, 2013 together with the Report of Examination of the Company (the "Report"). The Company acknowledges and appreciates this opportunity to respond to the findings and recommendations set forth in the Report.

MetLife takes its obligation to comply with all applicable laws and regulatory authority seriously. In that connection, we are pleased that the Report found no violations based upon the examiners' review of Company Operations and Management, Marketing and Sales, Consumer Complaints, Internal Audit and Compliance as well as specific areas of the Company's underwriting and claims handling procedures. We are committed to being a world-class, customer centric company and consider this examination an opportunity to work with our regulators toward that objective.

The Company therefore acknowledges and appreciates that the Department also has identified areas for improvement, for example our procedures related to illustrations and replacements. We take the Department's recommendations with respect to these matters seriously and are discussing these findings and recommendations with the appropriate business personnel in order to determine and implement appropriate corrective action.

As we have discussed, there are a number of instances where the Company respectfully does not agree that the facts underlying the findings in the Report support the violations alleged. In particular, the Company disagrees that the isolated instances of noncompliance cited in support of the alleged

violations of the Unfair Insurance Practices Act (40 P.S. Section 1171.5) rise to the level of a "business practice" as required by the statute.

A significant amount of time and resources during the examination were devoted to rigorous scrutiny by the examiners of the data provided by the Company in response to the 2010 and 2011 MCAS. A number of the violations alleged in the Report are based on inadvertent errors in the data reported. As we have advised the Department, these errors generally were attributable to the limitations of our many administrative systems. At no time, did the Company intentionally provide the Department with inaccurate data. Nevertheless, the Company will perform a thorough review of its policies and procedures with respect to the collection and reporting of MCAS data and take appropriate actions to ensure that, to the best of its ability, the data produced in the future is accurate.

MetLife appreciates the opportunity to respond to the exam report and would like to thank the Department for its time and assistance on these issues. We are always available to discuss further any questions or comments that you may have.

Sincerely,

A handwritten signature in blue ink that reads "Michael J. Lacek". The signature is fluid and cursive, with the first name being the most prominent.

Michael J. Lacek