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INSURANCE DEPARTMENT
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ADMIN HEARINGS OFFICE

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE:	:	VIOLATIONS:
	:	
SECURITY LIFE OF DENVER	:	Sections 354, 405-A, 408-A(e)(1)(ii) and 412 of
INSURANCE COMPANY	:	the Insurance Company Law, Act of May 17,
1290 Broadway	:	1921, P.L. 682, No. 284 (40 P.S. §§477b, 625-5,
Denver, CO 80203	:	625-8, and 512)
	:	
RELIASTAR LIFE	:	Section 671-A of Act 147 of 2002 (40 P.S.
INSURANCE COMPANY	:	§310.71) Title 31, Pennsylvania Code, Sections
20 Washington Avenue	:	81.6(a)(2)(i), (ii), 83.3(a), and 146.5(c)
Minneapolis, MN 55401	:	
	:	
RELIASTAR LIFE	:	Section 5 (a)(1) of the Act of July 22, 1974 (P.L.)
INSURANCE COMPANY	:	589, No 205 (40 P.S. §1171.5(a)(1)).
OF NEW YORK	:	
1000 Woodbury Road, Suite 208	:	Title 18, Pennsylvania Consolidated Statutes,
Woodbury, NY 11797	:	Section 4117(k)
	:	
	:	
	:	
	:	Docket No. MC 13-10-006
	:	
	:	
	:	
Respondents :	:	

CONSENT ORDER

AND NOW, this 15th day of, October 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. Respondents hereby admit and acknowledge that they have received proper notice of their rights to a formal administrative hearing pursuant to the Administrative Agency Law, 2 Pa.C.S. § 101, et seq., or other applicable law.

2. Respondents hereby waive all rights to a formal administrative hearing in this matter, and agree 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. Respondents neither admit nor deny the Findings of Fact or Conclusions of Law contained herein. Respondents deny violating any Pennsylvania Law or Regulation.

4. Respondents 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) Respondents are Security Life of Denver Insurance Company ("SLD"), Denver CO, Reliastar Life Insurance Company, Minneapolis, MN and Reliastar Life Insurance Company of New York, Woodbury, NY.

(b) The Insurance Department conducted a market conduct examination of SLD, covering the period from January 1, 2004 to December 31, 2011. While the Insurance Department did not conduct market conduct examinations of all Respondents, this Consent Order applies to each of the Respondents by stipulation of the parties.

(c) The market conduct examination revealed the following findings: that, in certain instances,

- (i) Respondents failed to ensure that forms used with Pennsylvania residents were submitted and approved by the Insurance Department prior to use;
- (ii) Respondents failed to maintain internal audit and compliance procedures related to illustrations and illustration explanations;
- (iii) Respondents failed to ensure, for policies issued other than as applied for, that revised basic illustrations conforming to the policies as issued and labeled as a "Revised Illustration," were provided to policy owners;
- (iv) Respondents failed to exercise proper due diligence to determine insurable interest when underwriting certain life insurance policies;
- (v) Respondents failed to file notices of appointment and submit appointment fees to the Insurance Department for certain producers and agencies;
- (vi) Respondents failed to obtain from the broker or agent a copy of the Notice Regarding Replacement of Life Insurance and Annuities to certain applicants at the time of application;
- (vii) When replacing other insurers' business, Respondents failed to send letters advising the existing insurers of replacement within five working days of the date of the applications;
- (viii) Respondents provided prospective purchasers with required illustrations but failed to provide such purchasers with certain other required information at the point of sale;
- (ix) Respondents failed to maintain procedures providing for a reply to a complaint communication within 10 working days from a claimant;
- (x) Respondents failed to exercise proper due diligence relative to the financial condition of applicants for insurance when underwriting new policies;

- (xi) Respondents failed to exercise proper due diligence in determining insureds' disadvantages when replacing existing life insurance policies;
 - (xii) Respondents failed to ensure that all applications for insurance and all claim forms contained, or had attached thereto, the required fraud notice.
- (d) The market conduct examination revealed the following violations:
- (i) 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;
 - (ii) Section 405-A of the Insurance Company Law (40 P.S. § 625-5), which states that every insurer shall institute and maintain internal audit and compliance procedures which provide for the evaluation of compliance with all statutes and regulations dealing with, amongst other matters, the dissemination of advertising materials including illustrations and illustration explanations;
 - (iii) Section 408-A(e)(1)(ii) of the Insurance Company Law, No. 284 (40 P.S. § 625-8), which states that if the policy is issued other than as applied for, a revised basic illustration conforming to the policy as issued shall be mailed or delivered with the policy. The revised illustration shall conform to the requirements for basic illustrations contained in this act and shall be labeled "Revised Illustration." The statement shall be signed and dated by the policy owner and producer 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;

- (iv) Section 412 of the Insurance Company Law, No. 284 (40 P.S. §512), which prohibits a policy of life insurance to be delivered except upon the application of the person insured. A person liable for the support of a child may take out a policy of insurance on such child; and persons, co-partnerships, associations and corporations may insure the lives and health of officers, directors, principals, partners and employees, without the signing of a personal application as required;
- (v) 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;
- (vi) Title 31, Pennsylvania Code, Sections 81.6(a)(2)(i) which states that an insurer shall require an agent to provide a copy of the replacement notice to the applicant and 81.6(a)(2)(ii), which states that 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 five 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;
- (vii) Title 31, Pennsylvania Code, Section 83.3(a) which requires a written disclosure statement containing the information identified in (1), (2), (3), (4),

(5), (6) and (7) therein, describing the purpose and importance of the disclosure and the significant elements of the policy and riders being offered and which also constitutes a violation of Section 5(a)(1)(iv) of the Unfair Insurance Practices Act, (40 P.S. §1171.5(a)(1)(iv)), which prohibits making, publishing, issuing or circulating any estimate, illustration, circular, statement, sales presentation, omission comparison which is misleading or is a misrepresentation as to the financial condition of any person, or as to the legal reserve system upon which any insurer operates;

- (viii) Title 31, Pennsylvania Code, Section 146.5(c), which states that an appropriate reply shall be made within 10 working days on all other pertinent communications from a claimant which reasonably suggest that a response is expected;
- (ix) Section 5(a)(1)(iv) of the Unfair Insurance Practices Act, (40 ; P.S. §1171.5(a)(1)(iv)), which prohibits making, publishing, issuing or circulating any estimate, illustration, circular, statement, sales presentation, omission comparison which is misleading or is a misrepresentation as to the financial condition of any person, or as to the legal reserve system upon which any insurer operates;
- (x) Title 18, Pennsylvania Consolidated Statutes, Section 4117(k), which requires that all applications for insurance and all claim forms shall contain or have attached thereto the following notice: "Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information."

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) Respondents are subject to the jurisdiction of the Pennsylvania Insurance Department.

(b) 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 Respondents;
- (ii) refusal, for a period not to exceed one year thereafter, to issue a new license to Respondents;
- (iii) imposition of a fine of not more than one thousand dollars (\$1,000.00) for each act in violation of the Act.

(c) Violations of Sections 405-A, 408-A and 412 of the Insurance Company Law, No. 284 (40 P.S. §§625-5, 625-8 and 512) 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.

(d) Violations of 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 any other conditions as the commissioner deems appropriate.
- (e) 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 or 473. 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) Violations of Title 31, Pennsylvania Code, Chapter 83 are punishable under Title 31, Pennsylvania Code, Section 83.6:
- (i) For failing to insure adequate disclosure of basic information, after a hearing, a company may be subject to the penalties provided under 40 P.S. § 475, for violations of 40 P.S. §§ 472 or 473. In addition, failure to make the disclosure outlined in this subchapter may be considered a violation of 40 P.S. §§ 1171.1 through 1171.15.

(g) Violations of Title 31, Pennsylvania Code, Section 146.5 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 the 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 Pennsylvania Insurance Department orders and Respondent consents to the following:

- (a) Respondents shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.

- (b) Respondents shall file an affidavit stating under oath that it will provide each of its directors, at the next scheduled directors meeting, a copy of this Order. Such affidavit shall be submitted within thirty (30) days of the date of this Order.
- (c) SLD shall pay \$104,000, ReliaStar Life Insurance Company shall pay \$104,000 and ReliaStar Life Insurance Company of New York shall pay \$10,000 to the Pennsylvania Insurance Department in settlement of all violations cited above. SLD shall pay \$32,000 for reimbursement to the Department for costs and expenditure of resources associated with the exam.
- (d) Respondents shall make payment by issuing a check payable to the Pennsylvania Insurance Department. Payment should be directed to Cherie L. Leese, Bureau of Market Actions, 1321 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.
- (e) With regard to the violation of law in section 4(d)(iv) of this Consent Order related to the sale, solicitation, and placement of life insurance policies and coverage, within 180 days, Respondents shall develop and implement a comprehensive corrective action plan to (i) consistently and uniformly enforce all standards and procedures relating to the detection and prevention of policies or coverage that lack the prerequisite insurable interest under Pennsylvania law and (ii) develop necessary communications, training, monitoring and enforcement of such plan.

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, Respondents 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.

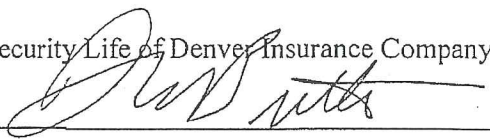
11. Respondents hereby expressly waive any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

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.

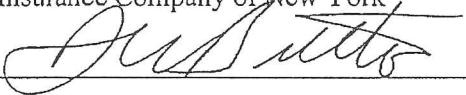
RESPONDENTS

Security Life of Denver Insurance Company

BY: 

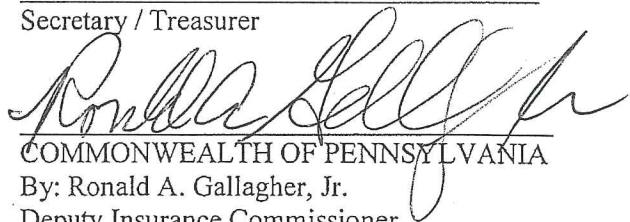
President

ReliaStar Life Insurance Company and ReliaStar Life Insurance Company of New York

BY: 

President

Secretary / Treasurer


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