

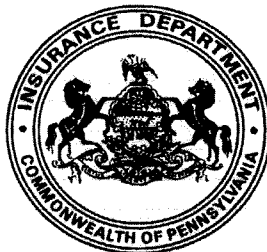
**REPORT OF
MARKET CONDUCT EXAMINATION
OF**

**AMERICAN GENERAL ASSURANCE
COMPANY**

Schaumburg, Illinois

**AS OF
April 17, 2006**

COMMONWEALTH OF PENNSYLVANIA



**INSURANCE DEPARTMENT
MARKET CONDUCT DIVISION**

Issued: June 15, 2006

AMERICAN GENERAL ASSURANCE COMPANY

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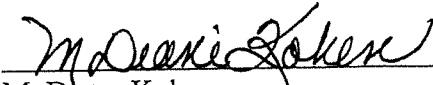
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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

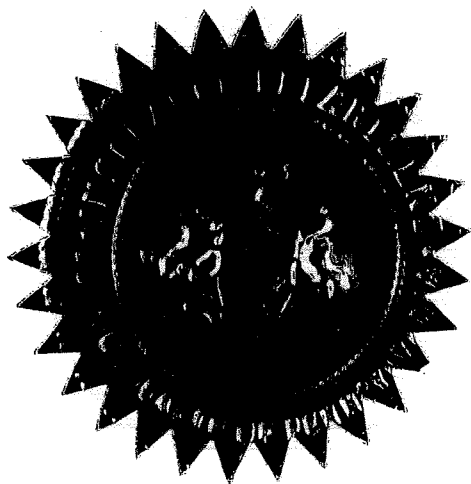
IN RE: The Act of April 9, 1929, P.L. 177, No. 175, known as The
Administrative Code of 1929

AND NOW, this 29 day of April, 2002, Randolph L.

Rohrbaugh, Deputy Insurance Commissioner, is hereby designated as the
Commissioner's duly authorized representative for purposes of entering in and executing
Consent Orders. This delegation of authority shall continue in effect until otherwise
terminated by a later Order of the Insurance Commissioner.



M. Diane Koken
Insurance Commissioner



American General Assurance
Company

Docket No.
MC06-05-035

Market Conduct Examination as of the
close of business on April 17, 2006

ORDER

A market conduct examination of American General Assurance Company was conducted in accordance with Article IX of the Insurance Department Act, 40 P.S. § 323.1, et seq., for the period July 1, 2003 through June 30, 2004. The Market Conduct Examination Report disclosed exceptions to acceptable company operations and practices. Based on the documentation and information submitted by Respondent, the Department is satisfied that Respondent has taken corrective measures pursuant to the recommendations of the Examination Report.

It is hereby ordered as follows:

1. The attached Examination Report will be adopted and filed as an official record of this Department. All findings and conclusions resulting from the review of the Examination Report and related documents are contained in the attached Examination Report.

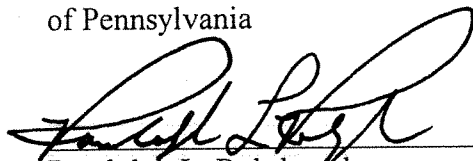
2. Respondent shall comply with Pennsylvania statutes and regulations.

3. Respondent shall comply with all recommendations contained in the attached Report.

4. 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.

The Department, pursuant to Section 905(e)(1) of the Insurance Department Act (40 P.S. § 323.5), will continue to hold the content of the Examination Report as private and confidential information for a period of thirty (30) days from the date of this Order.

BY: Insurance Department of the Commonwealth
of Pennsylvania



Randolph L. Rohrbaugh
Deputy Insurance Commissioner

(June 15, 2006)

I. INTRODUCTION

The Market Conduct Examination was conducted on American General Assurance Company; hereafter referred to as "Company," at the Company's offices located in Neptune, New Jersey, July 12, 2005, through September 30, 2005. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

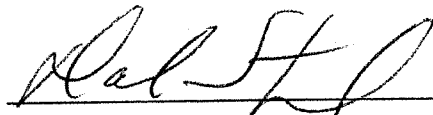
Pennsylvania Market Conduct Examination Reports generally note only those items, to which the Department, after review, takes exception. A violation is any instance of Company activity that does not comply with an insurance statute or regulation.

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.

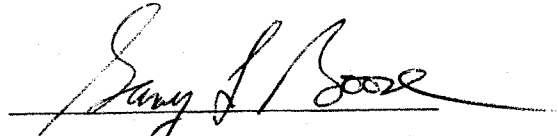
Throughout the course of the examination, Company officials were provided status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials 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.

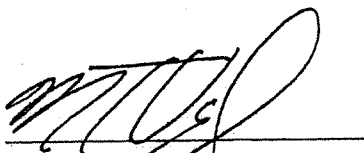
The undersigned participated in the Examination and in the preparation of this Report.

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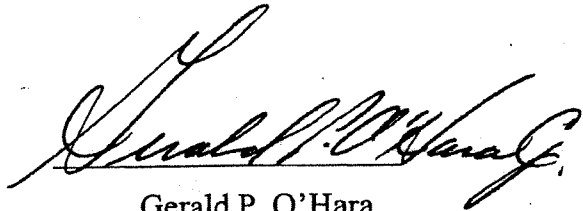
Daniel Stemcosky, AIF, FLMI
Market Conduct Division Chief

A handwritten signature in black ink, appearing to read 'Gary L. Boose', written over a horizontal line.

Gary L. Boose, LUTC
Market Conduct Lead Examiner

A handwritten signature in black ink, appearing to read 'Michael T. Vogel', written over a horizontal line.

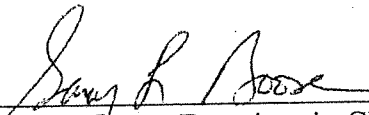
Michael T. Vogel
Market Conduct Examiner

A handwritten signature in black ink, appearing to read 'Gerald P. O'Hara', written over a horizontal line.

Gerald P. O'Hara
Market Conduct Examiner

Verification

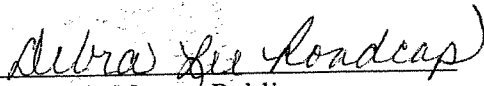
Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).



Gary L. Boose, Examiner in Charge

Sworn to and Subscribed Before me

This 7th Day of April, 2006



Notary Public
COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
DEBRA LEE ROADCAP, Notary Public
Wayne Township, Dauphin County
My Commission Expires Sept. 28, 2008

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 July 1, 2003, through June 30, 2004, unless otherwise noted. The purpose of the examination was to determine compliance by the Company with Pennsylvania insurance laws and regulations.

The examination focused on the Company's operation in areas such as: Advertising, Consumer Complaints, Forms, Producer Licensing, Underwriting Practices and Procedures, Rating and Claim Handling 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

American General Assurance Company commenced business on February 1, 1930, and was incorporated under the laws of the State of Illinois on November 21, 1929. The Company received its certificate of authority to operate in the Commonwealth of Pennsylvania on March 27, 1963. The Company is authorized to do business in all states and the District of Columbia with the exception of New York.

The original title of the company was Reliance Mutual Life Insurance Company of Illinois. In 1962, the Company was reincorporated as a stock company, and in 1964 the name was changed to Reliance Life Insurance Company of Illinois. In 1973, the name of USLIFE Credit Life Insurance Company was adopted. On June 17, 1997, the Company's parent, USLIFE Corporation was purchased by American General Corporation, and in 1998 the name was changed to its current name, American General Assurance Company (AGAC). AGAC is an indirect wholly owned subsidiary of the American International Group, Inc. (AIG).

AGAC's Statutory Home Office is located at 1000 Woodfield Road, Schaumburg, IL, 60173-4793. The Main Administrative Office is located at 3600 Route 66 East, Neptune, NJ 07753.

The Company offers a variety of insurance coverages including credit life, and disability, mortgage life and disability, group life, accidental death and dismemberment (AD&D), individual (Franchise) disability and group accident and health.

As of the 2004 annual statement for Pennsylvania, the Company reported direct premium for credit ordinary and group life insurance in the amount of \$5,423,928; and direct premium for accident and health insurance in the amount of \$5,585,695.

IV. ADVERTISING

Title 31, Pennsylvania Code, Section 51.2(c) provides that “Any advertisements, whether or not actually filed or required to be filed with the Department under the provisions of this Regulation may be reviewed at any time at the discretion of the Department.” The Department, in exercising its discretionary authority for reviewing advertising, requested the Company to provide copies of all advertising materials used for solicitation and sales during the experience period.

The Company provided 150 pieces of advertising utilized in the Commonwealth during the experience period. The advertising consisted of: Direct Mailers/Applications, Telemarketing Scripts, Brochures, News Paper/Magazine Advertisements, Flyers, Envelopes, Trade Publication Advertisements, a CD Sleeve, as well as the Company’s Web Page. The advertising materials and the Company’s web site were reviewed to ascertain 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 and Chapter 89.

The following violations were noted:

5 Violations – Title 18, Pennsylvania Consolidated Statutes, Section 4117(k)

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 concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil

penalties.” The following forms did not contain or have attached the required fraud statement.

Form Type	Form Number	Form Description
Mailer/App	MD171	Mortgage Protection
Mailer/App	AG43012	Simplified Issue Disability Income
Mailer/App	AG-43012	Application For Disability Income Insurance
Mailer/App	4040301	Decreasing Accidental Death Enrollment Form
Mailer/App	R 11/03 M3502	Accidental Death Insurance

V. 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.

4 Violations – Insurance Department Act, Section 903 (40 P.S. §323.3)

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 ascertain whether the company or person has complied with the laws of this Commonwealth. The following forms were not provided for review.

FORM NAME	FORM NUMBER
Application for Group Insurance	MD-197
Group Mortgage Disability Policy	MD-299PA
Individual Application	MD-126
Notice	N-1187

3 Violations - Title 31, Pennsylvania Code, Section 73.136

Approval of forms and rates. Individual policies, group policies, group certificates, notices of proposed insurance, applications for insurance, endorsements and riders delivered or issued for delivery in this Commonwealth and premium rates and formulas used in this Commonwealth shall be filed with the Commissioner for approval in accordance with section 7 of the act (40 P.S. §1007.7). The following forms were not filed and approved by the Department.

FORM NAME	FORM NUMBER
Individual Application - Increased Balance	189X38(IB) (R7/97)
Individual Application (CAP) (Forum)	E1002X38
Individual Application (CAP) (Forum) (for TransAmerica)	E1006

VI. PRODUCER LICENSING

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 provided a list of 187 active and 27 terminated producers. The entire list was compared to departmental records of producers to verify appointments, terminations and licensing. In addition, a comparison was made on the producers identified on applications reviewed in the policy issued sections of the exam. The following violations were noted:

7 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 insurer appoints the insurance producer. An insurance producer is not required to be appointed when not acting as a representative of an insurer.

(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 \$12.50 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 following individuals/entities were listed as producers on 7 applications reviewed in the policy issued sections of the exam. Department records do not identify these individuals/entities as being appointed by the Company.

PRODUCER'S NAME	ISSUE DATE
Clayton Porter	11/24/03
First Service Group	11/18/03
First Service Group	01/21/04
First Service Group	04/08/04
First Service Group	05/06/04
First Service Group	06/23/04
First Service Group	10/19/04

7 Violations – Insurance Department Act, No. 147, Section 671.1-A

(40 P.S. §310.71a) Termination of Appointments

(a) Termination. - An insurer which terminates an appointment pursuant to section 671-A(d) shall notify the department in writing on a form approved by the department, or through an electronic process approved by the department, within 30 days following the effective date of the termination.

(b) Reason for termination. – If the reason for the termination was a violation of this act or if the insurer had knowledge that the licensee was found to have engaged in any activity prohibited by this act, the insurer shall inform the department in the notification.

The following 7 producers were listed as terminated by the Company but not reported as terminated to the Department. Department records indicate active appointment status for the lines of insurance coverage listed in the last column of the table shown below.

LAST NAME	FIRST NAME	STATE	ACTIVE DATE	ACTIVE STATUS
BERGER	RICHARD	FL	04/09/2003	CREDIT LIFE, CREDIT A/H
CLAYTON	ANGELA	FL	09/25/2003	CREDIT LIFE, CREDIT A/H
DESANTIS	MARIAN	PA	11/17/2003	CREDIT LIFE, CREDIT A/H
KNOX	ROBERT	PA	10/28/2002	CREDIT LIFE, CREDIT A/H
LEHMER	DONALD	PA	11/20/2002	CREDIT LIFE, CREDIT A/H
MASCHUE	CASEY	PA	11/11/2002	CREDIT LIFE, CREDIT A/H
PROUTY	JACKSON	NY	11/17/2003	CREDIT LIFE, CREDIT A/H

1 Violation –Insurance Department Act, No. 147, Section 641.1-A

(40 P.S. §310.41a)

(a) Any insurance entity or licensee accepting applications or orders for insurance or securing any insurance business that was sold, solicited or negotiated by any person acting without an insurance producer license shall be subject to civil penalty of no more than \$5000 per violation in accordance with this act. This section shall not prohibit an insurer from accepting an insurance application directly from a consumer or prohibit the payment or receipt of referral fees in accordance with this act.

(b) A person that violates this section commits a misdemeanor of the third degree.

The following individual was listed as a producer on an application reviewed in the policy issued section of the exam; however, Department records do not identify the individual as holding a Pennsylvania insurance license.

NAME	ISSUE DATE
Clayton Porter	11/24/03

VII. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of consumer complaint logs for 2001, 2002, 2003, and 2004. The Company identified a total of 11 consumer complaints received during the experience period of which 5 were forwarded from the Department. All 11 consumer complaint files were requested and received for review. 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.

VIII. UNDERWRITING

The Underwriting review was sorted and conducted in 17 general segments.

- A. Underwriting Guidelines
- B. Group Coverage
- C. Life and Health Worksite Group Coverage
- D. Group Credit Account Protector Coverage
- E. Group Credit Single and Monthly Outstanding Balance Premium Policies Issued
- F. Group Credit Single and Monthly Outstanding Balance Premium Policies Terminated
- G. Group Credit Single Premium Certificates Issued
- H. Group Credit Single Premium Certificates Declined
- I. Group Credit Single Premium Certificates Terminated
- J. Group Monthly Outstanding Balance Premium Certificates Issued
- K. Group Monthly Outstanding Balance Premium Certificates Declined
- L. Group Monthly Outstanding Balance Premium Certificates Terminated
- M. Association Group Coverage
- N. Association Group Third Party Administered Coverage
- O. Individual Life Policies Issued
- P. Individual Life Policies Declined
- Q. Individual Life Policies Terminated

Each segment was reviewed for compliance with underwriting practices and included forms identification and agent 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 all underwriting guidelines and manuals utilized during the experience period. The manuals were reviewed to ensure underwriting guidelines were in place and being followed in a uniform and consistent manner and no underwriting practices or procedures were in place that could be considered discriminatory in nature, or specifically prohibited by statute or regulation. No violations were noted.

The following guidelines were received and reviewed:

1. Association Underwriting Control Methods
2. Association Underwriting Guidelines
 - a. Swiss Re - Life Insurance
 - b. General Re - Disability Insurance
3. Internal Audit Procedures
4. Internal Underwriting Controls
5. New Business Procedures, Applications Underwritten in Neptune

B. Group Coverage

The Company was requested to provide a list of all group policies and certificates issued, declined and terminated during the experience period. The table below lists the group coverage sections and the universes identified by the Company. The table also reflects the random samples selected for each section reviewed.

Coverage Description	Universe	Sample
Group Policies Issued	1	1
Group Policies Terminated	83	25
Group Certificates Issued	3755	25
Group Certificates Declined	723	25
Group Certificates Terminated	4066	25
Total		126

The group policy file was reviewed to ensure compliance with underwriting and issuance laws and regulations. The certificate issued files were reviewed to ensure compliance with Title 18, Pennsylvania Consolidated Statutes, Section 4117(k). The terminated files were reviewed to ensure compliance with contract provisions and termination laws and regulations. The declined files were reviewed to ensure that declinations were not the result of any discriminatory underwriting practice. In review of the 126 files, the following violations were noted:

15 Violations – Insurance Department Act, Section 903 (40 P.S. §323.3)

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 ascertain whether the company or person has complied with the laws of this Commonwealth. The 15 files noted were missing enrollment forms.

C. Life and Health Worksite Group Coverage

The Company was requested to provide a list of all group policies and certificates issued, declined and terminated during the experience period. The table below lists the life and health worksite group coverage sections and the universes identified by the Company. The table also reflects the random samples selected for each section reviewed.

Coverage Description	Universe	Sample
Life and Health Policies Issued	4	4
Life and Health Certificates Issued	849	25
Life and Health Certificates Terminated	115	25
Life and Health Certificates Declined	26	26
Total		80

The certificate issued files were reviewed to ensure compliance with Title 18, Pennsylvania Consolidated Statutes, Section 4117(k). The terminated files were reviewed to ensure compliance with contract provisions and termination laws and regulations. The declined files were reviewed to ensure that declinations were not the result of any discriminatory underwriting practice. In review of the 80 files, the following violations were noted:

1 Violation – Insurance Department Act, Section 903 (40 P.S. §323.3)

Every company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any of 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 ascertain whether the company or person has complied with the laws of this Commonwealth. The file noted was missing pertinent information.

D. Group Credit Account Protector Coverage

The Company was requested to provide a list of all group policies and certificates issued, declined and terminated during the experience period. The table below lists the following group credit account protector coverage sections and the universes identified by the Company. The table also reflects the random samples selected for each section reviewed.

Coverage Description	Universe	Sample
Group Credit Policies Issued	1	1
Group Credit Policies Terminated	1	1
Group Credit Certificates Issued	57900	25
Group Credit Certificates Terminated (2)	4091	35
Group Credit Certificates Declined	79	25
Total		77

The group credit policy file was reviewed to ensure compliance with insurability requirements, benefits exclusions, age requirements, election of coverage, disclosure requirements, and filing of forms and rates. The credit certificate issued files were reviewed to ensure compliance with contract provisions, issuance, and rating law and regulations. The credit terminated files were reviewed to ensure compliance with contract provisions, termination laws and regulations, as well as the proper return of any unearned premium. The credit declined files were reviewed to ensure that declinations were not the result of any discriminatory underwriting practice. In review of the 77 files, no violations were noted.

E. Group Credit Single and Monthly Outstanding Balance Premium Policies Issued

The Company was requested to provide a list of group policies issued during the experience period. The Company identified a universe of 45 group credit single premium and monthly outstanding balance policies issued. All 45 group contracts were requested, received and reviewed. The group contracts were reviewed to ensure compliance with insurability requirements, benefits exclusions, age requirements, election of coverage, disclosure requirements, and filing of forms and rates. The following violations were noted:

8 Violations – Title 31, Pennsylvania Code, Section 73.133(h)

Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request. The 8 group credit policies noted were missing the applications for group credit insurance.

F. Group Credit Single and Monthly Outstanding Balance Premium Policies Terminated

The Company was requested to provide a list of all policies terminated during the experience period. The Company identified a universe of 88 group credit single premium and monthly outstanding balance policies terminated. A random sample of 25 terminated policy files was requested, received and reviewed. The files were reviewed to ensure compliance with contract provisions, termination laws and regulations. No violations were noted.

G. Group Credit Single Premium Certificates Issued

The Company was requested to provide a list of all certificates issued during the experience period. The Company identified a universe of 31,089 group credit single premium certificates issued. A random sample of 200 certificate files was requested, received and reviewed. The certificates were reviewed to ensure compliance with contract provisions, issuance and rating laws and regulations. The following violations were noted:

3 Violations – Title 31, Pennsylvania Code, Section 73.133(h)

Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request. Of the 3 files noted, 2 files were not provided and 1 file was not legible.

3 Violations – Title 31, Pennsylvania Code, Section 73.120, Composite term premium rate. Composite term premium rates may be used under the following conditions:

(1) The insurer shall include in the filing of the composite term premium rates a demonstration that the expected total premium to be collected by the insurer will not exceed the total premium that would be collected if term specific rates were charged.

(2) The composite term premium rates may not exceed by more than 10% any term specific rates within the composite term period.

The composite term premium rates exceeded the term specific rates within the composite term period by more than 10% in the 3 files noted. The premium and overcharges are listed in the table below.

EFF DT	PREMIUM	COMPOSIT TERM PREMIUM	OVER CHARGE
03/18/04	\$41.77	\$37.92	\$3.85
09/29/04	\$43.88	\$39.88	\$4.00
03/20/04	\$217.00	\$196.53	\$20.47

H. Group Credit Single Premium Certificates Declined

The Company was requested to provide a list of all certificates declined during the experience period. The Company identified a universe of 261 group credit single premium certificates declined. A random sample of 25 certificates was requested. Of the 25 certificates requested, 24 were received and reviewed. The files were reviewed to ensure that the declinations were not the result of any discriminatory underwriting practice. The following violations were noted:

2 Violations – Title 31, Pennsylvania Code, Section 73.133(h)

(h) Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request. Of the 2 files noted, one file was not provided and one file was missing pertinent data.

I. Group Credit Single Premium Certificates Terminated

The Company was requested to provide a list of all certificates terminated during the experience period. The Company identified a universe of 38,974 group credit single premium certificates terminated. A random sample of 100 terminated certificates was requested. Of the 100 requested certificates, 83 certificates were received and reviewed. The files were reviewed to ensure compliance with contract provisions, termination laws and regulations, and proper return of any unearned premium. The following violations were noted:

17 Violations – Title 31, Pennsylvania Code, Section 73.133(h)

(h) Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request. Of the 17 files noted, 7 files were not

provided, 6 files did not contain the refund amounts and cancellation dates and the remaining 4 files were not legible.

J. Group Monthly Outstanding Balance Premium Certificates Issued

The Company was requested to provide a list of all certificates issued during the experience period. The Company identified a universe of 6,831 group monthly outstanding balance premium certificates issued. A random sample of 50 certificate files was requested, received, and reviewed. The certificate files were reviewed to ensure compliance with contract provisions, issuance, and rating laws and regulations. The following violations were noted:

6 Violations – Title 31, Pennsylvania Code, Section 73.133(h)

Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request. The 6 files noted were not provided by the Company.

K. Group Monthly Outstanding Balance Premium Certificates Declined

The Company was requested to provide a list of all certificates declined during the experience period. The Company identified a universe of 109 group monthly outstanding balance premium certificates declined. A random sample of 25 certificate files was requested, received and reviewed. The files were reviewed to ensure that the declinations were not the result of any discriminatory underwriting practice. No violations were noted.

L. Group Monthly Outstanding Balance Premium Certificates Terminated

The Company was requested to provide a list of all certificates terminated during the experience period. The Company identified a universe of 3,852 group monthly outstanding balance premium certificates terminated. A random sample of 25 certificate files was requested, received and reviewed. The files were reviewed to ensure compliance with contract provisions, termination laws and regulations, as well as the proper return of any unearned premium. No violations were noted.

M. Association Group Coverage

The Company was requested to provide a list of all group policies and certificates issued, declined and terminated during the experience period. The table below lists the following Association Group coverage sections and the universes identified by the Company. The table also reflects the random samples selected for each section reviewed.

Coverage Description	Universe	Sample
Group Policies Issued	1	1
Life Certificates Issued (3)	851	75
Life Certificates Declined	21	21
Life Certificates Terminated (3)	735	62
Accidental Death and Dismemberment Certificates Issued	17,517	25
Accidental Death and Dismemberment Certificates Terminated	967	25
Overhead Expense and Disability Certificates Issued	73	25
Overhead Expense and Disability Certificates Terminated	24	24
Total		258

The group policy file was reviewed to ensure compliance with underwriting and issuance laws and regulations. The certificate issued files were reviewed to ensure compliance with Title 18, Pennsylvania Consolidated Statutes, Section 4117(k). The terminated files were reviewed to ensure compliance with contract provisions and termination laws and regulations. The declined files were reviewed to ensure that declinations were not the result of any discriminatory underwriting practice. In review of the 258 files, the following violations were noted:

32 Violations – Insurance Department Act, Section 903 (40 P.S. §323.3)

Every company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any of 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 ascertain whether the company or person has complied with the laws of this Commonwealth. The 32 files noted were missing enrollment forms.

26 Violations - Title 18, Pennsylvania Consolidated Statutes, Section 4117(k)

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 concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties.” The application/enrollment forms in the 26 files noted did not contain or have attached the required fraud statement.

N. Association Group Third Party Administered Coverage

The Company was requested to provide a list of all group policies and certificates issued, declined and terminated during the experience period. The table below lists the following association group third party administered coverage sections and the universes identified by the Company. The table also reflects the random samples selected for each section reviewed.

Coverage Description	Universe	Sample
Life Certificates Issued	94	25
Life Certificates Terminated (2)	134	30
Accidental Death and Dismemberment Certificates Issued	27	27
Total		82

The certificate issued files were reviewed to ensure compliance with Title 18, Pennsylvania Consolidated Statutes, Section 4117(k). The terminated files were reviewed to ensure compliance with contract provisions and termination laws and regulations. In review of the 82 files, the following violations were noted:

13 Violations – Insurance Department Act, Section 903 (40 P.S. §323.3)

Every company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any of 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 ascertain whether the company or person has complied with the laws of this Commonwealth. The 13 files noted were missing enrollment forms.

O. Individual Life Policies Issued

The Company was requested to provide a list of all individual policies issued during the experience period. The Company identified a universe of 8 individual life policies issued. All 8 life policy files were requested, received and reviewed. The policy files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. No violations were noted.

P. Individual Life Policies Declined

The Company was requested to provide a list of all policies declined during the experience period. The Company identified a universe of 6 life policies declined. All 6 life policies were requested, received and reviewed. The files were reviewed to ensure that declinations were not the result of any discriminatory underwriting practice. All applicants were declined coverage for medical reasons. No violations were noted.

Q. Individual Life Policies Terminated

The Company was requested to provide a list of all policies terminated during the experience period. The Company identified a universe of 12 individual life policies terminated. All 12 files were requested, received and reviewed. The policies were reviewed to ensure compliance with contract provisions, termination laws and regulations, and proper return of any unearned premium. No violations were noted.

IX. GROUP CREDIT ANNUAL AUDITS

The Company was requested to provide a list of all active group policyholders issued and/or in force during the experience period. The Company identified a universe of 846 group policyholders. A random sample of 100 groups was selected and the Company was requested to provide copies of the group's required annual examinations. Of the 100 group audits requested, 7 audits were received. Of the 7 audits received, 4 were not legible. The audits were reviewed to ensure compliance with Title 31, Pennsylvania Code, Section 73.133. Subsections (e), (f), (g) and (h) of Section 73.133 provides for the insurers responsibility in conducting an annual examination of creditors to ensure compliance and the requirements to establish and maintain written records of its creditor examination. The following violations were noted:

96 Violations – Title 31, Pennsylvania Code, Section 73.133(e)

Claims and examination procedures.

Creditor examination. An insurer shall be responsible for conducting a thorough examination of creditors with respect to its credit insurance business during the first policy year and at least annually thereafter to assure compliance with this chapter and other applicable insurance laws and regulations of the Commonwealth. The examination shall verify the accuracy of premiums or other identifiable insurance charges, premium refunds, claim payments which have been reported to the insurer and any other pertinent information necessary for the insurer to determine that debtors are being afforded proper coverage. Examinations performed by an insurer shall be subject to review by the Department. The group policy shall contain a provision explaining that the account will be examined annually. The group policy in the group accounts noted did not contain the required annual audit provision.

1 Violation – Title 31, Pennsylvania Code, Section 73.133(f)

Claims and examination procedures.

Inspection of examination procedures. Each insurer shall make available for Department inspection upon request its creditor examination procedures. The required creditor examination procedures were not provided.

97 Violations – Title 31, Pennsylvania Code, Section 73.133(g)

Claims and examination procedures.

Record of examination. The insurer shall establish and maintain a written record of each creditor examination. This record shall be maintained for at least 3 years from the date of examination or until the conclusion of the next succeeding regular examination by the Department of its domicile, whichever is later. Of the 97 group accounts noted, the audits for 93 group accounts were not provided and the audits for 4 group accounts were not legible.

X. CLAIMS

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

The Company provided the following claim manuals for review (hard copy), which included the following sections:

1. Unfair Claims Settlement Practices and Guidelines
2. Claim Manual
 - A. General Claim Instructions
 - B. Life
 - C. Property
 - D. Disability
 - E. Involuntary Unemployment
 - F. Leave of Absence
 - G. Customer Service
3. Guidelines for Group Life Claim Audit
4. Advance Pay and Close Procedures
5. Claims Administration
 - A. Processing Time
 - B. Claims Information

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.

The claim file review consisted of 6 areas:

- A. Group Association Disability Claims
- B. Group Association Life Claims
- C. Credit Life Claims
- D. Credit Disability Claims
- E. Specific Group Credit Life and Disability Claims
- F. Group Life and Health Claims

All claim files sampled were reviewed for compliance with requirements of the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171). The claims were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices. The life claims were additionally reviewed for compliance with Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b).

A. Group Association Disability Claims

The Company was requested to provide a list of claims received during the experience period. The Company identified a universe of 55 group association disability claims. A random sample of 25 claims was requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. The following violation was noted:

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. The Company failed to provide notice of acceptance or denial within 15 working days for the claim noted

B. Group Association Life Claims

The Company was requested to provide a list of claims received during the experience period. The Company identified a universe of 17 group association life claims. All 17 claims were requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411B, Payment of Benefits. The following violations were noted:

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. The Company failed to provide timely status letters for the 4 claims noted.

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. The Company failed to provide notice of acceptance or denial within 15 working days for the 2 claims noted.

1 Violation - Insurance Company Law, Section 411B, Payment of Benefits

(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.

The Company failed to pay the claim with interest within a timely manner.

C. Credit Life Claims

The Company was requested to provide a list of claims received during the experience period. The Company identified a universe of 220 Credit Life claims. A random sample of 50 credit life claims was requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b). The following violations were noted:

2 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. The following violations were noted because the beginning date of the claim was different than was previously reported to the Department and the claim start date could not be documented. The date stamp was missing in the 2 claim files noted.

3 Violations - 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. The Company failed to acknowledge the 3 claims noted within 10 working days.

12 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. The Company failed to provide timely status letters for the 12 claims noted.

D. Credit Disability Claims

The Company was requested to provide a list of claims received during the experience period. The Company identified a universe of 2,034 Credit Disability claims. A random sample of 50 credit disability claims was requested, received and reviewed.

The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. 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. The date stamp was missing in the file noted.

3 Violations - 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. The Company failed to acknowledge the 3 claims noted within 10 working days.

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. The Company failed to provide a timely status letter in the claim noted.

E. Specific Group Credit Life and Disability Claims

The Company was requested to provide a list of all claims received during the experience period. The Company identified a universe of 35 credit life and disability claims specific to one group account. All 35 claims were requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. In addition, the life claims were reviewed for compliance with Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b). The following violations were noted:

13 Violations - 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. The Company failed to acknowledge the 13 claims noted within 10 working days.

6 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. The Company failed to provide timely status letters in the 6 claims noted.

F. Group Life and Health Claims

The Company was requested to provide a list of claims received during the experience period. The Company identified a universe of 270 group life and health claims. The list of 270 claims identified a number of ongoing disability claims on the same individual. Of the 270 claims listed, 112 were unique claims. A random sample of 50 claims was requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. The following violations were noted:

2 Violations - 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. 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. The Company failed to acknowledge the 2 claims noted within 10 working days.

13 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. The Company failed to provide a timely status letter for the 13 claims noted.

XI. 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 implement procedures to ensure compliance with the fraud statement notice requirements of Title 18, Pennsylvania Consolidated Statutes Section 4117(k).
2. The Company must review and revise internal control procedures to ensure compliance with requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices.
3. The Company must review and revise Licensing procedures to ensure compliance with Sections 641.1-A, Section 671-A and Section 671.1-A of the Insurance Department Act of 1921 (40 P.S. §§310.41a, 310.71 and 310.71a).
4. 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(a) of the Insurance Department Act of 1921 (40 P.S. §323.3).
5. The Company must review and revise procedures to ensure compliance with record retention requirements of Title 31, Pennsylvania Code, Section 73.133(h).
6. The Company must implement procedures to ensure compliance with annual audit and examination requirements of Title 31, Pennsylvania Code, Section 73.133.
7. The Company must review and revise internal control procedures to ensure compliance with rating and refund requirements of Title 31, Pennsylvania Code, Chapter 73.
8. The Company must review and revise internal control procedures to ensure compliance with forms filing requirements of Title 31, Pennsylvania Code, Section 73.136.

XII. COMPANY RESPONSE



American General Assurance Company

VIA EXPRESS MAIL

May 8, 2006

Daniel A Stemcosky, AIE, FLMI, Market Conduct Division Chief
Commonwealth of Pennsylvania
Insurance Department
Bureau of Enforcement
1321 Strawberry Square
Harrisburg, PA 17120

RE: Examination Warrant Number 05-M24-011

Dear Mr. Stemcosky:

The Company has reviewed the Report of Examination of American General Assurance Company covering the period of January 1, 2004 through December 31, 2004 and dated April 17, 2006. The Company greatly appreciates the opportunity to provide a response relative to the Department's findings and recommendations.

The Company takes its compliance obligations very seriously. While we believe it is unacceptable to have any violations; the Company is pleased that in general we were substantially compliant as the number of violations relative to the universe of transactions sampled were small. The Company already engaged in a good, constructive dialogue with the Department regarding the underlying issues; therefore our response is limited to the Department's recommendations. Specifically, our response corresponds to each of the Department's recommendations, as outlined in Section XI, Recommendations, in the order in which they appear in the examination report.

1. During the course of the examination, the Company notified all of the relevant business areas and held several informational meetings relative to the requirement to use Pennsylvania-specific fraud language in lieu of generic fraud language pursuant to the fraud statement notice requirements of Title 18, Pennsylvania Consolidated Statutes Section 4117(k). The Company will follow-up to reinforce proper implementation of Pennsylvania-specific fraud language.

**American General Life Companies
Group Benefits and Financial Institutions**

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*This Company does not solicit business in New York.

2. The Company is currently reviewing and revising its procedures to ensure compliance with the requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices. Specifically, the Company will consider the notice timelines relative to claims status, acknowledgement of claims, acceptance/denial of claims, and timely claims payment and will communicate the appropriate timeframes and requirements to the Claims Department. In addition, our TPA/joint venture partner is currently working on reviewing and revising its procedures in this area. Lastly, the Company will also remind the Claims Department of the importance of date stamping all claims-related correspondence to assure accurate tracking of timeframes relative to required notices.
3. The Company is currently reviewing its licensing procedures to ensure Compliance with Sections 641.1-A, Section 671-A and Section 671.1-A of the Insurance Department Act of 1921 (40 P.S. § 323.3). Specifically, the Company will review its procedures with a view towards determining if such procedures incorporate the controls needed to assure that individuals/entities are appropriately appointed, producers have the proper Pennsylvania licenses, terminated producers are timely reported to the Department and the record-keeping procedures of the Licensing Department are robust enough to evidence the foregoing.
4. The Company is currently reviewing its procedures to ensure that 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 (a) of the Insurance Department Act of 1921 (40 P.S. § 323.3). Following our review, the appropriate revisions will be made to our procedures. Additionally, the procedures will be communicated accordingly and a formal training program focusing on records retention will be instituted.
5. The Company reviewed and revised its procedures prior to the commencement of the examination to ensure future compliance with record retention requirements of Title 31, Pennsylvania Code, Section 73.133(h) in the area of annual audit and examination requirements. The Company will follow-up with the responsible business area to assure adequate implementation.
6. The Company implemented procedures to ensure future compliance with annual audit and examination requirements of Title 31, Pennsylvania Code, Section 73.133 prior to the commencement of the examination. Namely, the Company re-instituted and enhanced an on-site audit process, including revising the audit checklist to comply with the statute, which is used by Account Management. These new procedures and checklist were provided to the Department during the course of the examination and subsequently the checklist was approved by the Department. The Company will follow-up with the responsible business area to assure adequate implementation.
7. The Company will review and revise its internal control procedures to ensure compliance with rating and refund requirements of Title 31, Pennsylvania Code Chapter 73. Additionally, during the course of the exam, specific cases that were brought to our attention by the Department resulted in the payment of refunds, as appropriate. The Company will follow-up with the appropriate areas to assure future adequate implementation with these requirements.

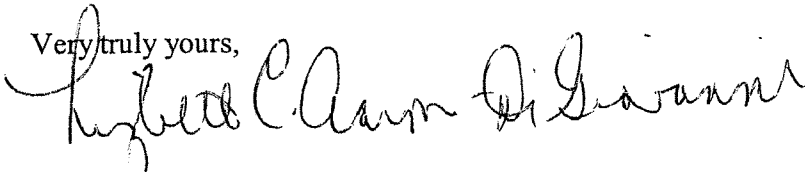
8. The Company will review and revise its internal procedures to ensure compliance with forms filing requirements of Title 31, Pennsylvania Code, Section 73.136, including enhancing the record retention procedures to assure that all filed, approved forms are retained and available for inspection as required.

The Company wishes to thank the Department for their thoughtful analysis and recommendations, as well as the cooperative, educational effort displayed throughout the course of the examination.

Again, as noted above, the Company is currently reviewing and revising its policies, procedures and controls to address all identified areas and will follow-up with the affected business areas to assure proper implementation of corrective action. As previously stated, the Company takes its compliance obligations very seriously. We will endeavor to incorporate the Department's recommendations with a goal of establishing best practices to benefit consumers.

I trust that this response, as well as the attached information, is sufficient for your review and consideration. Should you have any questions or need additional information, please do not hesitate to contact me at (732) 922-7791.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lizbeth C. Aaron-DiGiovanni". The signature is fluid and cursive, with the first name "Lizbeth" being the most prominent.

Lizbeth C. Aaron-DiGiovanni
Assistant Secretary