

**REPORT OF  
MARKET CONDUCT EXAMINATION  
OF**

**INVESTORS LIFE INSURANCE COMPANY OF  
NORTH AMERICA**  
Austin, Texas

**AS OF  
November 13, 2006**

**COMMONWEALTH OF PENNSYLVANIA**



**INSURANCE DEPARTMENT  
MARKET CONDUCT DIVISION**

**Issued: January 9, 2007**

**INVESTORS LIFE INSURANCE COMPANY OF NORTH AMERICA**

**TABLE OF CONTENTS**

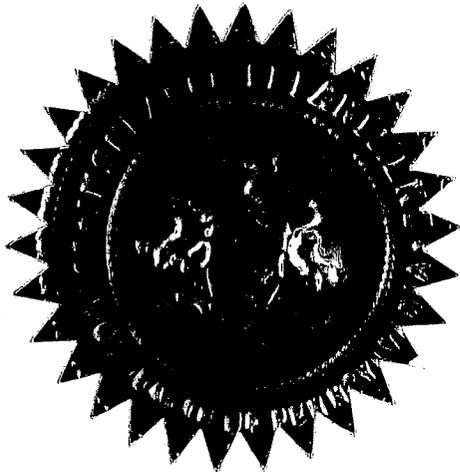
	<b>Order</b>	
<b>I.</b>	<b>Introduction</b>	<b>2</b>
<b>II.</b>	<b>Scope of Examination</b>	<b>5</b>
<b>III.</b>	<b>Company History and Licensing</b>	<b>6</b>
<b>IV.</b>	<b>Advertising</b>	<b>8</b>
<b>V.</b>	<b>Forms</b>	<b>10</b>
<b>VI.</b>	<b>Producer Licensing</b>	<b>13</b>
<b>VII.</b>	<b>Consumer Complaints</b>	<b>15</b>
<b>VIII.</b>	<b>Underwriting</b>	<b>16</b>
	<b>A. Underwriting Guidelines</b>	<b>16</b>
	<b>B. Individual Universal Life Policies Issued</b>	<b>17</b>
	<b>C. Individual Term Life Conversions</b>	<b>21</b>
<b>IX.</b>	<b>Internal Audit and Compliance Procedures</b>	<b>24</b>
<b>X.</b>	<b>Claims</b>	<b>26</b>
	<b>A. Life Claims</b>	<b>27</b>
	<b>B. Annuity Claims</b>	<b>28</b>
<b>XI.</b>	<b>Recommendations</b>	<b>30</b>
<b>XII.</b>	<b>Company Response</b>	<b>32</b>

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  
M. Diane Koken  
Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

IN RE: : VIOLATIONS:  
: :  
INVESTORS LIFE INSURANCE : Section 671.1-A of Act 147 of 2002  
COMPANY OF NORTH AMERICA : (40 P.S. § 310.71)  
6500 River Place Boulevard :  
Building One : Sections 354, 404-A, 405-A,  
Austin, TX 78730 : 408-A(e)(1)(ii), 408-A(e)(2)(i), 408-  
: A(e)(2)(iii), 408-A(e)(3)(i), and  
: 408-A(e)(5) of the Insurance  
: Company Law, Act of May 17, 1921,  
: P.L. 682, No. 284 (40 P.S. §§ 477b,  
: 625-4, 635-5, 625-6 and 625-8)  
: :  
: Title 31, Pennsylvania Code, Sections  
: 51.4(a)(b)(c)(d), 81.6(a)(1), 83.3,  
: 83.4a, 83.4b, 83.55, 83.55a and  
: 83.55b, 89b.11(b)(c), 146.5, 146.6 and  
: 146.7  
: :  
: Title 18, Pennsylvania Consolidated  
: Statutes, Section 4117(k)  
: :  
Respondent. : Docket No. MC06-12-015

CONSENT ORDER

AND NOW, this *9th* day of *JANUARY*, 200*7*, this Order is hereby  
issued by the Deputy Insurance Commissioner 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.

#### FINDINGS OF FACT

3. The Deputy Insurance Commissioner finds true and correct each of the following Findings of Fact:

- (a) Respondent is Investors Life Insurance Company of North America, and maintains its address at 6500 River Place Boulevard, Building One, Austin, Texas 78730.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from January 1, 2005 to December 31, 2005.
- (c) On November 13, 2006, the Insurance Department issued a Market Conduct Examination Report to Respondent.

- (d) A response to the Examination Report was provided by Respondent on December 13, 2006.
- (e) The Examination Report notes violations of the following:
- (i) Section 671.1-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;
  - (ii) 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;
  - (iii) Section 404-A of the Insurance Company Law, No. 284 (40 P.S. §625-4), which requires 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 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;

- (iv) Section 405-A of the Insurance Company Law, No. 284 (40 P.S. §625-5), which requires: (a) Every insurer to institute and maintain internal audit and compliance procedures which provide 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. These procedures shall also provide for periodic reviews of consumer complaints in order to identify patterns of improper practices; regular reporting to senior officers and the board of directors or an appropriate committee with respect to significant findings; and the establishment of line of communication, control and responsibility over the dissemination of advertising and promotional materials, including illustrations and explanations, with the requirements that the materials shall not be used without the approval by company employees whose compensation, other than generally applicable bonus or incentive plans, is not directly linked to marketing and sales. (b) Each insurer shall make available for department inspection upon request its internal audit and compliance procedures which are instituted as required by this section;

- (v) Section 408-A(e)(1)(ii) of the Insurance Company Law, No. 284 (40 P.S. § 625-8), which states 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 required by subsection (c)(4) 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;
  
- (vi) Section 408-A(e)(2)(i) of the Insurance Company Law, No. 284 (40 P.S. § 625-8), which 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 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;
  
- (vii) Section 408-A(e)(2)(iii) of the Insurance Company Law, No. 284 (40 P.S. § 625-8), which applies if no illustration is used by a producer in the sale of a life insurance policy 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;

(viii) Section 408-A(e)(3)(i) of the Insurance Company Law, No. 284 (40 P.S. § 625-8), which requires a producer to 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;

(ix) Section 408-A(e)(5) of the Insurance Company Law, No. 284 (40 P.S. § 625-8), which requires a copy of the basic illustration and a revised basic illustration, if any, signed as applicable, along with any certification that either no illustration was used or that the policy was applied for other than as illustrated, shall be retained by the insurer until three years after the policy is no longer in force;

(x) Title 31, Pennsylvania Code, Section 51.4(a), (b), (c) and (d), requires:

(a) A company shall maintain at its home or principal office a complete file

containing every printed, published or prepared advertisement of its individual contracts and typical printed, published or prepared advertisements of its blanket, franchise and group contracts hereafter disseminated in this or another state whether or not licensed in the other state;

(b) An advertisement included in this advertising shall be annotated as to the manner and extent of distribution and the form number of the contract advertised;

(c) The advertising file kept in accordance with this section shall be subject to inspection by the department; and

(d) Advertisements and related material shall be maintained in the file for a period of either four years or until the filing of the next regular report of examination of the company, whichever period is longer;

(xi) Title 31, Pennsylvania Code, Section 81.6(a)(1), which requires an insurer that uses an agent or broker in a life insurance or annuity sale shall require with or as part of a completed application for life insurance or annuity, a statement signed by the agent or broker regarding whether the broker knows replacement is or may be involved in the transaction;

(xii) Title 31, Pennsylvania Code, Section 83.3, which requires written disclosure. A life insurance agent, broker or insurer soliciting the type of

business to which this subchapter applies shall provide a prospective purchaser with a written disclosure statement clearly labeled as such;

- (xiii) Title 31, Pennsylvania Code, Section 83.4a, which states the agent shall submit to the insurer with or as a part of the application for life insurance a statement, signed by him, certifying that the written disclosure statement was given no later than the time that the application was signed by the applicant;
- (xiv) Title 31, Pennsylvania Code, Section 83.4b, which requires the insurer to maintain the agent's certification of disclosure statement delivery in its appropriate files for at least three years. The absence of the agent's certification from the appropriate files of the insurer shall constitute *prima facie* evidence that no disclosure statement was provided to the prospective purchaser of life insurance;
- (xv) Title 31, Pennsylvania Code, Section 83.55, which states the surrender comparison index disclosure shall be given as a separate document upon delivery of the policy or earlier if requested by the life insurance applicant. If requested earlier, the index disclosure shall be provided as soon as reasonably possible. A disclosure that is minimally satisfactory to the Department is set forth in Appendix B. If the Appendix B disclosure will be used, a letter prior to use is adequate notification to the Department;

(xvi) Title 31, Pennsylvania Code, Sections 83.55a and 83.55b, which (a) require the agent to submit to the insurer a statement, signed by him, certifying that the surrender comparison index disclosure was given upon delivery of the policy or earlier at the request of the life insurance applicant; and (b) the insurer shall maintain the agent's certification of surrender comparison index disclosure delivery in its appropriate files for at least 3 years or until the conclusion of the next succeeding regular examination by the insurance department of its domicile, whichever is later. The absence of the agent's certification from the files of the insurer shall constitute prima facie evidence that no surrender comparison index disclosure was provided to the prospective purchaser of life insurance;

(xvii) Title 31, Pennsylvania Code, Section 89b.11(b)(c), which requires:

(b) Each form shall contain a form number consisting of numbers, letters or both. The form number shall be adequate to distinguish the form from all others used by the insurer. The form number may be the same as that of a form to be replaced. However, if the form to be replaced was approved by or filed with the Department, it may not have been issued in this Commonwealth and shall be withdrawn from any issuance in this Commonwealth;

(c) Each form, except an insert page, shall contain a brief description or descriptive caption. This brief description or descriptive caption shall

appear in prominent type on the first or cover page of the form, or in the case of a policy, contract or certificate, on the specifications page if the brief description is visible without opening the form. The brief description shall contain at least: A designation of the general type of form, policy, contract, certificate, rider, endorsement, amendment, agreement or application; A designation of the specific type of insurance or annuity coverage provided, or if the form does not provide insurance or annuity coverage, a designation of the purpose of the form; and if the form is a policy, contract or certificate, an indication of whether the form is participating or nonparticipating with regard to paying dividends to policyholders.

(xviii) Title 31, Pennsylvania Code, Section 146.5, which requires 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;

(xix) 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;

(xx) Title 31, Pennsylvania Code, Section 146.7 requires that 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 denial shall be given to the claimant in writing and the claim file of the insurer shall contain a copy of the denial; and

(xxi) Title 18, Pennsylvania Consolidated Statutes, Section 4117(k), which requires 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.”

#### CONCLUSIONS OF LAW

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

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

(b) Respondent's violations of Section 671.1-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 Sections 404-A, 405-A, 406-A and 408-A of the Insurance Company Law, No. 284 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, Section 81.6(a)(1), are punishable under Title 31, Pennsylvania Code, Section 81.8(b) and (c), which provide 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, 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 through 474. 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) Respondent's violations of Title 31, Pennsylvania Code, Section 89b.11(b) and (c) are punishable under Section 354 of the Insurance Company Law (40 P.S. § 477b) by suspension or revocation of the license(s) of Respondent; refusal, for a period not to exceed one year thereafter, to issue a new license to Respondent; or imposition of a fine of not more than one \$1,000.00 for each act in violation of the Act.

(h) Respondent's violations of Title 31, Pennsylvania Code, Sections 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.

(i) 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

5. In accord with the above Findings of Fact and Conclusions of Law, the Deputy Insurance Commissioner 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 Fifteen Thousand Dollars (\$15,000.00) to the 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 Commonwealth of Pennsylvania. Payment should be directed to Sharon L. Fraser, Administrative Assistant, Bureau of Enforcement, 1227 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.

6. In the event the Deputy Insurance Commissioner 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 Deputy Insurance Commissioner 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 Deputy Insurance Commissioner may enforce the provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

7. Alternatively, in the event the Deputy Commissioner finds that there has been a breach of any of the provisions of this Order, the Deputy Commissioner 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.

8. 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.

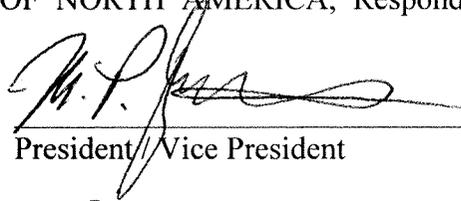
9. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

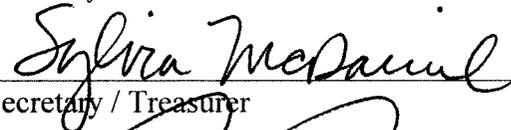
10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

11. This Order shall be final upon execution by the Deputy Insurance Commissioner. Only the Insurance Commissioner or a duly authorized Deputy Insurance Commissioner 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 Deputy Insurance Commissioner.

BY: INVESTORS LIFE INSURANCE COMPANY  
OF NORTH AMERICA, Respondent

  
\_\_\_\_\_  
President / Vice President

  
\_\_\_\_\_  
Secretary / Treasurer

  
\_\_\_\_\_  
RANDOLPH L. ROHRBAUGH  
Deputy Insurance Commissioner  
Commonwealth of Pennsylvania

## **I. INTRODUCTION**

The Market Conduct Examination was conducted on Investors Life Insurance Company of North America, hereafter referred to as "Company," at the Company's offices located in Austin, Texas, July 17, 2006, through August 4, 2006. 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.

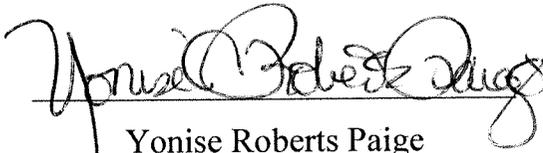
Throughout the course of the examination, Company officials were provided status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials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

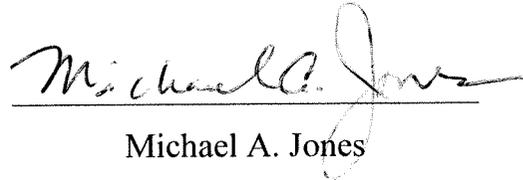
The undersigned participated in the Examination and in the preparation of this Report.



Daniel Stemcosky, AIE, FLMI  
Market Conduct Division Chief



Yonise Roberts Paige  
Market Conduct Examiner



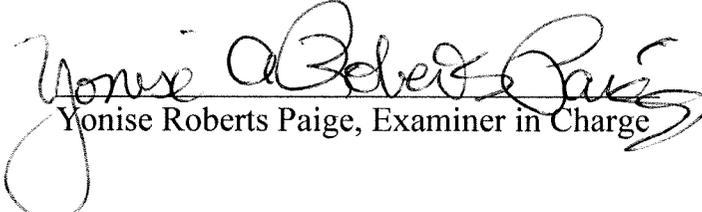
Michael A. Jones  
Market Conduct Examiner



Bruce Harlow  
Market Conduct Examiner

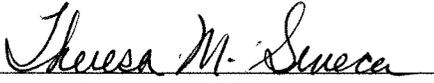
**VERIFICATION**

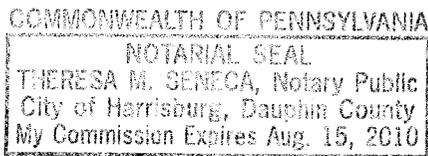
Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).

  
Yonise Roberts Paige, Examiner in Charge

Sworn to and Subscribed Before me

This 9 Day of *November*, 2006

  
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, 2005, through December 31, 2005, 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, 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**

Investors Life Insurance Company of North America was originally incorporated as Personal Investment Life Annuity Company, which commenced business in 1964, under the name First Investment Annuity Company of America, the present title was adopted in 1978. In December 1988, Standard Life Insurance Company, a wholly-owned subsidiary of Intercontinental Life Corporation, purchased the company from CIGNA Corporation. Effective December 31, 1992, the company merged with its immediate parent, Investors Life of California, with Investors Life Insurance Company of North America as the surviving company. Effective June 29, 1993, the company was merged with Standard Life, with Investors Life Insurance Company of North America, again being the surviving entity. The company was redomesticated from Pennsylvania to Washington during December 1992, and subsequently, redomesticated to Texas from Washington on March 18, 2004.

Investors Life Insurance Company of North America is a wholly-owned subsidiary of InterContinental Life Corporation, a life insurance holding company. On May 18, 2001, InterContinental Life Corporation became a wholly-owned subsidiary of Financial Industries Corporation, a publicly traded holding company primarily engaged in the life insurance business. Prior to May 18, 2001, Financial Industries Corporation owned approximately forty-eight percent of InterContinental Corporation's outstanding common stock. Prior to February 19, 2002, Investors Life Insurance Company of North America wholly-owned Investors Life Insurance Company of Indiana, a life insurance company. On February 19, 2002, Investors Life Insurance Company of Indiana was merged with and into Investors Life

Insurance Company of North America, with Investors Life Insurance Company of North America being the surviving corporation.

As of their December, 2005, annual statement for Pennsylvania, Investors Life Insurance Company of North America reported direct premium for ordinary life insurance and annuities in the amount of \$4,731,491; and direct premium for accident and health in the amount of \$870.

#### **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 a list of 12 pieces of advertising utilized in the Commonwealth during the experience period. The advertising consisted of: Brochures and the Company’s web page. All 12 pieces of advertising was requested, received and reviewed. 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 violation was noted:

#### **1 Violation - Title 31, Pennsylvania Code, Section 51.4(a)(b)(c)(d)**

##### **Advertising file.**

(a) A company shall maintain at its home or principal office a complete file containing every printed, published or prepared advertisement of its individual contracts and typical printed, published or prepared advertisements of its blanket, franchise and group contracts hereafter disseminated in this or another state whether or not licensed in the other state.

(b) An advertisement included in this advertising file shall be annotated as to the manner and extent of distribution and the form number of the contract advertised.

(c) The advertising file kept in accordance with this section shall be subject to inspection by the department.

(d) Advertisements and related material shall be maintained in the file for a period of either 4 years or until the filing of the next regular report of examination of the company, whichever is the longer period.

The Company did not maintain a complete advertising file and it was not annotated as to the manner and extent of distribution.

## 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 55 forms provided and 3 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. For initial exam purposes, forms violations found in the other sections of the examination will be addressed in their respective initial summaries. The following violations were noted:

### **17 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 ace, which is a crime and subjects such person to criminal and civil penalties.”

The following application forms did not contain the required fraud statement. The application form description and frequency of use is listed in the table below.

Form Number	Description	Number of Files
LL2113	Conversion Application	12
LL2113 (293)	Application	3
LL-2G57	Supplemental Application	1
LL-6628	Policy Change Application	1

**15 Violations - Insurance Company Law, Chapter 2, Section 354**

**(40 P.S. §477b)**

It shall be unlawful for any insurance company, doing business in the Commonwealth of Pennsylvania, to issue, sell, or dispose of any policy, contract, or certificate, covering life insurance, or use application, riders, or endorsements, in connection therewith, until the forms have been submitted to, and formally approved by, the Insurance Commissioner. Verification of form approval could not be established in the noted files. The application form number, description and frequency of use are listed in the table below.

<b>Form Number</b>	<b>Description</b>	<b>Frequency of Use</b>
LL-2113	Application	11
LL-2113 (293)	Application	3
FI-359	Waiver of Premium Benefit	1

**2 Violations – Title 31, Pennsylvania Code, Section 89b.11(b)(c).**

**General contents of forms.**

(b) Form number. Each form shall contain a form number consisting of numbers, letters, or both. The form number shall be adequate to distinguish the form from all others used by the insurer. The form number may be the same as that of a form to be replaced. However, if the form to be replaced was approved by or filed with the Department, it may not have been issued in this Commonwealth and shall be withdrawn from any issuance in this Commonwealth.

(c) Description or caption. Each form, except an insert page, shall contain a brief description or descriptive caption. This brief description or descriptive caption shall appear in prominent type on the first or cover page of the form, or, in the case of a policy, contract or certificate, on the specifications page if the brief

description or descriptive caption is visible without opening the form. The brief description or descriptive caption shall contain at least the following information:

- (1) A designation of the general type of the form, that is, policy, contract, certificate, rider, endorsement, amendment, agreement, application or other general type.
- (2) A designation of the specific type of insurance or annuity coverage provided, or if the form does not provide insurance or annuity coverage, a designation of the purpose of the form.
- (3) If the form is a policy, contract or certificate, an indication of whether the form is participating or nonparticipating with regard to paying dividends to policyholders.

The two claims forms did not contain a form number and a designation of the type of the form.

## 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 agents from doing business on behalf 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 (40 P.S. §310.71a) of the Insurance Department Act requires the Company to report all agent terminations to the Department.

The Company provided a list of 28 active producers and 11 terminated producers. All 39 producers were compared to departmental records of agents to verify appointments, terminations and licensing. The following violation was noted:

**1 Violation – 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 \$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 individual was listed as the producer on an application in the policy issued section of the exam. Department records did not indicate that the individual was appointed at the time of completing the application for insurance.

<b>Producer</b>
Robert Preston

## **VII. CONSUMER COMPLAINTS**

The Company was requested to identify all consumer complaints received during the experience period and provide copies of their consumer complaint logs for 2002, 2003, 2004, and 2005. The Company identified 5 written consumer complaints and provided complaints logs for 2002, 2003, 2004 and 2005. Of the 5 complaints identified, 3 were forwarded from the Department. All 5 consumer complaint files were requested, received and reviewed.

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, Pennsylvania 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 3 general segments.

- A. Underwriting Guidelines
- B. Individual Universal Life Policies Issued
- C. Term Life Conversions

Each segment was reviewed for compliance with underwriting practices and included forms identification and agent identification. Issues relating to forms or producer 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 established written underwriting guidelines in use during the experience period. Underwriting guidelines were reviewed to ensure guidelines were in place and being followed in a uniform and consistent manner and no underwriting practices or procedures were in place which could possibly be considered discriminatory in nature, or specifically prohibited by statute or regulation. No violations were noted.

The following guidelines, materials and web-sites were referenced and/or reviewed:

- Web-sites:
  - a. **[www.ficgroup.com](http://www.ficgroup.com)**
  - b. **[www.investorslife.com](http://www.investorslife.com)**

- Materials:
  - a. Single Impairment Guide N-498
  - b. Uninvestor UL 10 UW Guideline Table N-491
  - c. Uninvestor Level Term UW Guidelines N-492
  - d. Uninvestor Level Term Series Facts & Rates N-489
  - e. Uninvestor UL 10 Facts & Rates N-490
  - f. Uninvestor UL 10 Series IS-5563
  - g. Universal Life Product Guide IS-1904 rev 1
  - h. Notice Change (wording) Cigarettes to Tobacco EP 2550
  - i. E-Check for Initial Premiums (Announcement) I-Mkt 13 (5/05)
  - j. E-Check Procedure I-UW6

### **B. Individual Universal Life Policies Issued**

The Company identified a universe of 16 universal life policies issued during the experience period. All 16 universal life policy files were requested, received and reviewed. The policy files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted:

#### **3 Violations - Title 31, Pennsylvania Code, Section 81.6(a)(1)**

An insurer that uses an agent or broker in a life insurance or annuity sale shall:  
 Require with or as part of a completed application for life insurance or annuity a statement signed by the agent or broker as to whether the broker knows replacement is or may be involved in the transaction. The agent's replacement question on the applications was inaccurate in 2 files noted and not completed in the other file noted.

**2 Violations – Title 31, Pennsylvania Code, Section 83.3 Disclosure Statement**

(a) Required written disclosure. A life insurance agent, broker or insurer soliciting the type of business to which this subchapter applies shall provide a prospective purchaser with a written disclosure statement clearly labeled as such. An acceptable disclosure statement is attached as Appendix A. The 2 files did not contain evidence that a written disclosure was provided.

**2 Violations - Title 31, Pennsylvania Code, Section 83.4a and Section 83.4b**

(a) The agent shall submit to the insurer with or as a part of the application for life insurance a statement, signed by him, certifying that the written disclosure statement was given no later than the time that the application was signed by the applicant.

(b) The insurer shall maintain the agent's certification of disclosure statement delivery in its appropriate files for at least three years. The absence of the agent's certification from the appropriate files of the insurer shall constitute prima facie evidence that no disclosure statement was provided to the prospective purchaser of life insurance. The 2 files noted did not contain a copy of the required agent's certification of disclosure.

**2 Violations – Title 31, Pennsylvania Code, Section 83.55**

(a) The Surrender Comparison Index Disclosure shall be given as a separate document upon delivery of the policy or earlier if requested by the life insurance applicant. If requested earlier, the index disclosure shall be provided as soon as reasonably possible.

(b) A disclosure that is minimally satisfactory to the Insurance Department is set forth in Appendix B. If the Appendix B disclosure will be used, a letter to that effect, prior to use, is adequate notification to the Department for review prior to

use. The 2 files noted did not include the Cost Surrender Comparison Index Disclosure.

**2 Violations—Title 31, Pennsylvania Code, Sections 83.55a and 83.55b**

a) The agent shall submit to the insurer a statement, signed by him, certifying that the surrender comparison index disclosure was given upon delivery of the policy or earlier at the request of the life insurance applicant.

b) The insurer shall maintain the agent's certification of surrender comparison index disclosure delivery in its appropriate files for at least 3 years or until the conclusion of the next succeeding regular examination by the insurance department of its domicile, whichever is later. The absence of the agent's certification from the appropriate files of the insurer shall constitute prima facie evidence that no surrender comparison index disclosure was provided to the prospective purchaser of life insurance. The agent's certification of the surrender comparison index disclosure delivery was not evident in the 2 files noted.

**1 Violation— Insurance Company Law, Section 408-A(e)(1)(ii) (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 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 required by subsection (c)(4) 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. The file noted did not

contain the signed certification and acknowledgement of the delivery of an illustration marked “Revised Illustration”.

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

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 file noted did not contain the signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy.

**1 Violation – Insurance Company Law, Section 408-A(e)(2)(iii) (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 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. The file noted did not contain the signed certification and acknowledgement of the delivery of an illustration.

**1 Violation – Insurance Company Law, Section 408A(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. The file noted did not contain the signed certification and acknowledgement that the policy applied for is other than as illustrated and an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery.

**1 Violation – Insurance Company Law, Section 408-A(e)(5) (40 P.S. §625-8)**

A copy of the basic illustration and a revised basic illustration, if any, signed as applicable, along with any certification that either no illustration was used or that the policy was applied for other than as illustrated, shall be retained by the insurer until three (3) years after the policy is no longer in force. The file noted was missing the agent's certification and the applicant's acknowledgment that the policy was applied for other than as illustrated.

**C. Individual Term Life Conversions**

The Company identified a universe of 14 individual term life policies converted during the experience period. All 14 term life conversion files were requested, received and reviewed. The 14 files were reviewed to determine compliance to issuance and underwriting statutes and regulations. The following violations were noted:

**9 Violations – Title 31, Pennsylvania Code, Section 83.3 Disclosure Statement**

(a) Required written disclosure. A life insurance agent, broker or insurer soliciting the type of business to which this subchapter applies shall provide a prospective purchaser with a written disclosure statement clearly labeled as such. An acceptable disclosure statement is attached as Appendix A. Of the 9 files noted, 5

files did not contain evidence that a written disclosure was provided and the agent's certification of disclosure was missing in the other 4 files.

**11 Violations - 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. Verification of the date of policy delivery could not be established in the 11 files noted.

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

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 9 files noted did not contain the signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy.

**4 Violations – Insurance Company Law, Section 408-A(e)(2)(iii)**

**(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 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. The 4 files noted did not contain the signed certification and acknowledgement of the delivery of an illustration at the time of policy issuance.

## **IX. INTERNAL AUDIT AND COMPLIANCE PROCEDURES**

The Company was requested to provide copies of their internal audit and compliance procedures. The audits and procedures were 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.

The following violation was noted:

### **1 Violation – Insurance Company Law, Section 405-A (40 P.S. §625-5)**

Establishment of Internal Audit and Compliance Procedures.

- (a) 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 sales methods, advertising and filing and approval

requirements for life insurance and annuities. These procedures shall also provide for the following:

- (1) Periodic reviews of consumer complaints in order to identify 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 line of communication, control and responsibility over the dissemination of advertising and promotional materials, including illustrations and illustration explanations, with the requirements 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 and sales.
- (b) Each insurer shall make available for department inspection upon request its internal audit and compliance procedures which are instituted as required by this section.

The Company did not provide any internal audit and compliance procedures.

## X. CLAIMS

The claims review consisted of a review of the Company's claim manuals and a review of the claim files. 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:

1. Senior Claims Examiner Job Procedure Manual
2. Claims Control Specialists Job Procedure Manual

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 2 areas:

- A. Life Claims
- B. Annuity Claims

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. The life claims were additionally reviewed for compliance with Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b).

## **A. Life Claims**

The Company was requested to provide a list of claims received during the experience period. The Company identified 171 life claims received. A random sample of 100 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:

### **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. The Company failed to acknowledge the claim noted within 10 working days.

### **8 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 8 claims noted.

### **5 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 5 claims noted.

### **B. Annuity Claims**

The Company was requested to provide a list of claims received during the experience period. The Company identified a universe of 20 annuity claims. All 20 claim files were 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 146.6**

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 2 claims 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 insurer shall advise the first-party claimant of the acceptance or denial of the claim. The Company failed to provide notice of acceptance or denial within 15 working days in the claim 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 Section 671-A of the Insurance Department Act of 1921 (40 P.S. §§310.71).
4. The Company must implement procedures to ensure advertising certification requirements of Title 31, Pennsylvania Code, Chapter 51.
5. The Company must review and revise internal control procedures to ensure compliance with the replacement requirements of Title 31, Pennsylvania Code, Section 81.
6. The Company must review internal control procedures to ensure compliance with disclosure requirements of Title 31, Pennsylvania Code, Chapter 83.
7. The Company must review internal control procedures to ensure compliance with forms filing and approval requirements of Section 354 of the Insurance Company Law of 1921 (40 P.S. §477b).
8. The Company must implement internal audit and compliance procedures to ensure compliance with Section 405-A of the Insurance Company Law of 1921 (40 P.S. §625-5).

9. The Company must implement procedures to ensure compliance with the policy delivery receipt requirements of Section 404-A of the Insurance Company Law of 1921 (40 P.S. §625-4).
10. The Company must review internal control procedures to ensure compliance with illustration certification and delivery requirements of Section 408-A of the Insurance Company Law of 1921 (40 P.S. §625-8).
11. The Company must implement procedures to ensure compliance with form requirements of Title 31, Pennsylvania Code, Section 89b.11(b)(c), General contents of forms.

## **XII. COMPANY RESPONSE**

December 12, 2006

Mr. Daniel A. Stemcosky, AIE, FLMI  
Market Conduct Division Chief  
Commonwealth of Pennsylvania  
Email: [dstemcosky@state.pa.us](mailto:dstemcosky@state.pa.us)

Fax number: 717-705-0428

Re: Investors Life Insurance Company of North America  
Examination Warrant Document # 05-M25-091  
Examination Dates: July 17, 2006 thru August 4, 2006  
Examination Period Covers: January 1, 2005 through December 31, 2005

Dear Mr. Stemcosky:

In accordance with Section 905 (40 P. S. 323.5) of the Insurance Department Act, enclosed are written responses on behalf of Investors Life Insurance Company of North America ("ILINA") to your examination, as well as responses to suggested corrective actions.

ILINA is committed to strict compliance with applicable laws and regulations. We strive to assure the appropriate processes and procedures are in place, and that our employees are trained to follow those processes and procedures.

During the course of your examination, ILINA had the opportunity to review and investigate each noted violation and agree with the examiner's findings. We will use this examination and review process as an opportunity to improve our established procedures and controls.

Attached is a copy of ILINA's response and the corrective actions that have been or will be taken in response to the recommendations listed in your report.

If you have any questions concerning any of our responses or if you need additional information, please don't hesitate to contact me at [smcdaniel@ficgroup.com](mailto:smcdaniel@ficgroup.com) or (512) 404-5042.

Sincerely,

Sylvia McDaniel  
Associate Counsel

Attached: Examination Warrant Document # 05-M25-091

COMPANY RESPONSE

INVESTORS LIFE INSURANCE COMPANY OF NORTH AMERICA  
COMPANY'S RESPONSE TO EXAMINATION WARRANT # 05-M25-091

Recommendation # 1

*The Company must implement procedures to ensure compliance with the fraud statement notice requirements of Title 18, Pennsylvania Consolidate Statues Section 4117 (k)*

Company's Response to Recommendation # 1

This problem relates to forms used in the PHS department dealing with inforce policies. In the common course of policy administration, it is sometimes necessary to obtain information from the existing policyholder. The documents utilized are not the initial applications for insurance, but there are similarities or connections to those applications. The company cannot determine if these forms were filed and approved as required, and they do not contain the required Fraud Warnings for Pennsylvania.

Revised forms have now been filed with the PA insurance department:

A-UW01 PA has been filed. This is the conversion application which replaces LL2113 and LL2113 (293) as cited in the PA notice.

UW-08 PA has been filed. This is the policy change application which replaces LL-6628 as cited in the PA notice.

UW-09 PA has been filed. This is the smoker change form which replaces LL-2G57 as cited in the PA notice.

Please see attached filing package to the State of Pennsylvania.



December 1, 2006

**SENT VIA REGULAR MAIL**

Department of Insurance  
1311 Strawberry Square  
Harrisburg, PA 17120

L. Allen Bailey, FSA, MAAA  
Alice M. Fontaine, FSA, FCIA, MAAA  
Kirk R. Gravely, ASA, MAAA  
Daniel H. Haak, FSA, MAAA  
Anthony J. Infantini, ASA, MAAA  
Sean L. McIntosh, FSA, MAAA  
David D. Ramsey, FSA, MAAA  
Michael E. Weiland, FSA, MAAA

**Re: Investors Life Insurance Company of North America**  
**NAIC Number** 63487  
**FEIN Number** 23-1632193  
*A-UW01 PA Application for Conversion of Individual Term Insurance*  
*UW-08 PA Policy Change Application*  
*UW-09 PA Smoker Change Application*

Dear Sir or Madam:

On behalf of Investors Life Insurance Company of North America, I hereby submit the above referenced forms for review and approval. A letter authorizing Allen Bailey and Associates to file on Investors Life Insurance Company of North America's behalf is enclosed along with a self-addressed, stamped envelope for return of the notice of approval.

These are supplemental forms which will be used to (1) convert individual term insurance to a permanent plan of insurance (form A-UW01 PA) or (2) to effect various other changes to policy forms already in force (forms UW-08 PA and UW-09 PA). The forms will be used on a general basis as part of the company's policyholder administration process. These forms will not be used in the sale of new policies.

These forms are in final print format; however the company reserves right to change the format of the forms due to technological advances.

This filing contains no unusual or controversial items from normal Company or industry standards.

If you have any questions or require additional information, please do not hesitate to contact me at (512) 502-8800 or [khefner@allenbailey.com](mailto:khefner@allenbailey.com). Thank you for your consideration.

Sincerely,

Kim Hefner, FLMI, AIRC  
Compliance Manager



**Investors Life  
Insurance Company  
of North America**

6500 River Place Blvd. • Building One • Austin, Texas 78730  
(800) 925-6000 • [www.investorslife.com](http://www.investorslife.com)

November 10, 2006

**TO WHOM IT MAY CONCERN:**

This letter serves as acknowledgement that Investors Life Insurance Company of North America has engaged the actuarial firm of Allen Bailey and Associates, Inc. to act on our behalf in filing the enclosed Illustration Regulation items in all states where we transact business.

Any questions regarding these filings should be addressed to:

**Ms. Kim Hefner**  
Compliance Manager  
Allen Bailey and Associates, Inc.  
8310 Capital of Texas Highway North  
Suite 370  
Austin, TX 78731  
Phone: (512) 502-8800  
Fax: (512) 502-8638  
Email: [khefner@allenbailey.com](mailto:khefner@allenbailey.com)

Thank you

Michael P. Hymanus

Interim President and Chief Executive Officer



**For Life Insurance Policies Only  
PART A**

**Investors Life Insurance Company of North America**  
P.O. Box 149138 • Austin, TX 78714-9138 • (800) 925-8000 • www.investorslifelns.com

Policy # \_\_\_\_\_ on Life of \_\_\_\_\_

Subject to the provisions of the policy, application is hereby made for the change or changes indicated below, and the above indicated company is authorized to amend the above policy by endorsement to include such change or changes or to issue a new policy in place thereof incorporating such changes.

<p><b>1. <input type="checkbox"/> Change the original policy to:</b>                  Amount _____ Plan _____  <input type="checkbox"/> Waiver of Premium <input type="checkbox"/> \$ _____ Mo. Fam. Income ___ Yrs.  <input type="checkbox"/> Accidental Death Benefit <input type="checkbox"/> Other _____ (Specify)                  Policy Date to be: _____  <input type="checkbox"/> Same as original policy <input type="checkbox"/> Current premium due date  <b>Where no change is indicated in any item of the following, that item is to remain the same as in the original policy.</b>                  Premiums Payable: <input type="checkbox"/> Annually <input type="checkbox"/> Semi-Annually  <input type="checkbox"/> Quarterly <input type="checkbox"/> Monthly (EFT)                  Owner: <input type="checkbox"/> Insured  <input type="checkbox"/> _____                  Beneficiary Name: _____                  Relationship to Insured: _____</p>	<p><b>5. <input type="checkbox"/> Special Requests:</b></p> <table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:80%; padding: 5px;">6. (a) Occupation (exact duties)</td> <td style="width:10%; text-align: center;">Yes</td> <td style="width:10%; text-align: center;">No</td> </tr> <tr> <td style="padding: 5px;">(b) Change contemplated?</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </table> <p style="padding: 5px;">7. What is your exact height? ____ Ft. ____ In.                  What is your exact weight? _____ Lbs.                  Any gain or loss of weight in past year?                  If yes, explain in #12</p> <p style="padding: 5px;">8. Have you been refused life insurance or had a policy rated, cancelled or limited since your last application to this Company?                  If yes, in #12, give the name of company, date action taken and reason.</p> <p style="padding: 5px;">9. Have you had any illness, disease or injury or consulted a Physician for any reason since your last application to this Company?                  If yes, in #12, give full details including dates and names and addresses of all Physicians, Hospitals or Clinics consulted.</p> <p style="padding: 5px;">10. Have you flown over 100 hours as a passenger within the past year or do you intend to do so in the next year?</p> <p style="padding: 5px;">11. Have you flown as a pilot or crew member since your last application to this Company?                  If yes, Complete Aviation Questionnaire.</p> <p style="padding: 5px;">12. Explain any "Yes" answer to questions #6 through #11.</p>	6. (a) Occupation (exact duties)	Yes	No	(b) Change contemplated?	<input type="checkbox"/>	<input type="checkbox"/>
6. (a) Occupation (exact duties)	Yes	No					
(b) Change contemplated?	<input type="checkbox"/>	<input type="checkbox"/>					
<p><b>2. <input type="checkbox"/> Addition of Benefits:</b>                  Add the following Supplementary Benefits:  <input type="checkbox"/> Waiver of Premium <input type="checkbox"/> \$ _____ Mo. Fam. Income ___ Yrs.  <input type="checkbox"/> Accidental Death Benefit <input type="checkbox"/> Other _____ (Specify)</p>							
<p><b>3. <input type="checkbox"/> Cancellation of Benefits:</b> Cancel the following Supplementary Benefits as of _____  <input type="checkbox"/> Family Income <input type="checkbox"/> Waiver of Premium  <input type="checkbox"/> Payor Benefit <input type="checkbox"/> Accidental Death Benefit  <input type="checkbox"/> Other _____ (Specify)</p>							
<p><b>4. <input type="checkbox"/> Change of Classification:</b> Reduce the rating on this policy. It is agreed that the non-forfeiture benefits in the policy after such change shall be those guaranteed in policies written at the new classification on the original issue date.</p>							
<p><b>13. Corrections and Amendments: (Home Office Use Only)</b></p>							

**Fraud Warning:** 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 undersigned, having reviewed the answers in Part A and Part B hereof which shall be the basis for any requested change, hereby agrees: (1) the information contained therein is complete and correct to the best of my knowledge and belief, and shall be an amendment to and form a part of the policy numbered above, and shall be a basis for and a part of any insurance issued in addition to or in lieu of such policy; (2) the Company shall not be bound by any statement of the undersigned, not contained therein, nor shall notice to or knowledge of any agent or medical examiner be notice to or knowledge of the Company; (3) unless otherwise specified in the policy, such change or changes requested shall not take effect until the change shall have been approved by the Company and any required consideration is paid to the Company while the health of the insured remains as described in the application; (4) any errors or omissions herein may be corrected by the Company in section number 13 above, and acceptance of a copy of this form containing such corrections shall be ratification hereof, except that no change in amount of insurance, classification, plan of insurance or benefits shall be made without written agreement of the undersigned; (5) no contract of the Company can be made, modified or discharged, nor can any of its rights or requirements be waived, except in writing signed by its President, Vice President, Secretary or Assistant Secretary; (6) as far as may be lawful, on behalf of anyone having any claim or interest in said policy, any person who has or hereafter examines the undersigned is freed of any legal bar to disclosing information acquired thereby and is authorized to disclose the same.

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ Insured \_\_\_\_\_  
 (If Insured is under age 15, Applicant should sign)

Witness \_\_\_\_\_ (Spouse if Community Property State) Owner \_\_\_\_\_ (Sign only if other than insured)

Address \_\_\_\_\_ (to which premium and other notices are to be sent)

**For Life Insurance Policies Only  
PART B**

**Investors Life Insurance Company of North America**  
P.O. Box 149138 • Austin, TX 78714-9138 • (800) 925-6000 • www.investorslifefins.com

Policy # \_\_\_\_\_ on Life of \_\_\_\_\_

Subject to the provisions of the policy, request is hereby made for the change or changes indicated below.

<p><b>1. <input type="checkbox"/> Change Mode of Payment to:</b>  <input type="checkbox"/> Annually <input type="checkbox"/> Semi-Annually <input type="checkbox"/> Quarterly <input type="checkbox"/> Monthly (ETF)</p>	<p><b>6. <input type="checkbox"/> Change or Correction of Name:</b> It is hereby requested that the name of the _____ appearing on the Company's records as _____ be changed to _____                  (Copy of legal documentation of name change required)</p>
<p><b>2. <input type="checkbox"/> Request for Automatic Premium Loan:</b> If any premium payment is not paid when due or in the grace period, payment thereof shall be made in accordance with the Automatic Premium Loan Provision of the Policy.</p>	<p><b>7. <input type="checkbox"/> Transfer of Ownership:</b> I transfer all my rights, title, and interest as owner of the above policy to:                  Name: _____                  Address: _____</p>
<p><b>3. <input type="checkbox"/> Revocation of request for Automatic Premium Loan:</b> Any previous request for payment of premiums in accordance with the Automatic Premium Loan Provision of the policy is hereby revoked and in event of non-payment within the grace period of any premium now or hereafter due, the non-forfeiture provisions of the policy shall become operative.</p>	<p>subject to any loan or advance made by the Company on the security of the policy and to the rights of the Company in connection therewith, and to any assignment of the policy in force and on file with the Company at its Administrative Office. I declare that no insolvency or bankruptcy proceedings are pending against me and that I have not executed any assignment not on file with the Company at its Administrative Office.</p>
<p><b>4. <input type="checkbox"/> Commutation of Family Income Payments:</b> Subject to the terms of the Supplementary Benefit, the Beneficiary shall have the right to assign or commute any payments under the benefit.</p>	<p><b>8. <input type="checkbox"/> Designation of Owner's Designee:</b> Any previous Owner's Designee is hereby revoked and the following designation is made: _____                  Relationship of the Person Named: _____</p>
<p><b>5. <input type="checkbox"/> Change in Beneficiary:</b> All previous beneficiary designations and settlement options are hereby revoked and the following beneficiary designation is made.                  _____                  _____</p>	<p><b>9. <input type="checkbox"/> Special Requests:</b></p>
<p>It is understood that the Company shall not be bound by any trust deed or partnership agreement, and shall not be liable for the application of the proceeds of the policy by any trustee, beneficiary or any other person.</p>	

**Fraud Warning:** 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.

Unless otherwise specified in the policy, such change or changes requested shall not take effect until acknowledgment by the Company, but upon such acknowledgment shall be effective as of the date of this instrument, subject to any payment made or action taken by the Company before such acknowledgment.

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ Insured \_\_\_\_\_  
 (If insured is under age 15, Applicant should sign)

Witness \_\_\_\_\_ \*Current Owner \_\_\_\_\_  
 (Spouse if Community Property State) (Sign only if other than insured)

Address \_\_\_\_\_ \*If current owner is deceased, please provide a copy of their death certificate  
 (to which premium and other notices are to be sent)

<p><b>ACKNOWLEDGMENT BY COMPANY:</b>                  Received and filed at the Administrative Office of the above indicated company, P.O. Box 149138, Austin, TX 78714                  _____, 20____ Countersigned By: _____                  Vice President</p>
--

- Instructions:**
1. Application for Policy Change-Part B  
 Assignee, if any, must sign along with the Owner if change requested in Automatic Premium Loan Provision (#2 and #3), or Ownership Change (#7).
  2. Application for Policy Change-Part A  
 Assignee, if any, must sign along with the Owner for any change in coverage except change in classification (#4).

<p>Sample of New Owner's Signature to Verify Future Requests:</p>	
<p>_____</p> <p>Witness</p>	<p>_____</p> <p>New Owner's Signature</p>

- Family Life Insurance Company
- Investors Life Insurance Company of North America

P.O. Box 149138 • Austin, TX 78714-9138 • (800) 925-6000

Supplement to the application for Life Insurance dated \_\_\_\_\_ on the life of \_\_\_\_\_, the Proposed Insured.

The following questions are asked for the purpose of determining your eligibility for a policy issued with the Non-Smoker's Discount:

1. Do you currently smoke tobacco?  
 Yes       No
2. Have you used any form of tobacco in the last 12 months?  
 Yes       No

The Non-Smoker's Discount is not available on all Investors Life Insurance Company of North America policy forms.

**Fraud Warning:** 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.

I represent that to the best of my knowledge and belief, the answers given above are true and agree that this supplement shall form a part of said application and part of any policy issued thereon.

Dated at \_\_\_\_\_ the \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

\_\_\_\_\_  
Signature of Proposed Insured

I represent that to the best of my knowledge and belief the answers given above are true.

Dated at \_\_\_\_\_ the \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

\_\_\_\_\_  
Signature of Writing Agent

Recommendation # 2

The Company must review and revise internal controls procedures to ensure compliance with requirements of Title 31, Pennsylvania Code, and Chapter 146, Unfair Claims Settlement Practices.

Company's Response to Recommendation # 2

The Claims Department now has a documented procedure outlining requirements for the creation of any new forms and/or changes to existing forms, to include form number and a heading at the top of the form that identifies the type of form in order to ensure we are in compliance with the PA statutes.

**LOST POLICY DECLARATION**  
TO BE USED ONLY WHEN POLICY CANNOT BE FOUND

I hereby declare that Policy Number \_\_\_\_\_ issued by \_\_\_\_\_ on the life of \_\_\_\_\_ has been lost or destroyed, and that although a diligent search has been made for it, the policy cannot be found. I agree that if the policy is found, I will send it to the Company. I further declare that the policy is not assigned nor otherwise transferred to or held by any person or persons whomsoever, nor in any way charged as security for monies advanced or value received. This declaration is made to enable the Company to effect settlement of the claim under the policy with knowledge by me that the Company will rely upon the truth of the statements herein made. I, for myself, my heirs, executors, administrators and assigns, release the Company from any further claim under the policy.

Witness	Claimant's Signature
Date	Date

**INSTRUCTIONS**

**A. GENERAL INSTRUCTIONS**

1. Each question should be answered completely by the person to whom the insurance is payable.
2. A certified copy of the final death certificate is needed at all times.
3. In the event of an **accident, suicide, or homicide** please provide an accident/incident report and newspaper clippings should also be furnished if available.
4. The company reserves the right to require or to obtain further information if necessary.

**B. PROCEEDS PAYABLE**

**AN ESTATE**

Send a Certified Copy of the court document showing the appointment of the Administrator, Executor, or Personal Representative of the Estate. The Administrator(s), Executor(s), or Personal Representative(s) should complete the claim form and file the claim. The beneficiary information on the claim form should pertain to the estate, not the person(s) appointed as Administrator, Executor, or Personal Representative.

**A TRUST**

Send a Notarized Copy of the original Trust document and any Amendments to the Trust. Also send certification that the Trust is still in effect and that you are the current Trustee(s). The current Trustee or Trustees should complete the claim form and file the claim. The beneficiary information on the claim form should pertain to the Trust, not the Trustee(s).

**A CORPORATION**

The claim form should be completed by an Officer of the company. Included with this should be a copy of a current dated resolution showing that this officer is authorized to sign on behalf of the corporation. The claim form must also be imprinted with the corporate seal and include verification by the corporate secretary. For other types of company entities, i.e., Partnership or Sole Proprietorship, the claim form must have appropriate guarantees for the person representing such company and filing a claim.

**EX-SPOUSE**

A Divorce Decree and Property Settlement Agreement must be submitted. In some states, divorce may disqualify a former spouse as beneficiary of life insurance, unless; designated by the divorce decree or re-designated by the insured.

**A MINOR**

A certified copy of the court order appointing the guardian over the estate/property of the minor is required. The claim form is to be completed by the minor's court appointed guardian. The beneficiary information on the claim form should pertain to the minor.

**NAME CHANGE**

A copy of a divorce decree, marriage license or other documentation showing the name change must be submitted.

# CONTESTABLE LIFE CLAIMANT STATEMENT

(CHECK APPROPRIATE COMPANY)

FAMILY LIFE INSURANCE COMPANY       INVESTORS LIFE INSURANCE CO. OF NORTH AMERICA  
ATTN: CLAIMS DEPT.      PO BOX 149138      AUSTIN, TEXAS 78714-9138  
1-800-925-6000

Notice is hereby given to the Company that \_\_\_\_\_ has died, and that the deceased was insured under its policy(s) number(s) \_\_\_\_\_

## CLAIMANT INFORMATION

1. What is your name? \_\_\_\_\_
2. Your SSN? \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_. Your telephone #: \_\_\_\_\_
3. Your date of birth? \_\_\_\_\_ Place of birth? \_\_\_\_\_
4. Your permanent address? \_\_\_\_\_
5. In what capacity, or under what title do you make claim? \_\_\_\_\_  
If an Estate is involved, has an administrator or executor been appointed? \_\_\_\_\_

## DECEDENT INFORMATION

1. Date of birth of the deceased? \_\_\_\_\_. Source from which knowledge of such date was obtained? \_\_\_\_\_
2. Residence of the deceased? \_\_\_\_\_
3. When did the health of the decedent first begin to be affected? \_\_\_\_\_
4. When did deceased give up all work? \_\_\_\_\_
5. Date of death? \_\_\_\_\_ Place of death? \_\_\_\_\_
6. Cause of death? \_\_\_\_\_
7. If death resulted solely from bodily injuries, please state whether such injuries and death were due to accident, suicide, or homicide? \_\_\_\_\_
8. What was the name, address and phone # of the deceased's employer? \_\_\_\_\_  
Name of the Supervisor? \_\_\_\_\_
9. Did the deceased have any medical insurance coverage? \_\_\_\_\_. If yes, please provide name of carrier, phone #, and address: \_\_\_\_\_  
\_\_\_\_\_
10. Please provide the name, address, and telephone number of the decedent's Primary Care Physician or family doctor, used for routine care. \_\_\_\_\_  
\_\_\_\_\_

11. Name and address of **any** physician, treatment center or other facility, who attended, prescribed or provided any type of treatment for the deceased during the last five years prior to death. (please use back of form if necessary.)

**Dr's or Hospital's Full Name    Complete Address & Phone #    Dates of Treatment**

_____	_____	_____
_____	_____	_____
_____	_____	_____

12. Please provide the name, address, and telephone number of the pharmacy/pharmacies used by the decedent to obtain any medications.

**Pharmacy Name                      Complete Address                      Phone Number**

_____	_____	_____
_____	_____	_____

13. If the deceased had other insurance on his life, give details. List all companies.

**COMPANY    ADDRESS    TELEPHONE #    AMOUNT    POLICY #    ISSUE DATE**

_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

14. Did the decedent have a driver's license? \_\_\_\_\_ If yes, please provide:

- Full name listed on driver's license \_\_\_\_\_
- Date of birth listed on driver's license \_\_\_\_\_
- License number \_\_\_\_\_
- State issued \_\_\_\_\_
- Social Security Number of decedent \_\_\_\_\_

**Signature of Beneficiary:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Beneficiary's relationship to deceased:** \_\_\_\_\_

#### **AUTHORIZATION TO RELEASE INFORMATION**

I hereby authorize any employer of the deceased, officer of the law, such as for a Police Incident Report or Accident Report, or a company providing motor vehicle driving records to furnish to Family Life Insurance Company, Investors Life Insurance Company of North America or a representative thereof, any and all information to assist them in their completion of their review of this claim. *A photo static copy of this authorization shall be considered as effective and valid as the original.*

**This Authorization is NOT restricted to the information listed on this form. It may include a canvas of area providers and any leads referenced in any information received during this review.**

**In addition, authorization is given to release to the above referenced Life Insurance Companies and MVR's Inc. a copy of the above referenced decedent's motor vehicle driving record.**

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Relationship to Deceased:** \_\_\_\_\_

**Any person who knowingly presents a false or fraudulent claim for payment of loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.**

**FOREIGN DEATH-  
SUPPLEMENTAL CLAIM QUESTIONNAIRE**

1. Name of Insured: \_\_\_\_\_
2. Policy Number: \_\_\_\_\_
3. What was the date that the insured left the United States? \_\_\_\_\_
4. When was the insured expected to return to the United States?  
\_\_\_\_\_
5. Was the insured out of United States on a) vacation, b) personal business, c) professional business, or d) permanently residing? \_\_\_\_\_
6. If the insured was on personal business, please specify: \_\_\_\_\_
7. How long had the insured resided in the place of death, if permanently residing?  
\_\_\_\_\_
8. Name, Address and telephone number of insured's Employer: \_\_\_\_\_
9. Are there any employee benefits that are being collected, such as employee pensions, or social security benefits being drawn as the result of the insured's death? If yes, please specify. \_\_\_\_\_
10. Please list any other insurance companies that may be involved, give their names, telephone numbers and location. \_\_\_\_\_
11. Where was the insured buried? (Please provide copies of any newspaper clippings, obituaries, or photocopies of literature on any church or memorial services that were held. Please provide copies of any funeral or burial expenses.) \_\_\_\_\_
12. Was the American Consulate or American Embassy contacted regarding this death? \_\_\_\_  
If so, submit documents supporting this contact.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

# LIFE CLAIMANT'S STATEMENT

(CHECK APPROPRIATE COMPANY)

Investors Life Insurance Co. of North America

Family Life Insurance Co.

ATTN: Claims Dept. PO Box 149138 \* Austin, Texas 78714-9138 1-800-925-6000

Please read instructions on reverse side before completing this sheet.

Full Name of Decedent \_\_\_\_\_ Date of Death \_\_\_\_\_  
(please print)

Address \_\_\_\_\_

Date of Birth \_\_\_\_\_ Source from which Birth Date Obtained \_\_\_\_\_

Social Security Number \_\_\_\_\_ (Family Record, Other Record, Birth Certificate)

Cause of Death \_\_\_\_\_

Was the death a result of an Accident? Yes or No

Was the death a result of a Homicide? Yes or No

Was the death a result of a Suicide? Yes or No

If you answered yes to any of the above questions, please explain: \_\_\_\_\_

Policy Number \_\_\_\_\_ Benefit Amount \$ \_\_\_\_\_

Lump Sum \$ \_\_\_\_\_  
Amount

Please hold all (or part) of the proceeds at interest. (Contact Claims Department for information regarding this option)  
\$ \_\_\_\_\_  
Balance Amount

Name of Beneficiary \_\_\_\_\_ Social Security Number \_\_\_\_\_  
(please print)

Address \_\_\_\_\_ Date of Birth \_\_\_\_\_

Phone Number \_\_\_\_\_ Beneficiary's relationship to deceased \_\_\_\_\_

Date \_\_\_\_\_ Signature of Beneficiary \_\_\_\_\_

Any person who knowingly presents a false or fraudulent claim for payment of loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

### Recommendation # 3

The Company must review and revise Licensing procedures to ensure compliance with Section 671-A of the Insurance Department Act of 11921 (40 P. S. && 310-71).

### Company's Response to Recommendation # 3

**License status** -During the initial review and set up of a new agent record, the Licensing Specialist verifies the status of the license and lines of authority. (The agent must submit a current copy of his license in the hire packet.) If the expiration date is not indicated on the license, the Licensing Specialist will verify the status of their license (resident and nonresident) with the state. (The license status is verified on the state website or through the Producer Data Base via SIRCON.)

**Appointment effective dates** – The Licensing Specialist will review the State Appointment Guidelines to verify the state specific appointment effective dates.

**Submission of Appointment to State Department of Insurance** – The Licensing Specialist utilizes the State Appointment Guide to determine the method for the submission of the state appointment. The appointment is submitted either via paper or an online transaction through SIRCON. A confirmation of the appointment submission is received and placed in the agent's contract file.

**Agent Record on System** - During the system input to create the agent record, a license trailer is created. This trailer contains the effective and renewal dates for both the appointment and the license. A separate trailer is created for each state that the agent is requesting appointment.

- Edits are in the system that will prevent Underwriting from submitting or issuing any new business prior to license or appointment effective dates or after license or appointment renewal dates.
- Edits are also in place that will prevent payment of any commissions if license or appointment is not in an active status.

Recommendation # 4

The Company must implement procedures to ensure advertising certification requirements of Title 31, Pennsylvania Code, and Chapter 51.

Company's Response to Recommendation # 4

The following summary describes the corrective action taken to rectify our violation of Title 31, Pennsylvania Code, Section 51.4 (a)(b)(c)(d) Advertising file.

Title 31, Pennsylvania Code, Section 51.4 (a) - An advertising file was created. The file contains a printed copy of every advertisement, brochure and rate card that was used in 2005. We have implemented this as a company procedure and a file was created for 2006 as well.

Title 31, Pennsylvania Code, Section 51.4 (b) – The advertising file contains a spreadsheet showing the form number of the contract advertised and the extent of the distribution.

Title 31, Pennsylvania Code, Section 51.4 (c) – The file is located in the Marketing Department and is available for inspection by the state.

Title 31, Pennsylvania Code, Section 51.4 (d) – The advertising files will not be destroyed for a period of 4 years or until the next exam whichever is longer.

Recommendation # 5

The Company must review and revise internal controls procedures to ensure compliance with the replacement requirements of Title 31, Pennsylvania Code, and Section 81.

Company's Response to Recommendation # 5

The company will review its procedures to provide more complete compliance with the replacement regulations as noted.

Recommendation # 6

The Company must review internal control procedures to ensure compliance with disclosure requirements of Title 31, Pennsylvania Code, and Chapter 83.

Company's Response to Recommendation # 6

The company will review its procedures to provide more complete compliance with the replacement regulations as noted.

Recommendation # 7

The Company must review internal controls procedures to ensure compliance with forms filing and approval requirements of Section 354 of the Insurance Company Law of 1921 (40 P. S. & 477b)

Company's Response to Recommendation # 7

Please see response to recommendation #1 for filing information.

In addition, this problem relates to a waiver of premium form that is issued with our UL-5 product. Although the number cited is FI-359 that is a number that was used for internal purposes only. The correct form number used in filings with PA was 82LR10/PA. A copy of that form is attached, and you can see both the official number and the internal number that is used for form assembly.

This form was originally approved in 1982, and was filed by CIGNA. Investors Life subsequently bought the block of business and has continued to use the original policy form. Due to the passage of time and multiple changes in office locations, we have not been able to locate the original stamped approval. However, in looking through our files, we did discover the attached letter which indicates that the approval date of this form was August 24, 1982.

While we cannot locate this specific filing, the company understands the importance of these files and has been able to provide evidence of filing and approval for other forms in use. Procedures are currently in place so that copies of filings and approvals are maintained.

Recommendation # 8

The Company must implement internal controls procedures to ensure compliance with Section 405-A of the Insurance Company Law of 1921 (40 P.S. & 625-5)

Company's Response to Recommendation # 8

The Company is in the process of devising internal controls procedures to ensure compliance with this recommendation.

Recommendation # 9

The Company must implement internal controls procedures to ensure compliance with policy delivery receipt requirements of Section 404-A of the Insurance Company Law of 1921 (40 P. S. & 625-4)

Company's Response to Recommendation # 9

The company will review its procedures to provide more complete compliance with the policy delivery receipt regulations as noted.

Recommendation # 10

The Company must implement internal controls procedures to ensure compliance with illustration certification and delivery requirements of Section 408-A of the Insurance Company Law of 1921 (40 P. S. & 625-8)

Company's Response to Recommendation # 10

The company will review its procedures to provide more complete compliance with the illustration certification and delivery requirements as noted. Changes have already been made to the procedures with respect to revised universal life illustrations.

Recommendation # 11

The Company must implement internal controls procedures to ensure compliance with form requirements of Title 31, Pennsylvania Code, Section 89b 11 (b) (c), General Contents of Forms.

Company's Response to Recommendation # 11

Please see response to recommendation #1.

The referenced forms have been revised to comply with these provisions.