

**REPORT OF  
MARKET CONDUCT EXAMINATION  
OF**

**MONUMENTAL LIFE INSURANCE COMPANY**  
Cedar Rapids, Iowa

**AS OF  
October 20, 2010**

**COMMONWEALTH OF PENNSYLVANIA**



**INSURANCE DEPARTMENT  
MARKET CONDUCT DIVISION**

**Issued: December 17, 2010**

# MONUMENTAL LIFE INSURANCE COMPANY

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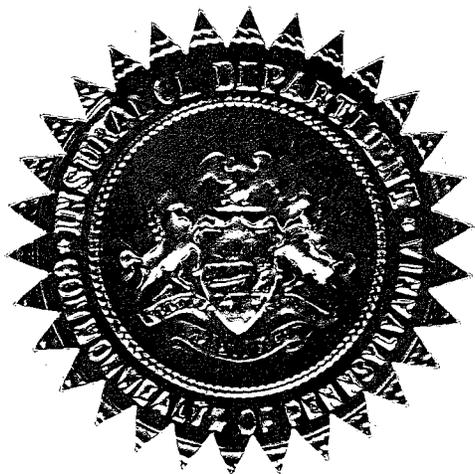
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BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 30<sup>th</sup> day of August, 2010, in accordance with Section 905(c) of the Pennsylvania Insurance Department Act, Act of May 17, 1921, P.L. 789, as amended, P.S. § 323.5, I hereby designate Ronald A. Gallagher, Deputy Insurance Commissioner, to consider and review all documents relating to the market conduct examination of any company and person who is the subject of a market conduct examination and to have all powers set forth in said statute including the power to enter an Order based on the review of said documents. This designation of authority shall continue in effect until otherwise terminated by a later Order of the Insurance Commissioner.



  
Robert L. Pratter  
Acting Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

IN RE:	:	VIOLATIONS:
	:	
MONUMENTAL LIFE INSURANCE	:	Section 671-A of Act 147 of 2002
COMPANY	:	(40 P.S. § 310.71)
4333 Edgewood Road, NE	:	
Cedar Rapids, IA 52499	:	Section 903(a) of the Insurance
	:	Department Act, Act of May 17, 1921,
	:	P.L. 789, No. 285 (40 P.S. §323.3)
	:	
	:	Sections 404-A, 408-A(c)(4)(i),
	:	408 A(c)(4)(ii), 408-A(e)(1)(i),
	:	408-A(e)(1)(ii), 408-A(e)(2)(ii),
	:	408-A(e)(2)(iii), 408-A(e)(3)(ii),
	:	408-A(e)(5), 410D(a)(2) of the
	:	Insurance Company Law, Act of
	:	May 17, 1921, P.L. 682, No. 284
	:	(40 P.S. §§ 625-4, 625-8, 625-9 and
	:	510)
	:	
	:	Title 31, Pennsylvania Code, Sections
	:	81.4(b)(1), 81.6(a)(1), 81.6(a)(2)(ii),
	:	83.3, 83.3(a)(1)(2)(3)(4)(5)(6)(7),
	:	83.4a, 83.4b, 83.3(a)(4)(i), 83.55(a),
	:	83.55(b), 83.55(c), 88.181, 146.5,
	:	146.6 and 146.7
	:	
Respondent.	:	Docket No. MC10-12-001

CONSENT ORDER

AND NOW, this 17<sup>th</sup> day of December, 2010, this Order is hereby issued by the Insurance Department of the Commonwealth of Pennsylvania pursuant to the statutes cited above and in disposition of the matter captioned above.

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

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

3. Without admitting the allegations of fact and conclusions of law contained herein, Respondent neither admits nor denies that it violated any law or regulation of the Commonwealth.

#### FINDINGS OF FACT

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

- (a) Respondent is Monumental Life Insurance Company, and maintains its address at 4333 Edgewood Road, NE, Cedar Rapids, IA 52499.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from July 1, 2008, through June 30, 2009.

- (c) On October 20, 2010, the Insurance Department issued a Market Conduct Examination Report to Respondent.
- (d) A response to the Examination Report was provided by Respondent on November 19, 2010.
- (e) The Examination Report notes violations of the following:
  - (i) Section 671-A of Act 147 of 2002 (40 P.S. § 310.71), which prohibits producers from transacting business within this Commonwealth without written appointment as required by the Act;
  - (ii) Section 903(a) of the Insurance Department Act, Act of May 17, 1921 (40 P.S. §323.3), which requires every company subject to examination keep all records and documents relating to its business in such manner as may be required in order that the Department may verify whether the company has complied with the laws of this Commonwealth;
  - (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 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;

- (iv) Insurance Company Law, Section 408-A(c)(4)(i) (40 P.S. §625-8) which requires a statement to be signed and dated by the applicant or the policy owner in the case of an illustration provided at time of delivery, reading as follows: “I have received a copy of this illustration and understand that any non-guaranteed elements illustrated are subject to change and could be either higher or lower. The producer has told me they are non-guaranteed”;
  
- (v) Section 408-A(c)(4)(ii) of the Insurance Company Law, No. 284 (40 P.S. § 625-8), which requires a statement to be signed and dated by the producer reading as follows: “I certify that this illustration has been presented to the applicant or the policy owner and that I have explained that any

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

- (vi) Insurance Company Law, Section 408-A(e)(1)(i) (40 P.S. §625-8), which states if the policy is applied for as illustrated, a copy of that illustration, signed in accordance with this section, shall be submitted to the insurer no later than the time the policy application is sent to the insurer. A copy shall also be provided to the applicant no later than the time the application is signed by the applicant;
  
- (vii) 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 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;
  
- (viii) Section 408-A(e)(2)(ii) (40 P.S. §625-8) which states if no illustration is used by a producer in the sale of a life insurance policy or if a computer screen illustration is displayed. Where a computer screen is used, the

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

(ix) Section 408-A(e)(2)(iii) (40 P.S. §625-8) which states 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;

(x) Section 408-A(e)(3)(ii) (40 P.S. §625-8) which states if an illustration is used by a producer in the sale of a life insurance policy but the policy applied for is other than as illustrated. If the policy is issued, a basic illustration conforming to the policy as issued shall be sent with the policy

and signed by the policy owner no later than the time the policy is delivered.

A copy shall be provided to the policy owner no later than the time the policy is delivered and to the insured as soon as practical after the policy is delivered;

- (xi) Section 408-A(e)(5) (40 P.S. §625-8) which states 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;
- (xii) Section 410D(a)(2) of the Insurance Company Law, No. 284 (40 P.S. § 510c), which requires individual fixed dollar life insurance or endowment policies which are offered as replacements for an existing life insurance policy or annuity contract with the same insurer or insurer group shall not be delivered in the Commonwealth unless they shall have prominently printed on the first page of such policy or attached thereto, a notice stating that the policyholder shall be permitted to return the policy within at least 45 days of its delivery (“free look provision”);
- (xiii) Title 31, Pennsylvania Code, Section 81.4(b)(1), which states that if replacement is involved, the agent or broker shall present to the applicant,

not later than at the time of taking the application, a Notice Regarding Replacement of Life Insurance and Annuities;

(xiv) 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;

(xv) Title 31, Pennsylvania Code, Section 81.6(a)(2)(ii), which states an insurer that uses an agent or broker in a life insurance or annuity sale shall, if replacement is involved: Send to each existing insurer a written communication advising of the replacement or proposed replacement and the identification information obtained under subparagraph (I) and in the case of life insurance, the disclosure statement as required by Section 83.3, or ledger statement containing comparable policy data on the proposed life insurance. This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner;

(xvi) 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;

- (xvii) Title 31, Pennsylvania Code, Sections 83.3(a)(1), (2), (3), (4), (5), (6) and (7), which requires a disclosure statement to be a document which shall describe the purpose and importance of the disclosure and describe the significant elements of the policy and riders being offered;
- (xviii) 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;
- (xix) 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;
- (xx) Title 31, Pennsylvania Code, Section 83.3(a)(4)(i), which requires the disclosure statement to list the name of the producer, home address or

agency address and home or agency telephone number of the insurance producer making the solicitation;

(xxi) 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;

(xxii) Title 31, Pennsylvania Code, Section 83.55c, which requires that if it is the practice of the insurer to mail the policy directly to the applicant, the appropriate officer of the insurer shall certify, in conjunction with the annual statement of the insurer, that in accordance with this subchapter surrender comparison index disclosures have been included with policies at delivery or provided earlier upon request. Failure to so certify shall constitute prima facie evidence that surrender comparison index disclosures have not been provided to prospective purchasers of life insurance;

- (xxiii) Title 31, Pennsylvania Code, Section 88.181, which states no policy may be delivered or issued for delivery in this Commonwealth unless an appropriate outline of coverage, as prescribed by this chapter, either accompanies the policy or contract or is delivered at the time application is made;
- (xxiv) Title 31, Pennsylvania Code, Section 146.5, which states every insurer, upon receiving notification of a claim, shall within ten working days, acknowledge the receipt of such notice, unless payment is made within such period. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated;
- (xxv) Title 31, Pennsylvania Code, Section 146.6 which 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; and
- (xxvi) Title 31, Pennsylvania Code, Section 146.7 which states, 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.

## CONCLUSIONS OF LAW

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

- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.
  
- (b) Respondent's violations of Section 671-A of Act 147 of 2002 are punishable by the following, under Section 691-A of Act 147 of 2002 (40 P.S. § 310.91):
  - (i) suspension, revocation or refusal to issue the certificate of qualification or license;
  - (ii) imposition of a civil penalty not to exceed five thousand dollars (\$5,000.00) for every violation of the Act;
  - (iii) an order to cease and desist; and
  - (iv) any other conditions as the Commissioner deems appropriate.
  
- (c) Respondent's violations of Sections 404-A, 408-A and 410D of the Insurance Company Law, No. 284 (40 P.S. §§625-4, 625-8, 625-9 and 510) are punishable by the following, under 40 P.S. § 625-10: Upon determination by hearing that this act has been violated, the commissioner

may issue a cease and desist order, suspend, revoke or refuse to renew the license, or impose a civil penalty of not more than \$5,000 per violation.

- (d) Respondent's violations of Title 31, Pennsylvania Code, Chapter 81, are punishable under Title 31, Pennsylvania Code, Section 81.8(b) and (c), which provide 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);
  
- (e) 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.

(f) 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.

(g) 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

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

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) Respondent shall file an affidavit stating under oath that it will provide each of its directors, at the next scheduled directors meeting, a copy of the adopted Report and related Orders. Such affidavit shall be submitted within thirty (30) days of the date of this Order.
- (c) Respondent shall pay Seventy-Five Thousand Dollars (\$75,000.00) to the Commonwealth of Pennsylvania in settlement of all violations contained in the Report.
- (d) Payment of this matter shall be made by check payable to the Commonwealth of Pennsylvania. Payment should be directed to Sharon L. Fraser, Bureau of Market Actions, 1227 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.

(e) To determine Respondent's compliance with the full and timely implementation of all recommendations ("Recommendations") in the Examination Report, Respondent shall perform a self-audit of all issues addressed in the "Recommendations" section of the 2010 Market Conduct Examination Report, within one (1) calendar year from the date of this Order. Respondent shall report the results of the self-audit within 3 months (90 days) from the commencement of the self-audit.

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

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

9. 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.

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

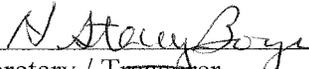
11. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

12. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegee is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law

contained herein, and this Consent Order is not effective until executed by the Insurance Commissioner or a duly authorized delegee.

BY: MONUMENTAL LIFE INSURANCE  
COMPANY, Respondent

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

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

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

## **I. INTRODUCTION**

The Market Conduct Examination was conducted on Monumental Life Insurance Company; hereafter referred to as “Company,” at the Company’s office located in Cedar Rapids, Iowa, September 29, 2009, through December 18, 2009. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

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

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

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

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

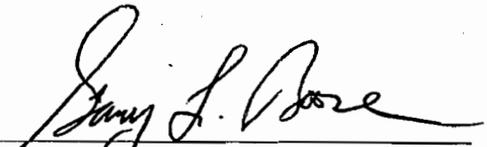
Yonise A. Roberts Paige  
Market Conduct Division Chief

Gary L. Boose, MCM, LUTC  
Market Conduct Examiner

Michael A. Jones  
Market Conduct Examiner

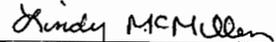
**Verification**

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

  
\_\_\_\_\_  
Gary L. Boose, Examiner in Charge

Sworn to and Subscribed Before me

This 11 Day of May , 2010

  
\_\_\_\_\_  
Notary Public

**COMMONWEALTH OF PENNSYLVANIA**  
**NOTARIAL SEAL**  
**LINDY McMILLEN, Notary Public**  
**City of Harrisburg, Dauphin County**  
**My Commission Expires March 23, 2014**

## **II. SCOPE OF EXAMINATION**

The Market Conduct Examination was conducted pursuant to the authority granted by Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the experience period of July 1, 2008, through June 30, 2009, unless otherwise noted. The purpose of the examination was to ensure compliance with Pennsylvania insurance laws and regulations.

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

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

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

### **III. COMPANY HISTORY AND LICENSING**

Maryland Mutual Life and Fire Insurance Company incorporated in accordance with the laws of the State of Maryland on March 5, 1858. Operations commenced on May 22, 1860. In 1870, the name changed to Mutual Life Insurance Company. The Company converted to a stock company in 1928, and adopted its current name, Monumental Life Insurance Company during 1935.

In 1986, AEGON N.V., a Netherlands Corporation purchased Monumental Life Insurance Company which became an indirectly wholly owned subsidiary of AEGON USA, Inc. (now AEGON USA, LLC). Capital General Development Corporation (99.72%) and Commonwealth General Corporation (.28%) constitute the current ownership of Monumental Life Insurance Company. Capital General Development Corporation is a wholly owned subsidiary of Commonwealth General Corporation. AEGON USA, LLC and Commonwealth General Corporation are subsidiaries of AEGON U.S. Holding Corporation, an indirect, wholly owned subsidiary of AEGON N.V.

On November 30, 1998, three affiliated life insurance companies merged into Monumental Life Insurance Company. The names and states of domicile of these three companies are as follows: Capital Security Life Insurance Company (North Carolina), Commonwealth Life Insurance Company (Kentucky), and Peoples Security Life Insurance Company (North Carolina).

On October 1, 2004, an affiliated life insurance company, Pension Life Insurance Company of America (New Jersey) merged into Monumental Life Insurance Company.

On April 1, 2007, Monumental Life Insurance Company re-domiciled from Maryland to Iowa.

On October 1, 2007, an affiliated life insurance company, Peoples Benefit Life Insurance Company (Iowa) merged into Monumental Live Insurance Company.

As of the Company's December 31, 2008, annual statement for Pennsylvania, Monumental Life Insurance Company reported direct premiums for life insurance considerations in the amount of \$62,414,828 and direct premiums for accident and health insurance in the amount of \$19,640,196.

#### **IV. ADVERTISING**

The Department, in exercising its discretionary authority requested, received and reviewed the Company's Advertising Certificate of Compliance. The certification was reviewed to ensure compliance with Title 31, Pennsylvania Code, Section 51.5. Section 51.5 provides that "A company required to file an annual statement which is now or which hereafter becomes subject to this chapter shall file with the Department with its Annual Statement a Certificate of Compliance executed by an authorized officer of the company wherein it is stated that to the best of his knowledge, information and belief the advertisements which were disseminated by the company during the preceding statement year complied or were made to comply in all respects with the provisions of the insurance laws and regulations of this Commonwealth." No violations were noted.

## **V. FORMS**

The Company was requested to provide a list and copies of all policy and/or member forms, conversion contracts, applications, riders, amendments and endorsements used during the experience period. The forms provided and forms reviewed in various underwriting sections of the exam were reviewed to ensure compliance with Insurance Company Law Section 354 and Title 18, Pennsylvania Consolidated Statutes, Section 4117(k), Fraud Notice. No violations were noted.

## VI. PRODUCER LICENSING

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

The Company provided a list of 615 producers and 10 terminated producers. A random sample of 50 producers was compared to departmental records of producers to verify appointments, terminations and licensing. In addition, a comparison was made on the individuals identified as producers on applications reviewed in the policy issued sections of the exam. The following violations were 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 Company failed to file a notice of appointment and submit appointment fees to the Insurance Department for the following producer. The Company listed the producer as active; however, Department records did not indicate the appointment.

<b>Producer</b>
Arthur Barnes

## **VII. CONSUMER COMPLAINTS**

The Company was requested to identify all consumer complaints received during the experience period and provide copies of consumer complaint logs for 2005, 2006, 2007 and 2008. The Company identified 67 consumer complaints received during the experience period. Of the 67 complaints identified, 39 were forwarded from the Department. All 67 complaint files were requested, received and reviewed. The Company provided complaint logs as requested. The Department's list of written consumer complaints that were forwarded to the Company during the experience period was compared to the Company's complaint log.

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

## **VIII. UNDERWRITING**

The Underwriting review consisted of 24 general segments.

- A. Underwriting Guidelines
- B. Group Whole Life Certificates Issued
- C. Accident and Sickness Health Insurance Policies Issued
- D. Life Insurance Policies Issued (Interest Sensitive)
- E. Life Insurance Policies Issued (Mortgage)
- F. Specified Disease Insurance Policies Issued (Cancer)
- G. Term Life Insurance Policies Issued
- H. Universal Life Insurance Policies Issued
- I. Whole Life Insurance Policies Issued
- J. Endowment Term Insurance Conversions
- K. Life Insurance Term Policies Converted (Interest Sensitive)
- L. Term Life Insurance Conversions
- M. Flexible Premium Adjustable Life Insurance Conversions (Universal Life)
- N. Life Insurance Conversions (Whole Life)
- O. Accident and Sickness Health Insurance Policies Issued as Replacements
- P. Life Insurance Policies Issued as Replacements (Interest Sensitive)
- Q. Specified Disease Insurance Policies Issued as Replacements (Cancer)
- R. Term Life Insurance Policies Issued as Replacements
- S. Universal Life Insurance Policies Issued as Replacements
- T. Whole Life Insurance Policies Issued as Replacements
- U. Life Insurance Policy Rescissions (Interest Sensitive)
- V. Specified Disease Insurance Policy Rescissions (Cancer)
- W. Term Life Insurance Policy Rescissions
- X. Whole Life Insurance Policy Rescissions

Each segment was reviewed for compliance with underwriting practices and included forms identification and producer identification. Issues relating to forms or licensing appear in those respective sections of the Report and are not duplicated in the Underwriting portion of the Report.

## **A. Underwriting Guidelines**

The Company was requested to provide all underwriting guidelines and manuals utilized during the experience period. The manuals were reviewed to ensure underwriting guidelines were in place and being followed in a uniform and consistent manner and that no underwriting practices or procedures were in place that could be considered discriminatory in nature, or specifically prohibited by statute or regulation. No violations were noted.

The following guidelines were reviewed:

1. Old Special Underwriting Guidelines
2. New Special Underwriting Guidelines
3. Male Routine Age and Amount Evidence Requirements (Eff. 5/1/2007)
4. Female Routine Age and Amount Evidence Requirements (Eff 5/1/2007)
5. Choice 12 (Rider Only) Highlights
6. Medical Underwriting and Substandard Rates
7. Males under \$100,000
8. Females under \$100,000
9. Males over \$100,000 and above
10. Females over \$100,000 and above
11. A Medical Guide for Field Underwriting
12. Selection of Risks

## **B. Group Whole Life Certificates Issued**

The Company was requested to provide a list of all group whole life certificate holders enrolled during the experience period. The Company provided a list of 520 certificate holders from the experience period. A random sample of 25 certificate holders enrolled was requested, received and reviewed. The files were reviewed to ensure compliance with Title 18, Pennsylvania Consolidated Statutes, Section 4117(k). No violations were noted.

### **C. Accident and Sickness Health Insurance Policies Issued**

The Company was requested to provide a list of all policies issued during the experience period. The Company identified a list of 240 accident and sickness policies issued. A sample of 25 policy files was 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:

#### **25 Violations – Title 31, Pennsylvania Code, Section 88.181**

No policy may be delivered or issued for delivery in this commonwealth unless an appropriate outline of coverage, as prescribed by this chapter, either accompanies the policy or contract or is delivered at the time the application is made.

The delivery of the outline of coverage could not be verified in the 25 files noted.

### **D. Life Insurance Policies Issued (Interest Sensitive)**

The Company was requested to provide a list of policies issued during the experience period. The Company identified a universe of 2,220 interest sensitive life policies issued during the experience period. A random sample of 50 policy files was 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:

#### **5 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. Evidence that a written disclosure was provided could not be established in the 5 noted files.

**5 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 required agent's certification of disclosure statement delivery was not established in the 5 noted files.

**8 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 required agent's certification of the surrender comparison index disclosure delivery was not evident in the 8 noted files.

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

A statement to be signed and dated by the producer reading as follows: “I certify that this illustration has been presented to the applicant or the policy owner and that I have explained that any nonguaranteed elements illustrated are subject to change. I have made no statements that are inconsistent with the illustration.” The writing producer did not sign the certification in the 16 files noted.

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

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

The signed certification and acknowledgment of the use of a screen illustration in the sale of a life insurance policy was not evident in the noted file.

**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.

Evidence of a signed certification and acknowledgement of the delivery of an illustration at the time of policy issuance and delivery could not be established in the noted file.

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

The following applies if an illustration is used by a producer in the sale of a life insurance policy but the policy applied for is other than as illustrated. If the policy is issued, a basic illustration conforming to the policy as issued shall be sent with the policy and signed by the policy owner no later than the time the policy is delivered. A copy shall be provided to the policy owner no later than the time the policy is delivered and to the insured as soon as practical after the policy is delivered. The 5 files noted did not contain an illustration delivery acknowledgment at the time of policy delivery.

**5 Violations – 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 5 files noted were missing the producer's certification and the applicant's acknowledgment in regard to the illustration used.

**E. Life Insurance Life Policies Issued (Mortgage)**

The Company was requested to provide a list of all policies issued during the experience period. The Company identified a universe of 15 mortgage life policies issued during the experience period. All 15 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:

**6 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. Evidence that a written disclosure was provided could not be established in the 6 noted files.

**3 Violations – Title 31, Pennsylvania Code, Section 83.3(a)(1)(2)(3)(4)(5)(6)(7)**

A disclosure statement shall be a document which shall describe the purpose and importance of the disclosure and describe the significant elements of the policy and riders being offered. The disclosure statements were incomplete in the 3 files noted.

**3 Violations - Title 31, Pennsylvania Code, Section 83.3(a)(4)(i)**

A disclosure statement shall describe the name of the agent or broker, home address or agency address and the home or agency telephone number of the insurance agent or broker making the solicitation. The agents telephone number and/or address were absent from the disclosure statement for the 3 files noted.

**6 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 required agent's certification of disclosure statement delivery was not established in the 6 noted files.

**15 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 required agent's certification of the surrender comparison index disclosure delivery was not evident in the 15 noted files.

**1 Violation – Title 31, Pennsylvania Code, Section 83.55c**

If it is the practice of the insurer to mail the policy directly to the applicant, the appropriate officer of the insurer shall certify, in conjunction with the annual statement of the insurer, that in accordance with this subchapter surrender comparison index disclosures have been included with policies at delivery or provided earlier upon request. Failure to so certify shall constitute prima facie evidence that surrender comparison index disclosures have not been provided to prospective purchasers of life insurance. The required officer certification was not evident in the 15 noted files

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

When the individual policy or annuity is delivered to the policyholder by the producer by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set and state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery receipt, and such date shall commence any applicable policy or annuity examination period. Copies of the delivery receipt must be provided to the policyholder on the date of policy or annuity delivery and to the issuing insurer. When the individual policy or annuity is delivered by a means other than by hand delivery by the producer, the insurer shall establish appropriate means of verifying delivery by the producer of the policy or annuity and of establishing the date from which any applicable policy or examination period shall commence.

Verification of the date of policy delivery could not be established in the file noted.

**F. Specified Disease Insurance Policies Issued (Cancer)**

The Company was requested to provide a list of all policies issued during the experience period. The Company identified a list of 322 specified disease (cancer) policies issued. A random sample of 15 policy files were requested, received and reviewed. The policy files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. No violations were noted.

**G. Term Life Insurance Policies Issued**

The Company was requested to provide a list of policies issued during the experience period. The Company identified a universe of 1,228 term life policies issued during

the experience period. A random sample of 50 policies was requested, received and reviewed. The policy files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violation was noted:

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

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

**H. Universal Life Insurance Policies Issued**

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

## **I. Whole Life Insurance Policies Issued**

The Company was requested to provide a list of policies issued during the experience period. The Company identified a universe of 2,383 whole life policies issued during the experience period. A random sample of 50 policy files were requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted:

### **8 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. Evidence that a written disclosure was provided could not be established in the 8 noted files.

### **11 Violations – Title 31, Pennsylvania Code, Section 83.3(a)(4)(i)**

A disclosure statement shall describe the name of the agent or broker, home address or agency address and the home or agency telephone number of the insurance agent or broker making the solicitation. The agents telephone number and/or address were absent from the disclosure statement on the 11 files noted.

### **1 Violation – Title 31, Pennsylvania Code, Section 83.55c**

If it is the practice of the insurer to mail the policy directly to the applicant, the appropriate officer of the insurer shall certify, in conjunction with the annual statement of the insurer, that in accordance with this subchapter surrender comparison index disclosures have been included with policies at delivery or provided earlier upon request. Failure to so certify shall constitute prima facie evidence that surrender

comparison index disclosures have not been provided to prospective purchasers of life insurance. The required officer certification was not evident in 36 files.

### **3 Violations - Insurance Company Law, Section 404-A (40 P.S. §625-4)**

When the individual policy or annuity is delivered to the policyholder by the producer by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set and state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery receipt, and such date shall commence any applicable policy or annuity examination period. Copies of the delivery receipt must be provided to the policyholder on the date of policy or annuity delivery and to the issuing insurer. When the individual policy or annuity is delivered by a means other than by hand delivery by the producer, the insurer shall establish appropriate means of verifying delivery by the producer of the policy or annuity and of establishing the date from which any applicable policy or examination period shall commence. Verification of the date of policy delivery could not be established in the 3 files noted.

### **J. Endowment Term Insurance Conversions**

The Company was requested to provide a list of policies issued during the experience period. The Company identified a universe of 1 endowment term conversion policy during the experience period. The 1 policy was requested, received and reviewed. The file was reviewed to determine compliance to issuance and underwriting statutes and regulations. The following violation was noted:

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

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

**K. Life Insurance Term Policies Converted (Interest Sensitive)**

The Company was requested to provide a list of policies issued during the experience period. The Company identified a universe of 560 life term converted policies (interest sensitive) during the experience period. A random sample of 25 files were requested, received, and reviewed. The files were reviewed to determine compliance to issuance and underwriting statutes and regulations. The following violations were noted:

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

A statement to be signed and dated by the applicant or the policy owner in the case of an illustration provided at time of delivery, reading as follows: “I have received a copy of this illustration and understand that any non-guaranteed elements illustrated

are subject to change and could be either higher or lower. The producer has told me they are non-guaranteed.” The applicant’s acknowledgement of the illustration receipt was not dated or signed in the 19 files noted.

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

If the policy is applied for as illustrated, a copy of that illustration, signed in accordance with this section, shall be submitted to the insurer no later than the time the policy application is sent to the insurer. A copy shall also be provided to the applicant no later than the time the application is signed by the applicant. The producer’s certification and applicant’s acknowledgement post-dated the application date for the 6 files noted.

**L. Term Life Insurance Conversions**

The Company was requested to provide a list of policies issued during the experience period. The Company identified a universe of 3 term life conversion policies during the experience period. The 3 policies were requested, received and reviewed. The files were reviewed to determine compliance to issuance and underwriting statutes and regulations. The following violations were noted:

**2 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 2 files noted.

#### **M. Flexible Premium Adjustable life Insurance Conversions (Universal)**

The Company was requested to provide a list of policies issued during the experience period. The Company identified a universe of 2 flexible premium universal life term conversion policies during the experience period. The 2 policies were requested, received and reviewed. The files were reviewed to determine compliance to issuance and underwriting statutes and regulations. No violations were noted.

#### **N. Life Insurance Conversions (Whole Life)**

The Company was requested to provide a list of policies issued during the experience period. The Company identified a universe of 147 whole life term conversion policies during the experience period. A random sample of 25 files were requested, received and reviewed. The files were reviewed to determine compliance to issuance and underwriting statutes and regulations. The following violation was noted:

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

When the producer delivers the individual policy or annuity to the policyholder by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set

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

#### **O. Accident and Sickness Policies Issued as Replacements**

The Company was requested to provide a list of policies issued as replacements during the experience period. The Company identified a universe of 4 accident and sickness policies issued as replacements during the experience period. The 4 policies were requested, received and reviewed. The files were reviewed to determine compliance to issuance and underwriting statutes and regulations. No violations were noted.

#### **P. Life Insurance Policies Issued as Replacements (Interest Sensitive)**

The Company was requested to provide a list of policies that were issued as replacements during the experience period. The Company identified a universe of 119 life policies issued as replacements (interest sensitive) during the experience period. A random sample of 25 files were requested, received and reviewed. The files were

reviewed to determine compliance to issuance and underwriting statutes and regulations. The following violations were noted.

**8 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 producer’s question on replacement was inconsistent with the finding in the 8 applications noted.

**1 Violation – Title 31, Pennsylvania Code, Section 81.6(a)(2)(ii)**

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

The replacement letter to the external replaced Company was not documented in the file noted.

**21 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. Evidence that a written disclosure was provided could not be established in the 21 noted files.

**17 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.

Evidence of a signed certification and acknowledgement of the delivery of an illustration at the time of policy issuance and delivery could not be established in the 17 noted files.

**Q. Specified Disease Policies Issued as Replacements (Cancer)**

The Company was requested to provide a list of policies issued as replacements during the experience period. The Company identified a universe of 11 specified disease policies issued as replacements (cancer) during the experience period. All 11 files were requested, received and reviewed. The files were reviewed to determine compliance to issuance and underwriting statutes and regulations. No violations were noted.

**R. Term Life Insurance Policies Issued as Replacements**

The Company was requested to provide a list of term life policies issued as replacements during the experience period. The Company identified a universe of 94

term life policies issued as replacements during the experience period. A random sample of 25 policies were requested, received and reviewed. The files were reviewed to determine compliance to issuance and underwriting statutes and regulations. The following violations were noted:

**1 Violation – Title 31, Pennsylvania Code, Section 81.4(b)(1)**

If replacement is involved, the agent or broker shall: present to the applicant, not later than at the time of taking the application, a Notice Regarding Replacement of Life Insurance and Annuities. The replacement form was dated after the application date in the noted file.

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

If the policy is applied for as illustrated, a copy of that illustration, signed in accordance with this section, shall be submitted to the insurer no later than the time the policy application is sent to the insurer. A copy shall also be provided to the applicant no later than the time the application is signed by the applicant. The producer's certification and applicant's acknowledgement post-dated the application date in the noted file.

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

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. Evidence of the signed certification and acknowledgement of a revised illustration could not be established in the 3 noted files

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

Individual fixed dollar life insurance or endowment policies which are offered as replacements for an existing life insurance policy or annuity contract with the same insurer or insurer group shall not be delivered in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such policy or attached thereto a notice stating in substance that the policyholder shall be permitted to return the policy within at least forty-five (45) days of its delivery. The 21 files noted did not contain the required 45 day "free look" statement.

**S. Universal Life Insurance Policies Issued as Replacements**

The Company was requested to provide a list of universal life policies issued as replacements during the experience period. The Company identified a universe of 1 universal life policy issued as a replacement during the experience period. The 1 policy was requested, received and reviewed. The file was reviewed to determine compliance to issuance and underwriting statutes and regulations. No violations were noted.

**T. Whole Life Insurance Policies Issued as Replacements**

The Company was requested to provide a list of whole life policies issued as replacements during the experience period. The Company identified a universe of 110 whole life policies issued as replacements during the experience period. A random

sample of 25 policies were requested, received and reviewed. The files were reviewed to determine compliance to issuance and underwriting statutes and regulations. The following violations were noted:

**3 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. Evidence that a written disclosure was provided could not be established in the noted files.

**6 Violations -Title 31, Pennsylvania Code, Section 83.3(a)(4)(i)**

A disclosure statement shall describe the name of the agent or broker, home address or agency address and the home or agency telephone number of the insurance agent or broker making the solicitation.

The agents telephone number and/or address were absent from the disclosure statement for the 6 files noted.

**1 Violation – Title 31, Pennsylvania Code, Section 83.55c**

If it is the practice of the insurer to mail the policy directly to the applicant, the appropriate officer of the insurer shall certify, in conjunction with the annual statement of the insurer, that in accordance with this subchapter surrender comparison index disclosures have been included with policies at delivery or provided earlier upon request. Failure to so certify shall constitute prima facie evidence that surrender comparison index disclosures have not been provided to prospective purchasers of life insurance. The required officer certification was not evident in the 18 noted files.

#### **U. Life Insurance Policy Rescissions (Interest Sensitive)**

The Company was requested to provide a list of all policies rescinded during the experience period. The Company identified a universe of 2 interest sensitive life insurance policies rescinded. A rescinded policy is a policy contract that was issued and then terminated by the Company. Upon termination, the Company returns all premiums paid from the policy effective date to the insured. Both files were requested, received and reviewed. The policies were reviewed to ensure compliance with contract provisions, termination laws and regulations, proper return of premium and a valid reason for rescission. No violations were noted.

#### **V. Specified Disease Life Insurance Policy Rescissions (Cancer)**

The Company was requested to provide a list of all specified disease (cancer) policies rescinded during the experience period. The Company identified a universe of 1 specific disease life insurance policies rescinded. A rescinded policy is a policy contract that was issued and then terminated by the Company. Upon termination, the Company returns all premiums paid from the policy effective date to the insured. The file was requested, received and reviewed. The policy was reviewed to ensure compliance with contract provisions, termination laws and regulations, proper return of premium and a valid reason for rescission. No violations were noted.

#### **W. Term Life Insurance Policy Rescissions**

The Company was requested to provide a list of all policies rescinded during the experience period. The Company identified a universe of 2 term life insurance

policies rescinded. A rescinded policy is a policy contract that was issued and then terminated by the Company. Upon termination, the Company returns all premiums paid from the policy effective date to the insured. Both files were requested, received and reviewed. The policies were reviewed to ensure compliance with contract provisions, termination laws and regulations, proper return of premium and a valid reason for rescission. No violations were noted.

### **X. Whole Life Insurance Policy Rescissions**

The Company was requested to provide a list of all policies rescinded during the experience period. The Company identified a universe of 21 whole life insurance policies rescinded. A rescinded policy is a policy contract that was issued and then terminated by the Company. Upon termination, the Company returns all premiums paid from the policy effective date to the insured. All 21 files were requested, received and reviewed. The policies were reviewed to ensure compliance with contract provisions, termination laws and regulations, proper return of premium and a valid reason for rescission. No violations were noted.

## **IX. INTERNAL AUDIT & 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.
- (4) The laws requires that each insurer shall make available for the Department's inspection upon request its internal audit and compliance procedures which are instituted as required by this section.

The Insurance Marketplace Standards Association (IMSA), Qualified Independent Assessor's Supplemental Report was reviewed with no unsatisfactory gaps identified.

Following is a brief description of the information received and reviewed in addition to the IMSA Report:

- Underwriting Quality Standards
- Internal Audit Claims Reviews (audits of rates and claim information accuracy)
- Internal Audit Report (audit scope, management action plans)
- Financial review of 2007
- Quality Control

Several other instances of internal audit procedures were documented throughout the exam sections. No violations were noted.

## 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:

- AWD Script
- Claims Processing
- Consumer Compliant Procedures
- Contestable Claim Procedures
- Revised Authorized Claims Exceptions
- Life Claims
- PA – Claims
- Procedures (various)
- UL Processing Procedures

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 10 areas:

- A. Accidental Death and Dismemberment Insurance Claims
- B. Accidental Sick Insurance Claims
- C. Disability Income Insurance Claims
- D. Endowment Insurance Claims
- E. Hospital Expense Insurance Claims
- F. Hospital Indemnity Insurance Claims
- G. Hospital Surgical Insurance Claims
- H. Specified Disease Insurance Claims (Cancer)
- I. Universal Life Insurance Claims
- J. Whole Life Insurance 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.

### **A. Accidental Death and Dismemberment Insurance Claims**

The Company was requested to provide a list of claims received during the experience period. The Company identified 129 accidental death and dismemberment claims received. A random sample of 15 claims was requested, received and reviewed. The claim files were reviewed to ensure that the Company's claims adjudication process was adhering to the provisions of the policy contract, as well as complying with pertinent state insurance laws and regulations. The following violations were noted:

#### **11 Violations - Title 31, Pennsylvania Code, Section 146.5**

Every insurer, upon receiving notification of a claim, shall within ten working days, acknowledge the receipt of such notice unless payment is made within such period. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated. Verification of acknowledgement within 10 working days could not be established in the 11 claims noted.

#### **1 Violation - Title 31, Pennsylvania Code, Section 146.6**

(a) Every insurer shall complete investigation of a claim within 30 days after notification of claim, unless such investigation cannot reasonably be completed within such 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. Verification of a timely status letter could not be established in the noted file.

**11 Violations - 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. Verification of acceptance or denial within 15 working days could not be established in the 11 claims noted.

**B. Accidental Sick Insurance Claims**

The Company was requested to provide a list of claims received during the experience period. The Company identified 451 accidental sick claims received. A random sample of 25 claims was requested, received and reviewed. The claim files were reviewed to ensure that the Company's claims adjudication process was adhering to the provisions of the policy contract, as well as complying with pertinent state insurance laws and regulations. The following violations were noted:

**7 Violations - Title 31, Pennsylvania Code, Section 146.5**

Every insurer, upon receiving notification of a claim, shall within ten working days, acknowledge the receipt of such notice unless payment is made within such period. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated. Verification of acknowledgement within 10 working days could not be established in the 7 claims noted.

### **C. Disability Income Insurance Claims**

The Company was requested to provide a list of disability income claims received during the experience period. The Company identified 583 disability income claims received during the period indicated. A random sample of 25 claims was requested, received and reviewed. The claim files were reviewed to ensure that the Company's claims adjudication process was adhering to the provisions of the policy contract, as well as complying with pertinent state insurance laws and regulations. No violations were noted.

### **D. Endowment Insurance Claims**

The Company was requested to provide a list of endowment insurance claims received during the experience period. The Company identified 4 endowment insurance claims received. All 4 claims were requested, received and reviewed. The claim files were reviewed to ensure that the Company's claims adjudication process was adhering to the provisions of the policy contract, as well as complying with pertinent state insurance laws and regulations. The following violation was noted:

#### **1 Violation - Title 31, Pennsylvania Code, Section 146.7**

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

## **E. Hospital Expense Insurance Claims**

The Company was requested to provide a list of hospital expense insurance claims received during the experience period. The Company identified 9 hospital expense claims received. All 9 claims were requested, received and reviewed. The claim files were reviewed to ensure that the Company's claims adjudication process was adhering to the provisions of the policy contract, as well as complying with pertinent state insurance laws and regulations. The following violations were noted:

### **5 Violations - Title 31, Pennsylvania Code, Section 146.5**

Every insurer, upon receiving notification of a claim, shall within ten working days, acknowledge the receipt of such notice unless payment is made within such period. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated. Verification of acknowledgement within 10 working days could not be established in the 5 claims noted.

### **5 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. Verification of a timely status letter could not be established in the 5 noted files.

### **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 insurer shall advise the first-party claimant of the acceptance or denial of the

claim. Verification of acceptance or denial within 15 working days could not be established in the 5 claims noted.

## **F. Hospital Indemnity Insurance Claims**

The Company was requested to provide a list of hospital indemnity insurance claims received during the experience period. The Company identified 12 hospital indemnity claims received. All 12 claims was requested, received and reviewed. The claim files were reviewed to ensure that the Company's claims adjudication process was adhering to the provisions of the policy contract, as well as complying with pertinent state insurance laws and regulations. The following violations were noted:

### **7 Violations - Title 31, Pennsylvania Code, Section 146.5**

Every insurer, upon receiving notification of a claim, shall within ten working days, acknowledge the receipt of such notice unless payment is made within such period. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated. Verification of acknowledgement within 10 working days could not be established in the 7 claims noted.

### **3 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. Verification of a timely status letter could not be established in the 3 noted files.

#### **4 Violations - 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. Verification of acceptance or denial within 15 working days could not be established in the 4 claims noted.

#### **G. Hospital Surgical Insurance Claims**

The Company was requested to provide a list of hospital surgical insurance claims received during the experience period. The Company identified 112 hospital surgical claims received. A random sample of 25 claims was requested, received and reviewed. The claim files were reviewed to ensure that the Company's claims adjudication process was adhering to the provisions of the policy contract, as well as complying with pertinent state insurance laws and regulations. The following violations were noted:

#### **5 Violations - Title 31, Pennsylvania Code, Section 146.5**

Every insurer, upon receiving notification of a claim, shall within ten working days, acknowledge the receipt of such notice unless payment is made within such period. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated. Verification of acknowledgement within 10 working days could not be established in the 5 claims noted.

## **H. Specified Disease Insurance Claims**

The Company was requested to provide a list of specified disease insurance claims received during the experience period. The Company identified 82 specified disease received. A random sample of 15 claims was requested, received and reviewed. The claim files were reviewed to ensure that the Company's claims adjudication process adhered to the provisions of the policy contract, as well as complying with pertinent state insurance laws and regulations. The following violations were noted:

### **4 Violations - Title 31, Pennsylvania Code, Section 146.5**

Every insurer, upon receiving notification of a claim, shall within ten working days, acknowledge the receipt of such notice unless payment is made within such period. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated. Verification of acknowledgement within 10 working days could not be established in the 4 claims noted.

### **1 Violation - Title 31, Pennsylvania Code, Section 146.6**

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

#### **4 Violations - 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. Verification of acceptance or denial within 15 working days could not be established in the 4 claims noted.

#### **I. Universal Life Insurance Claims**

The Company was requested to provide a list of universal life claims received during the experience period. The Company identified 162 universal life claims received. A random sample of 25 claims was requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b). No violations were noted.

#### **J. Whole Life Insurance Claims**

The Company was requested to provide a list of whole life insurance claims received during the experience period. The Company identified 5,772 whole life claims received. A random sample of 50 claims was requested, received and reviewed. The claim files were reviewed at which time 2 files were determined to be surrendered policies. The remaining 48 files were reviewed to ensure that the Company's claim adjudication process was adhering to the provisions of the policy contract, as well as complying with pertinent state insurance laws and regulations. The following violations were noted:

**8 Violations - Title 31, Pennsylvania Code, Section 146.5**

Every insurer, upon receiving notification of a claim, shall within ten working days, acknowledge the receipt of such notice unless payment is made within such period. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated. Verification of acknowledgement within 10 working days could not be established in the 8 claims noted.

**5 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. Verification of a timely status letter could not be established in the 5 noted files.

**2 Violations - Title 31, Pennsylvania Code, Section 146.7**

Within 15 working days after receipt by the insurer of properly executed proofs of loss, the first- party claimant shall be advised of the acceptance or denial of the claim by the insurer. Verification of acceptance or denial within 15 working days could not be established in the 2 claims noted.

## **XI. RECOMMENDATIONS**

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

1. The Company must review and revise internal control procedures to ensure compliance with the replacement requirements of Title 31, Pennsylvania Code, Chapter 81.
2. The Company must review and revise Licensing procedures to ensure compliance with Sections 641.1-A and Section 671-A of the Insurance Department Act of 1921 (40 P.S. §§310.41a and 310.71).
3. The Company must review and revise procedures to ensure all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the Company are maintained in such manner and for such period of time to ensure compliance with Section 903(a) of the Insurance Department Act of 1921 (40 P.S. §323.3).
4. The Company must review internal control procedures to ensure compliance with application and outline of coverage requirements of Title 31, Pennsylvania Code, Chapter 88.
5. The Company must review internal control procedures to ensure compliance with disclosure requirements of Title 31, Pennsylvania Code, Chapter 83.
6. 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).
7. 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).
8. The Company must review internal control procedures to ensure compliance with Section 410D of the Insurance Company Law of 1921 (40 P.S. §510c) pertaining to the “Free Look” provision requirements for life insurance and endowment insurance.

9. 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.

## **XII. COMPANY RESPONSE**

**RESPONSE OF  
MONUMENTAL LIFE INSURANCE COMPANY**

**To**

**Report of Examination**

**Prepared by the Pennsylvania Insurance Department**

**Examination Warrant Number: 09-M27-023**

**I. Introduction**

Monumental Life Insurance Company (hereinafter “the Company”) does not have any comments regarding this section of the Report of Examination.

**II. Scope of Examination**

The Company does not have any comments regarding this section of the Report of Examination.

**III. Company History and Licensing**

The Company does not have any comments regarding this section of the Report of Examination.

**IV. Advertising**

The Company does not have any comments regarding this section of the Report of Examination.

**V. Forms**

The Company does not have any comments regarding this section of the Report of Examination.

**VI. Producer Licensing**

In response to the allegation that the Company violated Insurance Department Act, No. 147, Section 671-A (40 P.S. §310.71), the Company concurs that the Department’s records did not indicate the appointment of an agent. Another division terminated the agent’s appointment without the Monumental Division’s knowledge. The Company has now reappointed the agent. The alleged violation was the result of miscommunication between divisions. The Company respectfully submits that the one alleged violation is not a general business practice and is not reflective of its business practices. This violation resulted in a 2% error ratio which is within the 10% error ratio set forth in the NAIC Market Conduct Examiners Handbook (2000). In light of the allegation, the Company reinforced its appointment procedures with the Agent Licensing Department.

**VII. Consumer Complaints**

The Company does not have any comments regarding this section of the Report of Examination.

**VIII. Underwriting**

**A. Underwriting Guidelines**

The Company does not have any comments regarding this section of the Report of Examination.

**B. Group Whole Life Certificates Issued**

The Company does not have any comments regarding this section of the Report of Examination.

**C. Accident and Sickness Health Insurance Policies Issued**

In response to the allegation that the Company violated Title 31, PA Code § 88.181, the Company concurs that it did not have receipts for outlines of coverage in the policy files in question. The Company will emphasize in its agent training that the agents must obtain and submit receipts for outlines of coverage from insureds.

**D. Life Insurance Policies Issued (Interest Sensitive)**

In response to the allegation that the Company violated Title 31, PA Code § 83.3, the Company concurs that it did not have evidence that a written disclosure was provided. The Company will emphasize in its agent training that the agents must provide a written disclosure statement to customers and provide the Company with evidence of such.

In response to the allegation that the Company violated Title 31, PA Code § 83.4a and §83.4b, the Company concurs that it did not have a copy of the producer's certification of disclosure in its files. The Company will emphasize in its agent training that the agents must submit a certification of disclosure statement for the Company's files.

In response to the allegation that the Company violated Title 31, PA Code § 83.55a and §83.55b, the Company concurs that it did not have a copy of the Surrender Comparison Index Disclosure in its files. The Company mails policies to policy owners. A Surrender Comparison Index Disclosure is included with the policy. When a Company mails policies, Pennsylvania allows a certification to be included in the Company's annual filing with the Department to the effect that Surrender Comparison Index Disclosures are mailed to the owners with the policies. Due to an oversight, however, it appears that the Company failed to include this certification in its filing for 2008. This was due to human error and is not indicative of a general business practice. During the examination, the Company provided a copy of the 2009 certification to the Department.

In response to the allegation that the Company violated Insurance Company Law, §408-A(c) (4) (ii) (40 P.S. §625-8), the Company concurs that it did not have a certification regarding the illustration signed by the agent. The Company will emphasize in its agent training that agents must sign the certification regarding the illustration.

In response to the allegation that the Company violated Insurance Company Law, §408-A (e) (2) (ii) (40 P.S. §625-8), the company concurs that it did not have a signed certification and acknowledgment of the use of a screen illustration in its file. The Company will emphasize in its agent training that agents must obtain and submit a signed certification and acknowledgment of the use of a screen illustration.

In response to the allegation that the Company violated Insurance Company Law, §408-A (e) (2) (iii) (40 P.S. §625-8), the Company concurs that it did not have a Certification of Mailing in the file and therefore could not verify delivery of an illustration at the time of policy delivery. The absence of the Certification of Mailing was due to a programming error. The programming error was found and corrected during the exam.

In response to the allegation that the Company violated Insurance Company Law, §408-A (e) (3) (ii) (40 P.S. §625-8), the Company concurs that it did not have a Certification of Mailing in the file and therefore could not verify delivery of an illustration at the time of policy delivery. The absence of the Certification of Mailing was due to a programming error. The programming error was found and corrected during the exam.

In response to the allegation that the Company violated Insurance Company Law, §408-A (e) (5) (40 P.S. §625-8), the Company concurs that it did not have the producer's certification and the applicant's acknowledgment for the illustration used. The Company will emphasize in its agent training that the agent must obtain and submit a copy of the certification and acknowledgment in regard to the illustration used.

#### **E. Life Insurance Policies Issued (Mortgage)**

In response to the allegation that the Company violated Title 31, PA Code § 83.3, the Company concurs that it did not have evidence that a written disclosure was provided in the file. The Company will emphasize in its agent training that the agents must provide a written disclosure statement to customers and provide evidence of such to the Company.

In response to the allegation that the Company violated Title 31, PA Code § 83.3(a) (1), (2), (3), (4), (5), (6), and (7), the Company concurs that the disclosure statements were incomplete. The Company will revise its

policies and procedures to require receipt of a completed disclosure form that meets all of the requirements of Pennsylvania law before it will issue a policy in Pennsylvania.

In response to the allegation that the Company violated Title 31, PA Code § 83.3(a) (4) (i), the Company concurs that the disclosure statements were incomplete because they did not contain the agent's telephone number or address. The Company will emphasize in its agent training that agents must include their telephone numbers and addresses in the disclosure statements.

In response to the allegation that the Company violated Title 31, PA Code § 83.4a and 83.4b, the Company concurs that the disclosure statements were incomplete because the agents did not sign the disclosure form. The Company will emphasize in its agent training that agents must sign the disclosure statements.

In response to the allegation that the Company violated Title 31, PA Code § 83.55a and §83.55b, the Company concurs that it did not have a copy of the Surrender Comparison Index Disclosure in its files. The Company mails policies to policy owners. The Surrender Comparison Index Disclosure is included with the policy. When a Company mails policies, Pennsylvania allows a certification to be included in the Company's annual filing with the Department to the effect that Surrender Comparison Index Disclosures are mailed to the owners with the policies. Due to an oversight, however, it appears that the Company failed to include this certification in its filing for 2008. This was due to human error and is not indicative of a general business practice. During the examination, the Company provided a copy of the 2009 certification to the Department.

In response to the allegation that the Company violated Title 31, PA Code § 83.55c, the Company concurs that it did not have a copy of the Surrender Comparison Index Disclosure in its files. The Company mails policies to policy owners. The Surrender Comparison Index Disclosure is included with the policy. When a Company mails policies, Pennsylvania allows a certification to be included in the Company's annual filing with the Department to the effect that Surrender Comparison Index Disclosures are mailed to the owners with the policies. Due to an oversight, however, it appears that the Company failed to include this certification in its filing for 2008. This was due to human error and is not indicative of a general business practice. During the examination, the Company provided a copy of the 2009 certification to the Department.

In response to the allegation that the Company violated Section 404-A (40 P.S. Section 625-4), the Company concurs that it did not have a Certification of Mailing in the file and therefore could not verify delivery

of the policy. The absence of the Certification of Mailing was due to a programming error. The programming error was found and corrected during the exam.

**F. Specified Disease Insurance Policies Issued (Cancer)**

The Company does not have any comments regarding this section of the Report of Examination.

**G. Term Life Insurance Policies Issued**

In response to the allegation that the Company violated Section 404-A (40 P.S. Section 625-4), the Company concurs that it did not have a Certification of Mailing in the file and therefore could not verify delivery of the policy. The absence of the Certification of Mailing was due to a programming error. The programming error was found and corrected during the exam.

**H. Universal Life Insurance Policies Issued**

The Company does not have any comments regarding this section of the Report of Examination.

**I. Whole Life Insurance Policies Issued**

In response to the allegation that the Company violated Title 31, PA Code § 83.3, the Company concurs that it did not have evidence that a written disclosure was provided. The Company will emphasize in its agent training that the agents must provide a written disclosure statement to customers and provide evidence of such.

In response to the allegation that the Company violated Title 31, PA Code § 83.3(a) (4) (i), the Company concurs that the disclosure statements were incomplete because they did not contain the agent's telephone number and/or address. The Company will emphasize in its agent training the need to include the telephone number and address of the agent on the form.

In response to the allegation that the Company violated Title 31, PA Code § 83.55c, the Company concurs that it did not have a copy of the Surrender Comparison Index Disclosure in its files. The Company mails policies to policy owners. The Surrender Comparison Index Disclosure is included with the policy. When a Company mails policies, Pennsylvania allows a certification to be included in the Company's annual filing with the Department to the effect that Surrender Comparison Index Disclosures are mailed to the owners with the policies. Due to an oversight, however, it appears that the Company failed to include this certification in its filing

for 2008. This was due to human error and is not indicative of a general business practice. During the examination, the Company provided a copy of the 2009 certification to the Department.

In response to the allegation that the Company violated Section 404-A (40 P.S. Section 625-4), the Company concurs that it did not have a Certification of Mailing in the file and therefore could not verify delivery of the policy. The absence of the Certification of Mailing was due to a programming error. The programming error was found and corrected during the exam.

#### **J. Endowment Term Insurance Conversions**

In response to the allegation that the Company violated Section 404-A (40 P.S. Section 625-4), the Company concurs that it did not have a Certification of Mailing in the file and therefore could not verify delivery of the policy. The absence of the Certification of Mailing was due to a programming error. The programming error was found and corrected during the exam.

#### **K. Life Insurance Term Policies Converted (Interest Sensitive)**

In response to the allegation that the Company violated 408-A(C) (4) (i) 40 P.S. Section 625-8, the Company concurs that it did not have a signed and dated acknowledgment of receipt of the illustration. The Company will emphasize in its agent training that agents obtain and submit a signed and dated acknowledgement of receipt for illustrations.

In response to the allegation that the Company violated Insurance Company Law, §408-A (e) (1) (i) (40 P.S. §625-8), the Company concurs that the producer's certification and the applicant's acknowledgment of the illustration used were dated after the application date. The Company will emphasize in its agent training that the certification and the acknowledgment must be dated no later than the application date.

#### **L. Term Life Insurance conversions**

In response to the allegation that the Company violated Section 404-A (40 P.S. Section 625-4), the Company concurs that it did not have a Certification of Mailing in the file and therefore could not verify delivery of the policy. The absence of the Certification of Mailing was due to a programming error. The programming error was found and corrected during the exam.

**M. Flexible Premium Adjustable Life Insurance Conversions (Universal Life)**

The Company does not have any comments regarding this section of the Report of Examination.

**N. Life Insurance Conversions (Whole Life)**

In response to the allegation that the Company violated Section 404-A (40 P.S. Section 625-4), the Company concurs that it did not have a Certification of Mailing in the file and therefore could not verify delivery of the policy. The absence of the Certification of Mailing was due to a programming error. The programming error was found and corrected during the exam.

**O. Accident and Sickness Health Insurance Policies Issued as Replacements**

The Company does not have any comments regarding this section of the Report of Examination.

**P. Life Insurance Policies Issued as Replacements (Interest Sensitive)**

In response to the allegation that the Company violated Title 31, PA Code Section 81.6(a) (1), the Company concurs with the violations. The Company will reinforce with its agents the need to provide accurate answers to the replacement questions. The Company also states that its underwriting procedures detected all of the replacement transactions in questions and that the Company provided all of the necessary disclosures and documents to applicants in these replacement transactions.

In response to the allegation that the Company violated Title 31, PA Code Section 81.6(a) (2) (ii), the Company concurs with the violation in that it did not have a copy of the replacement letter to the externally replaced company in one file. The Company respectfully submits that this is not a regular business practice and that this violation is not indicative of a regular business practice.

In response to the allegation that the Company violated Title 31, PA Code § 83.3, the Company concurs that it did not have evidence that a written disclosure was provided. The Company will emphasize in its agent training that the agents must provide a written disclosure statement to customers and provide evidence of such to the Company.

In response to the allegation that the Company violated 408-A (e)(2)(iii) (40 P.S. Section 625-8), the Company concurs that it did not have a signed and dated acknowledgment of receipt of the illustration. The Company will emphasize in its agent training that the agents must obtain and submit a signed and dated acknowledgement and receipt of the illustration.

**Q. Specified Disease Insurance Policies Issued as Replacements (Cancer)**

The Company does not have any comments regarding this section of the Report of Examination.

**R. Term Life Insurance Policies Issued as Replacements**

In response to the allegation that the Company violated Title 31, PA Code Section 81.4(b)(i), the Company concurs that the replacement form was dated after the application date. The Company will reinforce with agents the need to provide replacement forms in a timely manner.

In response to the allegation that the Company violated Section 408 (e)(1)(i) (40 P.S. Section 625-8), the Company concurs that the replacement form was dated after the application date. The Company will reinforce with agents the need to provide replacement forms in a timely manner.

In response to the allegation that the Company violated Section 408 (e)(1)(ii) (40 P.S. Section 625-8), the Company concurs that it did not have evidence of a signed certification and acknowledgment form for the revised illustration. The Company will emphasize in its agent training that the agents must obtain and submit a signed and dated acknowledgment form for revised illustrations.

In response to the allegation that the company violated Insurance Company Law, § 410D (a)(2) (40 P.S. §510c), the Company concurs that the file did not contain a 45 free look notice. The company will file the appropriate form with the Department to be attached to the policy.

**S. Universal Life Insurance Policies Issued as Replacements**

The Company does not have any comments regarding this section of the Report of Examination.

**T. Whole Life Insurance Policies Issued as Replacements**

In response to the allegation that the Company violated Title 31, PA Code § 83.3, the Company concurs that it did not have evidence that a written disclosure was provided. The Company will emphasize in its agent

training that the agents must provide a written disclosure statement to customers and provide evidence of such to the Company.

In response to the allegation that the Company violated Title 31, PA Code § 83.3(a)(4)(i), the Company concurs that the disclosure statements were incomplete because they did not contain the agent's telephone number and/or address. The Company will emphasize in its agent training the need to have the agent's telephone number and address on the disclosure statement.

In response to the allegation that the Company violated Title 31, PA Code § 83.55c, the Company concurs that it did not have a copy of the Surrender Comparison Index Disclosure in its files. The Company mails policies to policy owners. The Surrender Comparison Index Disclosure is included with the policy. When a Company mails policies, Pennsylvania allows a certification to be included in the Company's annual filing with the Department to the effect that Surrender Comparison Index Disclosures are mailed to the owners with the policies. Due to an oversight, however, it appears that the Company failed to include this certification in its filing for 2008. This was due to human error and is not indicative of a general business practice. During the examination, the Company provided a copy of the 2009 certification to the Department.

**U. Life Insurance Policy Rescissions (Interest Sensitive)**

The Company does not have any comments regarding this section of the Report of Examination.

**V. Specified Disease Insurance Policy Rescissions (Cancer)**

The Company does not have any comments regarding this section of the Report of Examination.

**W. Term Life Insurance Policy Rescissions**

The Company does not have any comments regarding this section of the Report of Examination.

**X. Whole Life Insurance Policy Rescissions**

The Company does not have any comments regarding this section of the Report of Examination.

**IX. Internal Audit & Compliance Procedures**

The Company does not have any comments regarding this section of the Report of Examination.

**X. Claims**

**A. Accidental Death and Dismemberment Insurance Claims**

The Company concurs with the alleged violations of Title 31, PA Code Section 146.5. The basis of the violation appears to be a difference in the interpretation of the language of the section with respect to the term “notification of a claim.” Since the Company did not record the date of the first request for claim forms, the Department could not verify whether the Company complied with the deadlines established in the section. The Company has agreed to revise its policies and procedures in accordance with the Department’s interpretation of the code section. Company procedures will require that the first contact date requesting claim forms be noted in the file. All follow-up correspondence with the claimant will be based on the first contact date.

The Company concurs with the alleged violations of Title 31, PA Code Section 146.6. The basis of the violation appears to be a difference in the interpretation of the language of the section with respect to the term “notification of a claim.” Since the Company did not record the date of the first request for claim forms, the Department could not verify whether the Company complied with the deadlines established in the section. The Company has agreed to revise its policies and procedures in accordance with the Department’s interpretation of the code section. Company procedures will require that the first contact date requesting claim forms be noted in the file. All follow-up correspondence with the claimant will be based on the first contact date.

The Company concurs with the alleged violations of Title 31, PA Code Section 146.7. The basis of the violation appears to be a difference in the interpretation of the language of the section with respect to the term “notification of a claim.” Since the Company did not record the date of the first request for claim forms, the Department could not verify whether the Company complied with the deadlines established in the section. The Company has agreed to revise its policies and procedures in accordance with the Department’s interpretation of the code section. Company procedures will require that the first contact date requesting claim forms be noted in the file. All follow-up correspondence with the claimant will be based on the first contact date.

## **B. Accidental Sick Insurance Claims**

The Company concurs with the alleged violations of Title 31, PA Code Section 146.5. The basis of the violation appears to be a difference in the interpretation of the language of the section with respect to the term “notification of a claim.” Since the Company did not record the date of the first request for claim forms, the Department could not verify whether the Company complied with the deadlines established in the section. The Company has agreed to revise its policies and procedures in accordance with the Department’s interpretation of the code section. Company procedures will require that the first contact date requesting claim forms be noted in the file. All follow-up correspondence with the claimant will be based on the first contact date.

## **C. Disability Income Insurance Claims**

The Company does not have any comments regarding this section of the Report of Examination.

## **D. Endowment Insurance Claims**

The Company concurs with the alleged violations of Title 31, PA Code Section 146.7. The basis of the violation appears to be a difference in the interpretation of the language of the section with respect to the term “notification of a claim.” Since the Company did not record the date of the first request for claim forms, the Department could not verify whether the Company complied with the deadlines established in the section. The Company has agreed to revise its policies and procedures in accordance with the Department’s interpretation of the code section. Company procedures will require that the first contact date requesting claim forms be noted in the file. All follow-up correspondence with the claimant will be based on the first contact date.

## **E. Hospital Expense Insurance Claims**

The Company concurs with the alleged violations of Title 31, PA Code Section 146.5. The basis of the violation appears to be a difference in the interpretation of the language of the section with respect to the term “notification of a claim.” Since the Company did not record the date of the first request for claim forms, the Department could not verify whether the Company complied with the deadlines established in the section. The Company has agreed to revise its policies and procedures in accordance with the Department’s interpretation of the code section. Company

procedures will require that the first contact date requesting claim forms be noted in the file. All follow-up correspondence with the claimant will be based on the first contact date.

The Company concurs with the alleged violations of Title 31, PA Code Section 146.6. The basis of the violation appears to be a difference in the interpretation of the language of the section with respect to the term “notification of a claim.” Since the Company did not record the date of the first request for claim forms, the Department could not verify whether the Company complied with the deadlines established in the section. The Company has agreed to revise its policies and procedures in accordance with the Department’s interpretation of the code section. Company procedures will require that the first contact date requesting claim forms be noted in the file. All follow-up correspondence with the claimant will be based on the first contact date.

The Company concurs with the alleged violations of Title 31, PA Code Section 146.7. The basis of the violation appears to be a difference in the interpretation of the language of the section with respect to the term “notification of a claim.” Since the Company did not record the date of the first request for claim forms, the Department could not verify whether the Company complied with the deadlines established in the section. The Company has agreed to revise its policies and procedures in accordance with the Department’s interpretation of the code section. Company procedures will require that the first contact date requesting claim forms be noted in the file. All follow-up correspondence with the claimant will be based on the first contact date.

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## **F. Hospital Indemnity Insurance Claims**

The Company concurs with the alleged violations of Title 31, PA Code Section 146.5. The basis of the violation appears to be a difference in the interpretation of the language of the section with respect to the term “notification of a claim.” Since the Company did not record the date of the first request for claim forms, the Department could not verify whether the Company complied with the deadlines established in the section. The Company has agreed to revise its policies and procedures in accordance with the Department’s interpretation of the code section. Company procedures will require that the first contact date requesting claim forms be noted in the file. All follow-up correspondence with the claimant will be based on the first contact date.

The Company concurs with the alleged violations of Title 31, PA Code Section 146.6. The basis of the violation appears to be a difference in the interpretation of the language of the section with respect to the term

“notification of a claim.” Since the Company did not record the date of the first request for claim forms, the Department could not verify whether the Company complied with the deadlines established in the section. The Company has agreed to revise its policies and procedures in accordance with the Department’s interpretation of the code section. Company procedures will require that the first contact date requesting claim forms be noted in the file. All follow-up correspondence with the claimant will be based on the first contact date.

The Company concurs with the alleged violations of Title 31, PA Code Section 146.7. The basis of the violation appears to be a difference in the interpretation of the language of the section with respect to the term “notification of a claim.” Since the Company did not record the date of the first request for claim forms, the Department could not verify whether the Company complied with the deadlines established in the section. The Company has agreed to revise its policies and procedures in accordance with the Department’s interpretation of the code section. Company procedures will require that the first contact date requesting claim forms be noted in the file. All follow-up correspondence with the claimant will be based on the first contact date.

#### **G. Hospital Surgical Insurance Claims**

The Company concurs with the alleged violations of Title 31, PA Code Section 146.5. The basis of the violation appears to be a difference in the interpretation of the language of the section with respect to the term “notification of a claim.” Since the Company did not record the date of the first request for claim forms, the Department could not verify whether the Company complied with the deadlines established in the section. The Company has agreed to revise its policies and procedures in accordance with the Department’s interpretation of the code section. Company procedures will require that the first contact date requesting claim forms be noted in the file. All follow-up correspondence with the claimant will be based on the first contact date.

#### **H. Specified Disease Insurance Claims**

The Company concurs with the alleged violations of Title 31, PA Code Section 146.5. The basis of the violation appears to be a difference in the interpretation of the language of the section with respect to the term “notification of a claim.” Since the Company did not record the date of the first request for claim forms, the Department could not verify whether the Company complied with the deadlines established in the section. The Company has agreed to revise its policies and procedures in accordance

with the Department's interpretation of the code section. Company procedures will require that the first contact date requesting claim forms be noted in the file. All follow-up correspondence with the claimant will be based on the first contact date.

The Company concurs with the alleged violations of Title 31, PA Code Section 146.6. The basis of the violation appears to be a difference in the interpretation of the language of the section with respect to the term "notification of a claim." Since the Company did not record the date of the first request for claim forms, the Department could not verify whether the Company complied with the deadlines established in the section. The Company has agreed to revise its policies and procedures in accordance with the Department's interpretation of the code section. Company procedures will require that the first contact date requesting claim forms be noted in the file. All follow-up correspondence with the claimant will be based on the first contact date.

The Company concurs with the alleged violations of Title 31, PA Code Section 146.7. The basis of the violation appears to be a difference in the interpretation of the language of the section with respect to the term "notification of a claim." Since the Company did not record the date of the first request for claim forms, the Department could not verify whether the Company complied with the deadlines established in the section. The Company has agreed to revise its policies and procedures in accordance with the Department's interpretation of the code section. Company procedures will require that the first contact date requesting claim forms be noted in the file. All follow-up correspondence with the claimant will be based on the first contact date.

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#### **I. Universal Life Insurance Claims**

The Company does not have any comments regarding this section of the Report of Examination.

#### **J. Whole Life Insurance Claims**

The Company concurs with the alleged violations of Title 31, PA Code Section 146.5. The basis of the violation appears to be a difference in the interpretation of the language of the section with respect to the term "notification of a claim." Since the Company did not record the date of the first request for claim forms, the Department could not verify whether the Company complied with the deadlines established in the section. The Company has agreed to revise its policies and procedures in accordance with the Department's interpretation of the code section. Company procedures will require that the first contact date requesting claim forms

be noted in the file. All follow-up correspondence with the claimant will be based on the first contact date.

The Company concurs with the alleged violations of Title 31, PA Code Section 146.6. The basis of the violation appears to be a difference in the interpretation of the language of the section with respect to the term “notification of a claim.” Since the Company did not record the date of the first request for claim forms, the Department could not verify whether the Company complied with the deadlines established in the section. The Company has agreed to revise its policies and procedures in accordance with the Department’s interpretation of the code section. Company procedures will require that the first contact date requesting claim forms be noted in the file. All follow-up correspondence with the claimant will be based on the first contact date.

The Company concurs with the alleged violations of Title 31, PA Code Section 146.7. The basis of the violation appears to be a difference in the interpretation of the language of the section with respect to the term “notification of a claim.” Since the Company did not record the date of the first request for claim forms, the Department could not verify whether the Company complied with the deadlines established in the section. The Company has agreed to revise its policies and procedures in accordance with the Department’s interpretation of the code section. Company procedures will require that the first contact date requesting claim forms be noted in the file. All follow-up correspondence with the claimant will be based on the first contact date.

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## **XI. Recommendations**

1. The Department’s allegations regarding Title 31, PA Code Chapter 81 regarding replacements will be addressed by the company in its agent training. The company will provide a memo to district managers regarding replacement procedures. The managers will then hold a training session during one of the regularly scheduled Friday meetings to address the issue.
2. The Department’s allegations regarding licensing procedures under §641.1-A and 671-A of the Insurance Department Act of 1921 (40 P.S. § 310.41a and 310.71) involved one producer record out of 50 reviewed by the examiner. The Company respectfully submits that the one alleged violation is not a general business practice and is not reflective of its business practices. This violation resulted in a 2% error ratio which is within the 10% error ratio set forth in the NAIC Market Conduct Examiners Handbook (2000). The violation was the result of miscommunication between divisions. The company has instituted a

system of communication between divisions, so that one division does not terminate the appointment of another division's agent.

3. The Department made allegations regarding §903(a) of the Insurance Department Act of 1921 (40 P.S. § 323.3) involving maintenance of records. The Company has reminded its administrative personnel of the need to maintain all appropriate records.
4. The Department's allegations regarding Title 31, PA Code Chapter 88 involve application and outline of coverage requirements. The Company has reminded its Underwriting and New Business departments of the requirements for applications and outlines of coverage. The company will provide a memo to district managers regarding replacement procedures. The managers will then hold a training session during one of the regularly scheduled Friday meetings to address the issue
5. The Department's allegations regarding Title 31, PA Code Chapter 83 involve disclosure requirements. The Company has reminded its Underwriting and New Business departments of the requirements for disclosure forms for new applications. The company will also provide a memo to district managers regarding disclosure forms. The managers will then hold a training session during one of the regularly scheduled Friday meetings to address the issue
6. The Department made allegations regarding §408-A of the Insurance Department Act of 1921 (40 P.S. § 625-8) involving illustration certification and delivery requirements. The Company has reminded its Underwriting and New Business departments of the requirements for the certification of illustrations and their delivery.
7. The Department made allegations regarding §404-A of the Insurance Department Act of 1921 (40 P.S. § 625-4) involving policy delivery. The Company has corrected its computer program for maintaining certificates of mailing for all policies.
8. The Department made allegations regarding Insurance Company Law of 1921, § 410D (40 P.S. § 510c) regarding the required 45-day "free look" period for replacements. The Company will file the appropriate form with the Department.
9. The Department made allegations regarding Title 31, PA Code Chapter 146 involving Unfair Claims Settlement Practices. The violations arose as a result of a difference of interpretation between the Department and the Company regarding language in the Code. The Company has agreed to revise its policies and procedures in accordance with the Department's interpretation of the code section. Company procedures will require that

the first contact date requesting claim forms be noted in the file. All follow-up correspondence with the claimant will be based on the first contact date.