

**REPORT OF
MARKET CONDUCT EXAMINATION
OF**

NEW ENGLAND LIFE INSURANCE COMPANY
Boston, Massachusetts

**AS OF
February 28, 2006**

COMMONWEALTH OF PENNSYLVANIA



**INSURANCE DEPARTMENT
MARKET CONDUCT DIVISION**

Issued: April 20, 2006

NEW ENGLAND LIFE INSURANCE COMPANY

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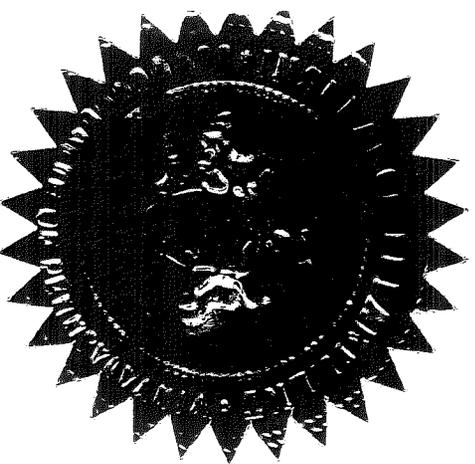
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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

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


M. Diane Koken
Insurance Commissioner



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 states that it has not intentionally violated Pennsylvania insurance law and has taken action to comply with all recommendations contained in the attached report.

FINDINGS OF FACT

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

- (a) Respondent is New England Life Insurance Company, and maintains its statutory home office address at 501 Boylston Street, Boston, Massachusetts 02116.

- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from January 1, 2004, to December 31, 2004.
- (c) On February 28, 2006, the Insurance Department issued a Market Conduct Examination Report to Respondent.
- (d) A response to the Examination Report was provided by Respondent on March 30, 2006.
- (e) The Examination Report notes violations of the following:
 - (i) Section 903(a) of the Insurance Department Act, No. 285 (40 P.S. § 323.3), which requires every company or person subject to examination must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the Department may require, in order that its representatives may ascertain whether the company has complied with the laws of the Commonwealth;
 - (ii) Section 671-A of the Insurance Department Act, No. 285 (40 P.S. § 310.71), which prohibits producers from transacting business within this Commonwealth without written appointment as required by the Act;

- (iii) Section 671.1-A of the Insurance Department Act, No. 285, (40 P.S. § 310.71a) which requires (a) an insurer which terminates an appointment shall notify the Department in writing, on a form approved by the Department, or through an electronic process, within 30 days following the effective date of termination; and (d) If the reason for termination was a violation of this act or if the insurer had knowledge that the licensee was found to have engaged in any activity prohibited by this act, the insurer shall inform the Department in the notification;
- (iv) Section 354 of the Insurance Company Law (40 P.S. § 477b), which prohibits issuing, selling, or disposing of any policy, contract or certificate until the forms have been submitted to, and formally approved by, the Insurance Commissioner;
- (v) Section 404-A of the Insurance Company Law, No. 284 (40 P.S. §625-4), which requires when the individual policy or annuity is delivered to the policyholder by the producer by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set and state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery receipt, and such date shall commence any applicable policy or annuity examination period. Copies of the delivery receipt must be provided to the policyholder on the date of policy or annuity delivery and to the issuing insurer. When the individual policy or annuity is delivered by a means other than by hand-

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

(vi) Section 406-A of the Insurance Company Law, No. 284 (40 P.S. §625-6), prohibits alteration of any written application for a life insurance policy or annuity shall be made by any person other than the applicant without the applicant's written consent;

(vii) 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 non-guaranteed elements illustrated are subject to change. I have made no statements that are inconsistent with the illustration."

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

- (ix) Section 408-A(e)(2)(iii) of the Insurance Company Law, No. 284 (40 P.S. § 625-8), states the following applies if no illustration is used by a producer in the sale of a life insurance policy or if a computer screen illustration is displayed. If the policy is issued, a basic illustration conforming to the policy as issued shall be sent with the policy and signed by the policy owner no later than the time the policy is delivered. A copy shall be provided to the policy owner at the time the policy is delivered;
- (x) Section 409-A of the Insurance Company Law, No. 284 (40 P.S. § 625-9), which states when there is solicitation for the replacement of an existing insurance policy or annuity with the same insurer or insurer group, the insurer shall, through its producers where appropriate, provide a “Notice Regarding Replacement of Life Insurance and Annuities” in the form set forth under Title 31, Pa. Code, Chapter 81;
- (xi) 410D(b)(2) of the Insurance Company Law, No. 284 (40 P.S. § 510c), which states individual variable life insurance 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 45 days of its delivery;

- (xii) Section 410D(b)(3) of the Insurance Company Law, No. 284 (40 P.S. § 510c) requires individual variable life insurance policies which are offered as replacements for an existing life insurance policy or annuity contract with an insurer or insurer group other than the one which issued the original policy or contract shall not be delivered in the Commonwealth 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 20 days of its delivery (“free look provision”);
- (xiii) Section 410D(a)(3) of the Insurance Company Law, No. 284 (40 P.S. § 510c), which states individual fixed dollar life insurance policies or endowment insurance policies which are offered as replacements for an existing life insurance policy or annuity contract with an insurer or insurer group other than the one which issued the original policy or contract shall not be delivered in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such policy or attached thereto a notice stating in substance that the policyholder shall be permitted to return the policy within at least 20 days of its delivery;
- (xiv) Section 2166(A) and (B) of Insurance Company Law, No. 284 (40 P.S. § 991.2166), which provides: (A) A licensed insurer or a managed care plan shall pay a clean claim submitted by a health care provider within 45 days of receipt of a clean claim, and (B) If a licensed insurer or a managed care plan

fails to remit the payment as provided under subsection (A), interest at 10% per annum shall be added to the amount owed on the claim. Interest shall be calculated beginning the day after the required payment date and ending on the date the claim is paid. The licensed insurer shall not be required to pay any interest calculated to be less than two dollars;

(xv) Section 5(a)(11) of the Unfair Insurance Practices Act, No. 205, (40 P.S. § 1171.5), which requires a complete record of all complaints received during the preceding four years;

(xvi) 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;

(xvii) Title 31, Pennsylvania Code, Section 81.5(b), which states that the insurer shall require as part of a completed application for life insurance or annuity, a statement signed by the applicant as to whether the proposed insurance or annuity will replace an existing life insurance or annuity;

(xviii) 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;

- (xix) 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 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;
- (xx) Title 31, Pennsylvania Code, Section 81.6(c), which states the replacing insurer shall maintain evidence of the Notice Regarding Replacement of Life Insurance and Annuities;
- (xxi) 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;

(xxii) Title 31, Pennsylvania Code, Section 83.3(a)(1), (2), (3), (4), (5), (6) and (7), states 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;

(xxiii) 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;

(xxiv) 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;

(xxv) Title 31, Pennsylvania Code, Section 89b.11(b), which requires each form to contain a form number consisting of numbers, letters or both. The form number shall be adequate to distinguish the form from all others used by the insurer. The form number may be the same as that of a form to be replaced.

However, if the form to be replaced was approved by or filed with the Department, it may not have been issued in this Commonwealth;

(xxvi) Title 31, Pennsylvania Code, Section 146.3, which requires the claim files of the insurer shall be subject to examination by the Commissioner or by his appointed designees. The files shall contain notes and work papers pertaining to the claim in the detail that pertinent events and the dates of the events can be reconstructed;

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

(xxviii) Title 18, Pennsylvania Consolidated Statutes, Section 4117(k), which requires all applications for insurance and all claim forms shall contain or have attached thereto the following notice: “Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties.”

CONCLUSIONS OF LAW

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

- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.
- (b) Respondent's violations of Sections 671-A and 671.1-A of Act 147 of 2002 are punishable by the following, under Section 691-A of Act 147 of 2002 (40 P.S. § 310.91):
 - (i) suspension, revocation or refusal to issue the certificate of qualification or license;
 - (ii) imposition of a civil penalty not to exceed five thousand dollars (\$5,000.00) for every violation of the Act;
 - (iii) an order to cease and desist; and
 - (iv) any other conditions as the Commissioner deems appropriate.
- (c) Respondent's violation of Section 354 of The Insurance Company Law is punishable by the following, under Section 354 of The Insurance Company Law (40 P.S. § 477b):

- (i) suspension or revocation of the license(s) of Respondent;
 - (ii) refusal, for a period not to exceed one year thereafter, to issue a new license to Respondent;
 - (iii) imposition of a fine of not more than one thousand dollars (\$1,000.00) for each act in violation of the Act.
- (d) Respondent's violations of Sections 404-A, 406-A, 408-A, 409-A and 410-D of the Insurance Company Law, No. 284 (40 P.S. §§625-4, 625-6, 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.
- (e) Respondent's violations of Sections 2166(A) and (B) of the Insurance Company Law (40 P.S. § 991.2166) are punishable under Section 2182 of the Insurance Company Law, which states the Department may impose a penalty of up to five thousand dollars (\$5,000.00) for a violation of this article.
- (f) Respondent's violations Section 5(a)(11) of the Unfair Insurance Practices Act (40 P.S. § 1171.5) are punishable under Section 9 of the Unfair Insurance Practices Act (40 P.S. §§ 1171.9):

- (i) cease and desist from engaging in the prohibited activity;
 - (ii) suspension or revocation of the license(s) of Respondent.
- (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).
- (h) Respondent's violations of Title 31, Pennsylvania Code, Sections 81.4, 81.5 and 81.6 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);

(i) Respondent's violations of Title 31, Pennsylvania Code, Sections 83.3 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.

(j) Respondent's violations of Title 31, Pennsylvania Code, Section 89b.11(b) are punishable under Section 354 of the Insurance Company Law (40 P.S. § 477b) by suspension or revocation of the license(s) of Respondent; refusal, for a period not to exceed one year thereafter, to issue a new license to Respondent; or imposition of a fine of not more than one \$1,000.00 for each act in violation of the Act.

(k) Respondent's violations of Title 31, Pennsylvania Code, Sections 146.3 and 146.6 are punishable under Section 9 of the Unfair Insurance Practices Act (40 P.S. §§ 1171.9), as above.

ORDER

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

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) Respondent shall file an affidavit stating under oath that it will provide each of its directors, at the next scheduled directors meeting, a copy of the adopted Report and related Orders. Such affidavit shall be submitted within thirty (30) days of the date of this Order.
- (c) Respondent shall comply with all recommendations contained in the attached Report.
- (d) Respondent shall pay Twenty Thousand Dollars (\$20,000.00) to the Commonwealth of Pennsylvania in settlement of all violations contained in the Report.
- (e) Payment of this matter shall be made by check payable to the Commonwealth of Pennsylvania. Payment should be directed to Sharon L. Harbert, Administrative Assistant, Bureau of Enforcement, 1227 Strawberry Square,

Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.

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

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

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.

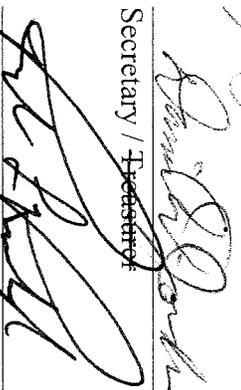
12. This Order shall be final upon execution by the Deputy Insurance Commissioner. Only the Insurance Commissioner or a duly authorized Deputy Insurance Commissioner is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law contained herein, and this Consent

Order is not effective until executed by the Insurance Commissioner or a duly authorized Deputy Insurance Commissioner.

BY: NEW ENGLAND LIFE INSURANCE
COMPANY, Respondent



President, Vice President



Secretary / Treasurer



RANDOLPH L. ROHRBAUGH
Deputy Insurance Commissioner
Commonwealth of Pennsylvania

I. INTRODUCTION

The Market Conduct Examination was conducted on New England Life Insurance Company, hereafter referred to as “Company,” at the Company’s offices located in Johnstown, Pennsylvania, August 22, 2005, through October 26, 2005. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

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

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

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

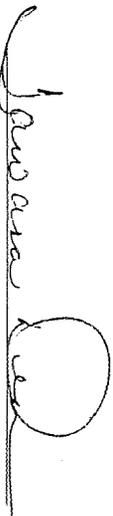
The undersigned participated in the Examination and in the preparation of this Report.



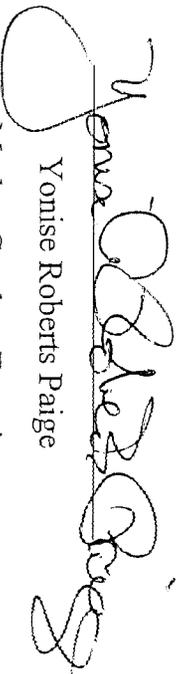
Daniel Stencosky, AIE, FLMI
Market Conduct Division Chief



Frank W. Kyazze, FLMI, ALHC
Market Conduct Examiner



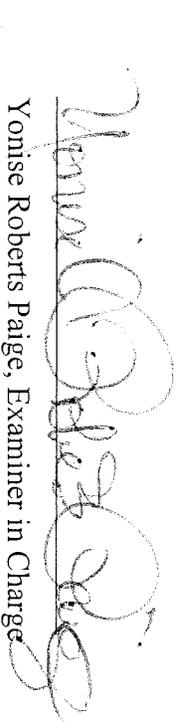
Tawana Dean
Market Conduct Examiner



Yonise Roberts Paige
Market Conduct Examiner

Verification

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

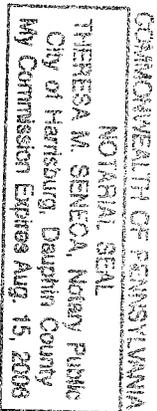

Yonise Roberts Paige, Examiner in Charge

Sworn to and Subscribed Before me

This 24 Day of February, 2006



Notary Public



II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the experience period of January 1, 2004, through December 31, 2004, unless otherwise noted. The purpose of the examination was to determine compliance by the Company with Pennsylvania insurance laws and regulations.

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

New England Life Insurance Company (NELICO) is a stock life insurer based in Boston, and does business in all states and the District of Columbia. The Company was originally chartered April 1, 1835 as New England Mutual Life Insurance Company (“New England Mutual”). Throughout the years, their products and services expanded to include investment management services, broker-dealer operations and other financial services. New England Mutual was merged into Metropolitan Life Insurance Company (“MetLife”) in August, 1996. As such, New England Mutual policies became MetLife policies. At the same time, an existing subsidiary of New England Mutual, New England Variable Life Insurance Company (“New England Variable”), re-domiciled from Delaware to Massachusetts and changed its name to New England Life Insurance Company (NELICO). Subsequent to the merger, all new business is written by NELICO. Previously sold policies at New England Mutual are serviced by NELICO.

While New England Variable had traditionally focused on variable products, after the merger, NELICO expanded offerings of non-variable products. The Company’s functional and operational areas began to be combined with MetLife’s operations in 1998 and 1999. In 2001, all NELICO employees became MetLife employees.

The high income/high net worth market traditionally has been a key focus of NELICO. The Company’s most popular products are variable life and variable annuities. Other products such as traditional life and universal life are also offered.

Distribution primarily is through New England Financial Distributors (“NEFD”), which consists of approximately 50 general agencies including 3 in Pennsylvania. There are approximately 3,500 agents appointed by NELICO throughout the United States. In most cases, agents do not have exclusive contracts to sell NELICO products and generally sell products provided by MetLife affiliates and other carriers. The Company has continued to strengthen its agency field force by increasing the number of agents by approximately 10% annually. In addition, there are selling agreements with some banks and broker-dealers including the MetLife subsidiaries of Walnut Street Securities, MetLife Securities and New England Securities.

As of its 2004 annual statement for Pennsylvania, the Company reported direct premium for individual and group life insurance in the amount of \$ 149,721,919; and direct premium for accident and health insurance in the amount of \$1,586,295.

IV. ADVERTISING

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

The Company provided a list of 339 pieces of advertising utilized in the Commonwealth during the experience period. The advertising consisted of: Letters, Questionnaires, Invitations, Direct Mailers, Brochures, Illustrations, Product Guides, Product Manuals and the Company’s web page. A sample of 50 pieces of advertising was requested, received and reviewed. The 50 advertising materials and the Company’s web site were reviewed to ascertain compliance with Act 205, Section 5 (40 P.S. §1171.5), Unfair Methods of Competition and Unfair or Deceptive Acts or Practices and Title 31, Pennsylvania Code, Chapter 51 and Chapter 89. No violations were noted.

V. FORMS

Throughout the course of the examination, all underwriting files were reviewed to identify the policy contracts, riders, endorsements and applications used in order to determine compliance with requirements of Insurance Company Law, Chapter 2, Section 354 (40 P.S. §477b), as well as provisions for various mandated benefits. Applications and claim forms were also reviewed to determine compliance with Title 18, Pa. C.S., Section 4117(k). The following violations were noted:

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

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

Form Number	Description	Frequency of Use
NEI-469-99	Term Conversion Credit Endorsement	1
NEV-APP 21-87	Whole Life Insurance Application (Pension Series)	3
No Form Number	Guarantee Issue Cert. Application	5
APP 64.1R NJ NE	Disability Income Insurance Application	1

118 Violations - Title 18, Pa. C. S., Section 4117(k)

All applications for insurance and all claim forms shall contain or have attached thereto the following notice: "Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto

commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties.” The following applications for insurance did not contain or have attached the required fraud statement or the required fraud language was not printed verbatim. The application form description and frequency of use is listed in the table below.

FORM NO	DESCRIPTIVE NAME	NUMBER OF FILES
App 52PA NE	Reinstatement Application	1
App 53PA NE	Change Application	1
App 61 NE	Group Disability Conversion Application	1
App 62 NE	Health Application for Future Option Benefit	1
App 67 NE	Health Application for Future Income Option Benefit	1
App 68 NE	Health Application for Future Option Benefit – Future	1
App 69 NE	Health Application for Future Option Benefit – Future	1
NEA APP-6-04	AFS Application	11
NEV-APP (05/01)	Application	1
NEV APP 21-87	Application	5
NEA APP-1-02	Application	59
NEV APP-31	Application	1
No Form Number	Guarantee Issue Certificate Application.	5
APP64.IR.NI.NE	Application	1
M4468 (4/05)	Application	23
ETC-3-02	Application	5

4 Violations - Title 31, Pennsylvania Code, Chapter 89b.11(b)

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

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 6,370 producers, of which 2,420 were unique producers. A random sample of 200 producers was selected for review. Of the 200 producers selected, 181 were listed as active and 19 were listed as terminated producers. The 200 producers were compared to departmental records of producers to verify appointments, terminations and licensing. The following violations were noted:

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

(a) Representative of the insurer. – An insurance producer shall not act on behalf of or as a representative of the insurer unless the insurance producer is appointed by the insurer. An insurance producer not acting as a representative of an insurer is not required to be appointed.

- (b) Representative of the consumer. – An insurance producer acting on behalf of or representing an insurance consumer shall execute a written agreement with the insurance consumer prior to representing or acting on their behalf that:
- (1) Delineates the services to be provided; and
 - (2) Provides full and complete disclosure of the fee to be paid to the insurance producer by the insurance consumer.
- (c) Notification to department. – An insurer that appoints an insurance producer shall file with the department a notice of appointment. The notice shall state for which companies within the insurer’s holding company system or group the appointment is made.
- (d) Termination of appointment. – Once appointed, an insurance producer shall remain appointed by an insurer until such time as the insurer terminates the appointment in writing to the insurance producer or until the insurance producer’s license is suspended, revoked or otherwise terminated.
- (e) Appointment fee. – An appointment fee of \$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 34 producers, or agencies. The Company listed these producers as active; however Department records did not indicate their appointment during the experience period.

Producer's Name	Appointment Date	Termination Date
Ahranjian John	7/28/1986	
Bachmann Doris	10/2/2002	
Bolding Durward	8/8/1999	
Breneisen Thomas	B	
Crea Joseph	5/1/1996	
Creal Michael	9/17/1997	
Dangelo Arthur	L	
Deam Richard	1/1/2000	
Enoch Donald	E	
Garrett Robert	S	
Gramm Robert	L	
Harrison Richard	4/22/1999	
Hook Edward	5/8/1996	
Kane Michael	12/20/1999	
Katevatis Peter	1/3/2000	
Leblanc Renae Marie	2/10/1992	
Madera James	11/14/2001	
Mealeer John	7/17/1996	
Mcgeehan Brian	C	
Miller David	5/1/1998	
Mineo Andrew	F	
Musial Mark	S	
Park Kyu Hwan	1/18/2001	
Peters Jon	K	
Poole David	8/5/2002	6/8/2004
Quinlan James	P	10/26/2004
Richtar Vincent	J	
Rosen Jonathan	12/27/1999	
Seibel James	5/2/2000	
Simis Robert	5/1/2000	
Skupnik Paul	A	
Stoerber Edward	A	
Sun Yongho	12/16/1999	3/5/2004
Talbert Geal	5/14/2001	

The Company failed to file a notice of appointment and submit appointment fees to the Insurance Department for the following 2 producers. These producers were listed on applications reviewed in the Term Life Conversions Section of the exam;

however, Department records did not indicate their appointment at the time of application.

Producer	Application Date
Quigley, Brian	9/15//2004
Coghil, Peter	10/27/2004

The Company failed to file a notice of appointment and submit appointment fees to the Insurance Department for the following producers. These producers were listed on 4 applications reviewed in the Annuity Contracts Issued Section of the exam; however, Department records did not indicate their appointment at the time of application.

Producer	Application Date	Issue Date
Phillips, S	2/3/2004	3/8/2004
Machness, M	3/23/2004	4/6/2004
Macliness, M	3/29/2004	3/31/2004
Laporta, M	4/27/2004	5/21/2004

The Company failed to file a notice of appointment and submit appointment fees to the Insurance Department for the following producer. This producer was listed on 3 applications reviewed in the Disability Policies Issued Section of the exam; however, Department records did not indicate his appointment.

Producer	Policy Number
O'Neil	242D344354
O'Neil	242D345647
O'Neil	242D345648

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

(40 P.S. §310.71a)

- (a) Termination. - An insurer which terminates an appointment pursuant to Section 671-A(d) shall notify the Department in writing on a form approved by the Department, or through an electronic process approved by the Department, within 30 days following the effective date of the termination.
- (b) Reason for termination. – If the reason for the termination was a violation of this Act or if the insurer had knowledge that the licensee was found to have engaged in any activity prohibited by this Act, the insurer shall inform the Department in the notification.

The following producers were listed as terminated by the Company but not reported as terminated to the Department. Department records indicate an active status during the experience period.

Producer Last	Producer First	Appointment Date	Termination Date
Bardol	Kevin	9/28/2004	1/16/2004
Weng	Mingqi	3/29/2004	3/29/2004

VII. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of their consumer complaint logs for 2001, 2002, 2003 and 2004. The Company identified 12 written consumer complaints and provided complaints logs for 2001, 2002, 2003 and 2004. All 12 consumer complaint files were requested, received and reviewed.

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

3 Violations – Unfair Insurance Practices Act, No. 205, Section 5(a)(11) (40 P.S. §1171.5)

Failure of any person to maintain a complete record of all the complaints which it has received during the preceding four years. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint. For purposes of this paragraph, "complaint" means any written

communication primarily expressing a grievance. The complaint files noted were not listed in the Company's complaint logs.

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 policy delivery could not be established in the 3 complaint files noted.

VIII. UNDERWRITING

The Underwriting review was sorted and conducted in 16 general segments.

- A. Underwriting Guidelines
- B. Group Certificate Holders Enrolled
- C. Life Policies Issued
- D. Life Policies Issued as Replacements
- E. Life Policies Terminated
- F. Life Policies Declined
- G. Life Policies Not-Taken
- H. Term Life Conversions
- I. Annuity Contracts Issued
- J. Annuity Contracts Issued as Replacements
- K. Annuity Contracts Terminated
- L. Annuity Contracts Not-Taken
- M. Disability Policies Issued
- N. Disability Policies Terminated
- O. Disability Policies Declined
- P. Disability Policies Not-Taken

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

A. Underwriting Guidelines

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

The following manuals and guides were provided and reviewed:

1. Annuity New Business Procedures
2. Individual Disability Income Underwriting Notebook
3. Disability Underwriting Manual (08/2003 to 06/2004)
4. Disability Underwriting Manual (07/2004 to Present)
5. Individual Income Protection IIP Guide (03/03 to 08/04)
6. Individual Income Protection Insurance IIP Guide (08/04 to 02/05)
7. IB Life New Business Procedures Underwriting Manual (CD)
8. IB Life New Business Procedures Underwriting Strategies Library (CD)

B. Group Certificate Holders Enrolled

The Company identified a universe of 131 certificate holders. A random sample of 50 certificate holders enrolled was requested, received and reviewed. The files were reviewed to determine compliance with Pennsylvania Consolidated Statutes, Section 4117(k). No violations were noted.

C. Life Policies Issued

The Company identified a universe of 1,441 life policies issued during the experience period. A random sample of 75 life issued policy files was requested. Of the 75 files requested, 74 were received and reviewed. Two of the files were not New England Life policies. The remaining 72 life issued policy files were reviewed to determine compliance to issuance, underwriting and replacement statutes and regulations. The following violations were noted:

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

(a) Every Company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, at its discretion, may require in order that its authorized representatives may readily ascertain whether the Company or person has complied with the laws of this Commonwealth. Of the 3 files noted, 1 file was missing and 2 files were missing pertinent information.

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

If replacement is involved, the agent or broker shall: present to the applicant, not later than at the time of taking the application, a Notice Regarding Replacement of Life Insurance and Annuities. Of the 2 files noted, the replacement form was not dated in 1 file and post-dated the application in the other file.

5 Violations - Title 31, Pennsylvania Code, Section 81.5(b)

The insurer shall require as part of a completed application for life insurance or annuity a statement signed by the applicant as to whether the proposed insurance

or annuity will replace existing life insurance or annuity. The applicant's replacement question was not answered on the application for the 5 files noted.

8 Violations - Title 31, Pennsylvania Code, Section 81.6(a)(1)

An insurer that uses a producer 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 producer as to whether the producer knows replacement is or may be involved in the transaction. The signed statement by the producer could not be established in the 8 files noted.

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

An insurer that uses an agent or broker in a life insurance or annuity sale shall, if replacement is involved: Send to each existing insurer a written communication advising of the replacement or proposed replacement and the identification information obtained under subparagraph (I) and in the case of life insurance, the disclosure statement as required by § 83.3 (relating to disclosure statement) or ledger statement containing comparable policy data on the proposed life insurance.

This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner. Of the 3 files noted, the replacement letter to the replaced company was not sent within 5 working days in 2 files and the letter was not documented in 1 file.

1 Violation - Title 31, Pennsylvania Code, Section 81.6(c)

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

5 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 included in the 5 files noted were incomplete.

71 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. Of the 71 files noted, Verification of policy delivery could not be established in 14 files and the agent's signature was missing on the delivery receipt in the 57 files.

3 Violations— Insurance Company Law, Section 406-A (40 P.S. §625-6)

No alteration of any written application for a life insurance policy or annuity shall be made by any person other than the applicant without the applicant's written consent. The 3 files noted contained alterations without the applicant's consent.

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

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

1 Violation – Insurance Company Law, Section 409-A (40 P.S. §625-9)

Replacements with the Same Insurer or Insurer Group. When there is solicitation for the replacement of an existing insurance policy or annuity with the same insurer or insurer group, the insurer shall, through its producers where appropriate, provide a "Notice Regarding Replacement of Life Insurance and Annuities" in the form set forth under Title 31, Pennsylvania Code, Chapter 81 (relating to replacement of life insurance and annuities). The file noted did not contain the required notice of replacement.

2 Violations – Insurance Company Law, Section 410D(b)(3) (40 P.S. §510c)

Individual variable life insurance policies which are offered as replacements for an existing life insurance policy or annuity contract with an insurer or insurer group

other than the one which issued the original policy or contract shall not be delivered in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such policy or attached thereto a notice stating in substance that the policyholder shall be permitted to return the policy within at least twenty (20) days of its delivery. The 2 files noted did not contain the required 20 day “free look” statement.

D. Life Policies Issued as Replacements

The Company identified a universe of 301 life policies issued as replacements during the experience period. A random sample of 25 life replacement files was requested, received and reviewed. Of the 25 life replacement policy files reviewed, 1 was a declination which was reviewed in the life policies declined section of the exam. The remaining 24 files were reviewed to determine compliance to issuance, underwriting and replacement 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 file noted.

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

An insurer that uses an agent or broker in a life insurance or annuity sale shall, if replacement is involved: Send to each existing insurer a written communication

advising of the replacement or proposed replacement and the identification information obtained under subparagraph (I) and in the case of life insurance, the disclosure statement as required by § 83.3 (relating to disclosure statement) or ledger statement containing comparable policy data on the proposed life insurance. This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner. Of the 5 files noted, the replacement letter to the replaced company was not documented in 2 files and the correspondence to the replaced company was untimely in 3 files.

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. Of the 6 files noted, the disclosure form was not dated in 3 files and the disclosure form post-dates the application date in 3 files.

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 6 files noted did not contain a copy of the required agent's certification of disclosure.

24 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. The producer did not sign the delivery receipt in the 24 files noted.

1 Violation – Insurance Company Law, Section 406-A (40 P.S. §625-6)

No alteration of any written application for a life insurance policy or annuity shall be made by any person other than the applicant without the applicant's written consent. The file noted contained alterations without the applicant's consent.

1 Violation – Insurance Company Law, Section 410D(b)(2) (40 P.S. §510c)

Individual variable life insurance 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 file noted did not contain the required 45 day "free look" statement.

3 Violations – Insurance Company Law, Section 410D(a)(3) (40 P.S. §510c)

Individual fixed dollar life insurance policies or endowment insurance policies which are offered as replacements for an existing life insurance policy or annuity contract with an insurer or insurer group other than the one which issued the original policy or contract shall not be delivered in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such policy or attached thereto a notice stating in substance that the policyholder shall be permitted to return the policy within at least twenty (20) days of its delivery. The 3 files noted did not contain the required 20 day "free-look" statement.

E. Life Policies Terminated

The Company was requested to provide a list of all policies terminated during the experience. The Company identified a universe of 1,233 life insurance policies terminated. A random sample of 150 files was requested, received and reviewed. The 150 policy files were reviewed to ensure compliance with contract provisions, termination laws and regulations, and proper return of any unearned premium. The following violations were noted:

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

(a) Every Company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, at its discretion, may require in order that its authorized representatives may readily ascertain whether the Company or person has complied with the laws of this Commonwealth. The 16 files noted were missing pertinent information.

F. Life Policies Declined

The Company was requested to provide a list of all policies declined during the experience period. The Company identified 681 individual life policies declined. A random sample of 50 files was requested. Of the 50 files requested, 1 file was determined not to be a declination and 49 files were received and reviewed. The 49 files were reviewed to ensure declinations were not the result of any discriminatory underwriting practice and the proper return of any unearned premium. The following violations were noted:

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

(a) Every Company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, at its discretion, may require in order that its authorized representatives may readily ascertain whether the Company or person has complied with the laws of this Commonwealth. The 32 files noted were missing pertinent information.

G. Life Policies Not-Taken

The Company was requested to provide a list of all policies not-taken during the experience period. The Company identified a universe of 10 life policies not-taken. All 10 files were requested, received and reviewed. A not-taken policy by definition is a contract that is issued and the insured requests cancellation. The files were reviewed to ensure compliance with the free-look provisions of the contract. No violations were noted.

H. Term Life Conversions

The Company identified a universe of 26 individual term life conversion policies issued during the experience period. All 26 term life conversion files were requested. Of the 26 files requested, 24 were received of which 1 file was a duplicate. The remaining 23 files were reviewed to determine compliance to issuance and underwriting statutes and regulations. The following violations were noted:

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

(a) Every Company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, at its discretion, may require in order that its authorized representatives may readily ascertain whether the Company or person has complied with the laws of this Commonwealth. The 3 files noted were missing pertinent information.

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 policy delivery could not be established in the 2 files noted.

**1 Violation – 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 file noted.

**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 writing producer's signature was not on the illustration in the file noted.

I. Annuity Contracts Issued

The Company identified a universe of 821 annuity contracts issued during the experience period. A random sample of 50 annuity contracts was requested, received, and reviewed. The annuity contracts were reviewed to determine compliance with issuance and replacement statutes and regulations. The following violations were noted:

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

If replacement is involved, the agent or broker shall: present to the applicant, not later than at the time of taking the application, a Notice Regarding Replacement of Life Insurance and Annuities. The replacement form was dated after the application date in the 2 files noted.

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

An insurer that uses an agent or broker in a life insurance or annuity sale shall, if replacement is involved: Send to each existing insurer a written communication advising of the replacement or proposed replacement and the identification information obtained under subparagraph (I) and in the case of life insurance, the disclosure statement as required by § 83.3 (relating to disclosure statement) or ledger statement containing comparable policy data on the proposed life insurance.

This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the

date the proposed policy or contract is issued, whichever is sooner. There is no proof that the replacement communication to the replaced companies was sent within the required 5 working days in the 6 files noted.

19 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. Of the 19 files noted, verification of contract delivery could not be established in 14 files and the producer did not sign the delivery receipt in 5 files.

1 Violation – Insurance Company Law, Section 410D(b)(2) (40 P.S. §510c)

Individual variable life insurance 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 file noted did not contain the required 45 day "free-look" statement.

J. Annuity Contracts Issued as Replacements

The Company identified a universe of 158 annuity contracts issued as internal/external replacements during the experience period. A random sample of 25 files was requested received, and reviewed. The files were reviewed to determine compliance to issuance, underwriting and replacement statutes and regulations. The following violations were noted:

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

If replacement is involved, the agent or broker shall: present to the applicant, not later than at the time of taking the application, a Notice Regarding Replacement of Life Insurance and Annuities. The replacement form was dated after the application date in the 4 files noted.

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

An insurer that uses an agent or broker in a life insurance or annuity sale shall, if replacement is involved: Send to each existing insurer a written communication advising of the replacement or proposed replacement and the identification information obtained under subparagraph (I) and in the case of life insurance, the disclosure statement as required by § 83.3 (relating to disclosure statement) or ledger statement containing comparable policy data on the proposed life insurance.

This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner. The replacement letter to the replacement Company was not documented as sent within 5 working days in the 22 files noted.

5 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 contract delivery could not be established in the 5 files noted.

K. Annuity Contracts Terminated

The Company was requested to provide a list of all annuity contracts terminated during the experience period. The Company identified a universe of 358 annuity contracts terminated. A random sample of 25 files was requested, received and reviewed. The files were reviewed to ensure that terminations were not the result of any discriminatory underwriting practice. The files terminated due to death were reviewed to ensure compliance with Title 31, Pennsylvania Code, Chapter 146. No violations were noted.

L. Annuity Contracts Not-Taken

The Company was requested to provide a list of annuity contracts not-taken during the experience period. The Company identified a universe of 15 annuity contracts not-taken. All 15 files were requested, received and reviewed. The files were reviewed to ensure compliance with the free-look provisions of the contract. No violations were noted.

M. Disability Policies Issued

The Company was requested to provide a list of all policies issued during the experience period. The Company identified a list of 87 individual disability income policies issued. A random sample of 25 files was requested, received and reviewed. The policy files were reviewed to determine compliance to issuance, underwriting and replacement statutes and regulations. No violations were noted.

N. Disability Policies Terminated

The Company was requested to provide a list of all individual disability policies terminated during the experience period. The Company identified 43 disability policies terminated. A random sample of 25 files was requested, received and reviewed. The policy files were reviewed to determine compliance with contract provisions, termination laws and regulations and proper return of any unearned premium. The following violations were noted:

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

Every Company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to it's property, assets, business and affairs in such manner and for such time periods as the department, at its discretion, may require in order that its authorized representatives may ascertain whether the Company or person has complied with the laws of this Commonwealth. The 4 files noted were missing pertinent information.

O. Disability Policies Declined

The Company was requested to identify all disability policies declined during the experience period. The Company identified 7 disability policies declined. All 7 files were requested, received and reviewed. The files were reviewed to ensure declinations were not the result of any discriminatory underwriting practice and the proper return of any unearned premium. No violations were noted.

P. Disability Policies Not-Taken

The Company was requested to provide a list of all policies not-taken during the experience period. The Company identified 9 disability policies not-taken. All 9 files were requested, received, and reviewed. A not-taken policy by definition is a contract that is issued and the insured requests cancellation. The files were reviewed to ensure compliance with the free look provisions of the contract. The following violations were noted:

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

(a) Every company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, in its discretion, may require in order that its authorized representatives may readily verify and ascertain whether the company or person has complied with the laws of this Commonwealth. The file noted was missing pertinent information.

IX. INTERNAL AUDIT AND COMPLIANCE PROCEDURES

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

- (1) Periodic reviews of consumer complaints in order to determine patterns of improper practices.
- (2) Regular reporting to senior officers and the board of directors or an appropriate committee thereof with respect to any significant findings.
- (3) The establishment of lines of communication, control and responsibility over the dissemination of advertising and promotional materials, including illustrations and illustration explanations, with the requirement that such materials shall not be used without the approval by company employees whose compensation, other than generally applicable company bonus or incentive plans, is not directly linked to marketing or sales.

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:

1. Individual Business Annuity Claims
2. Small Group Claims
3. Large Group Claims
4. Individual Disability Income Claims (CD)
5. Individual Disability Income Claims (CD)
6. Home Office Inspector's Training Guide
7. Procedures Memos Part 1
8. Procedures Memos Part 2
9. Contestable Letters
10. Contestable Claim
11. CDI-Consolidated Disbursements System Prospectus
12. Procedure Memorandums (Current to 150 – 83 -1)
13. Procedure Memorandums (150 – 82 – 5 SUPP. No. 12 to 156 – 65 – 23)
14. New England Claims Training Guide Part A
15. New England Claims Training guide Part B

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 4 areas:

- A. Individual Life Claims
- B. Annuity Claims
- C. Group Large Medical Claims
- D. Unique Small Group Claims

All claim files sampled were reviewed for compliance with requirements of the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171). The insured submitted claims were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices and the provider submitted claims were reviewed for compliance with Act 68, Section 2166 (40 P.S. §991.2166), Prompt Payment of Provider Claims. The life claims were additionally reviewed for compliance with Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b).

A. Individual Life Claims

The Company was requested to provide a list of all life claims received during the experience period. The Company identified 20 individual life claims received. All 20 individual life claims were requested and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b). The following violations were noted:

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. The Company failed to provide timely status letters for the 5 claims noted.

B. Annuity Claims

The Company was requested to provide a list of Annuity claims received during the experience period. The Company identified a Universe of 22 Annuity claims. All 22 Annuity claim files were requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. The following violations were noted:

2 Violations – Title 31, Pennsylvania Code, Section 146.3

The claim files of the insurer shall be subject to examination by the Commissioner or by his appointed designees. The files shall contain notes and work papers pertaining to the claim in the detail that pertinent events and the dates of the events can be reconstructed. The 2 claim files noted were missing pertinent information.

8 Violations - Title 31, Pennsylvania Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of a claim, unless the investigation cannot reasonably be completed within the time. If the investigation cannot be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company failed to provide timely status letters for the 8 claims noted.

C. Group Large Medical Claims

The Company was requested to provide a list of all health claims received during the experience period. The Company identified 2 Group Large Medical Claims. Both of these claim files were requested, received and reviewed. These provider-submitted claim files were reviewed for compliance with Quality Health Care Accountability and Protection Act, No. 68, Section 2166 (40 P.S. §991.2166), Prompt Payment of Provider Claims. No violations were noted.

D. Unique Small Group Claims

The Company was requested to provide a list of claims received during the experience period. The Company identified a universe of 243 Unique Small Group Claims. A random sample of 27 claims was requested, received and reviewed. The claim files were reviewed for compliance with the Quality Health Care Accountability and Protection Act No. 68, 2166 (40 PS § 991.2166), Prompt Payment of Provider Claims (A), and Title 31, Pennsylvania Code, Chapter 146. The following violations were noted.

1 Violation – Quality Health Care Accountability and Protection Act, No. 68,

Section 2166 (40 P.S. §991.2166) Prompt Payment of Claims.

(A) A licensed insurer or a managed care plan shall pay a clean claim submitted by a health care provider within forty-five (45) days of receipt of the clean claim. The clean claim was not paid within 45 days of receipt.

XI. RECOMMENDATIONS

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

1. The Company must implement procedures to ensure compliance with requirements of Section 2166 of the Insurance Company Law of 1921 (40 P.S. §991.2166), relating to prompt payment of provider claims.
2. The Company must implement procedures to ensure compliance with the fraud statement notice requirements of Title 18, Pennsylvania Consolidated Statutes Section 4117(k).
3. 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.
4. The Company must review and revise Licensing procedures to ensure compliance with Sections 671-A and 671.1-A of the Insurance Department Act of 1921 (40 P.S. §§310.71 and 310.71a).
5. 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).
6. The Company must review and revise internal control procedures to ensure compliance with the replacement requirements of Title 31, Pennsylvania Code, Chapter 81.
7. The Company must review internal control procedures to ensure compliance with disclosure requirements of Title 31, Pennsylvania Code, Chapter 83.

8. The Company must review internal control procedures to ensure compliance with forms filing and approval requirements of Section 354 of the Insurance Company Law of 1921 (40 P.S. §477b).
9. The Company must implement procedures to ensure compliance with the policy delivery receipt requirements of Section 404-A of the Insurance Company Law of 1921 (40 P.S. §625-4).
10. The Company must review internal control procedures to ensure compliance with application alteration requirements of Section 406-A of the Insurance Company Law of 1921 (40 P.S. §625-6).
11. 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).
12. The Company must implement internal control procedures to ensure compliance with replacement requirements of Section 409-A of the Insurance Company Law of 1921 (40 P.S. §625-9).
13. 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.
14. The Company must implement procedures to ensure compliance with the complaint maintenance requirements of Section 5 of the Unfair Insurance Practices Act (40 P.S. §1171.5).

XII. COMPANY RESPONSE

Regulatory Services
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MetLife^(®)

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March 30, 2006

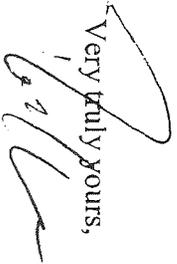
Mr. Daniel Stencosky
Chief, Market Conduct Division
Pennsylvania Insurance Department
1311 Strawberry Square
Harrisburg, PA 17120

Re: New England Life Insurance Company Market Conduct Examination

Dear Mr. Stencosky:

Please find attached the New England Life Insurance Company response to the Insurance Department Market Conduct Report.

New England Life is committed to doing business in an ethical and compliant manner and would be pleased to discuss with the Insurance Department any aspect of the Company's response to the Market Conduct Report or the Company's compliance with regulatory requirements.


Very truly yours,

Robert F. DiLorenzo

1. The Company must implement procedures to ensure compliance with requirements of Section 2166 of the Insurance Company Law of 1921 (40 P.S. §991.2166), relating to prompt payment of provider claims.
2. The Company must implement procedures to ensure compliance with the fraud statement notice requirements of Title 18, Pennsylvania Consolidated Statutes Section 4117(k).
3. 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.
4. The Company must review and revise Licensing procedures to ensure compliance with Sections 671-A and 671.1-A of the Insurance Department Act of 1921 (40 P.S. §§310.71 and 310.71a).
5. 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).
6. The Company must review and revise internal control procedures to ensure compliance with the replacement requirements of Title 31, Pennsylvania Code, Chapter 81.
7. The Company must review internal control procedures to ensure compliance with disclosure requirements of Title 31, Pennsylvania Code, Chapter 83.
8. The Company must review internal control procedures to ensure compliance with forms filing and approval requirements of Section 354 of the Insurance Company Law of 1921 (40 P.S. §477b).
9. The Company must implement procedures to ensure compliance with the policy delivery receipt requirements of Section 404-A of the Insurance Company Law of 1921 (40 P.S. §625-4).
- 10 The Company must review internal control procedures to ensure compliance with application alteration requirements of Section 406-A of the Insurance Company Law of 1921 (40 P.S. §625-6).

- 11 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).
- 12 The Company must implement internal control procedures to ensure compliance with replacement requirements of Section 409-A of the Insurance Company Law of 1921 (40 P.S. §625-9).
- 13 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.
- 14 The Company must implement procedures to ensure compliance with the complaint maintenance requirements of Section 5 of the Unfair Insurance Practices Act (40 P.S. §1171.5).

XII. COMPANY RESPONSE

1. Company Response

The Company has procedures in place to ensure compliance with prompt payment of provider claims provisions. In this one instance (two claim numbers) the third party administrator had been unable to locate its file, but has now provided the file to the Company. The file will be provided separately to the Insurance Department.

2. Company Response

The Company understands that Title 18, Pennsylvania Consolidated Statutes Section 4117(k) requires insurance applications and claims forms to contain a specific fraud warning. This specific warning was regrettably omitted from or not exactly as required on the forms reviewed by the examiner. The Company had provided a substantially equivalent fraud warning on virtually all such forms, but not the exact wording set forth in the statute. The Company has reviewed all its applications and claim forms currently in use and, as needed, has revised (or is in the process of revising) all such forms to include the specific required fraud warning statement.

The Company requests the Insurance Department take into account that Pennsylvania insurance consumers were not likely to suffer any direct harm as a result of this violation as the forms in question did in nearly all instances contain substantially similar fraud warnings, providing notice to applicants and claimants that insurance fraud is punishable under law.

3. Company Response

The Company has implemented a procedure to provide status letters to claimants within thirty days of the date of first notice of claim and every forty-five days thereafter until such time as the claim is resolved.

In a number of the cases identified by the examiners, the Company had had contact, directly or indirectly through Company producers, with beneficiaries regarding their claims within seven days of the initial notice of claim and the beneficiaries had been provided with the necessary forms and instructions relating to the submission of their claims.

4. Company Response

The Company has enhanced existing licensing procedures to ensure compliance with requirements. In an effort to improve quality, MetLife's Corporate Licensing & Registration (CL&R) functions transitioned to a location from which the Company is better able to leverage an existing strong operational and shared services model and technology.

The Company has improved or implemented procedures in the following areas:

- The creation of an appointment renewal process during which Company appointment records are compared with the National Insurance Producer Registry (NIPR) and updated appropriately.
- The development of a proactive data-cleansing project. Prior to the transition, efforts were made to consolidate all of the licensing information for the many companies under the MetLife umbrella into one internal system for tracking all licensing and appointment activity. After all the data was converted into this one system, a complete and thorough review of the data was performed to ensure that data was consistent internally as well as with the states' records
- In addition, the Company developed a licensing renewal process – a proactive method of notifying producers in advance that a license in a particular state is approaching its renewal date. As a part of this process, records are again compared with the NIPR and updated appropriately and those licenses that are not renewed are terminated.

The Company has also added an area of focus for CL&R dealing with state changes as they occur. A review plan has been established so that on a continuous basis policies and procedures are reviewed and compared with current state information to ensure there are no gaps.

5. Company Response

The Company has a comprehensive, detailed Records and Information Management program and record retention policy to ensure all books, records, documents, and other materials are maintained in an appropriate manner and for such period of time to ensure, at a minimum, compliance with Section 903(a) of the Insurance Department Act of 1921. Records and Information Management program training has been provided to Company associates and is supported and reinforced by line of business champions for all areas.

This finding concerns a document that was inadvertently not retained in certain files. The Company is implementing a procedure to retain a copy of the document in an electronic database. On an interim basis, the Company has taken action to ensure the document is retained in the files.

6. Company Response

The Company has robust life insurance and annuity procedures in place for compliance with Title 31, Pennsylvania Code, Chapter 81 on the replacement of existing insurance. However, the Company will review its procedures and remind its underwriters and new business areas of the need to closely review applications and related materials to assure full compliance.

The Company's procedures with respect to replacement require, among other things, that the producer submit the Notice Regarding Replacement with the application to the Company. The Company notes that in some instances a Notice Regarding Replacement form was dated after the date of the application for insurance and communication of the proposed replacement to the existing insurer was provided more than five days after receipt of the application. In the event the Company learns of the applicant's intent to replace existing life insurance or annuity coverage after receipt of the application, the Company will require the producer to provide the Notice Regarding Replacement to the applicant and submit a signed copy to the Company. Using the information provided at that time, notice to the existing company would then be sent. While the Company understands the requirement that the Notice Regarding Replacement be provided to the applicant not later than at the time of application, the Company believes that it is in the applicant's best interests to simply resume processing the original application upon receipt of the completed and signed Notice.

7. Company Response

The Company is reviewing its procedures relative to Title 31, Pennsylvania Administrative Code, Chapter 83, which requires certain information be provided to life insurance applicants in the form of a disclosure statement. In several instances noted by the examiners, disclosure statements were provided but were incomplete as they were not dated. The Company will remind its producers of the importance of fully completing and dating such forms.

8. Company Response

The Company has comprehensive form filing procedures in place to ensure compliance with the requirements of Section 354 of the Pennsylvania Insurance Company Law of 1921. This finding concerns four forms: NEV-APP 21-87, APP 64.1R NJ NE, NEL 469-99, and a Guarantee Issue Cert. Application (an exchange form that is no longer in use). Forms NEV-APP 21-87 and APP 64.1R NJ NE were inappropriately used in Pennsylvania and will not be accepted again for business in the state. NEL 469-99 was filed with the Department on November 8, 2005.

9. Company Response

The Company is in the process of revising its policy delivery receipt to include the producer's signature to ensure compliance with the receipt requirements of Section 404-A of the Insurance Company Law of 1921.

10. Company Response

The Company has existing procedures prohibiting alteration of an application other than as provided by Section 406-A of the Insurance Company Law of 1921. The Company will reinforce these existing procedures its producers and underwriters of these procedures, to ensure that applications are not inappropriately altered and that altered applications are not accepted.

11. Company Response

The Company has existing procedures requiring a signed certification and acknowledgment of the delivery of an illustration at the time of policy delivery be returned to the Company for its records. In this one instance, the document was not returned. The Company will review its procedures with the new business area and producers.

12. Company Response

The Company has existing procedures requiring a Notice Regarding Replacement be provided to the applicant in the event of replacement of existing life insurance or annuity by the Company or insurer group. The one instance noted by the examiners was an inadvertent omission by the Company.

13. Company Response

The Company does provide a Free Look period on all policies and an extended free look period on all policies issued as a result of a replacement transaction. However, the Company has enhanced its procedures to ensure compliance with Section 410D of the Pennsylvania Insurance Company Law of 1921 pertaining to the “Free Look” provision requirements by replacing a manual procedure with an automated system process to ensure that the appropriate free look provision is provided in all newly issued policies.

14. Company Response

The Company has existing procedures requiring all complaints to be forwarded to and recorded by MetLife Corporate Customer Relations, where information related to such complaints is recorded and records maintained. In the three instances noted, complaints received were not forwarded to Corporate Customer Relations. The Company has reinforced its existing procedures through the issuance and distribution of a joint memorandum from the General Auditor and the Chief Compliance Officer reminding all associates that, should they receive a communication that expresses a grievance or dissatisfaction with the Company, its products, or its people, such communication must be immediately forwarded to Corporate Customer Relations. The Company will circulate an annual reminder to all associates.

The Company is committed to doing business in an ethical and compliant manner and assures the Insurance Department that the Company continually monitors its compliance with all regulatory requirements. Our compliance efforts are spearheaded by a Corporate Ethics and Compliance Department and its approximately 370 associates who are dedicated full-time to compliance issues. The Company is now actively involved in creating process improvements and taking appropriate actions based on the examination Report.