

**REPORT OF
MARKET CONDUCT EXAMINATION
OF**

**OHIO NATIONAL LIFE ASSURANCE
CORPORATION**
Cincinnati, Ohio

**AS OF
March 8, 2007**

COMMONWEALTH OF PENNSYLVANIA



**INSURANCE DEPARTMENT
MARKET CONDUCT DIVISION**

Issued: May 11, 2007

OHIO NATIONAL LIFE ASSURANCE CORPORATION

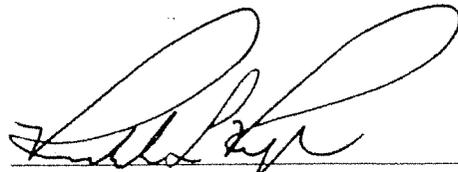
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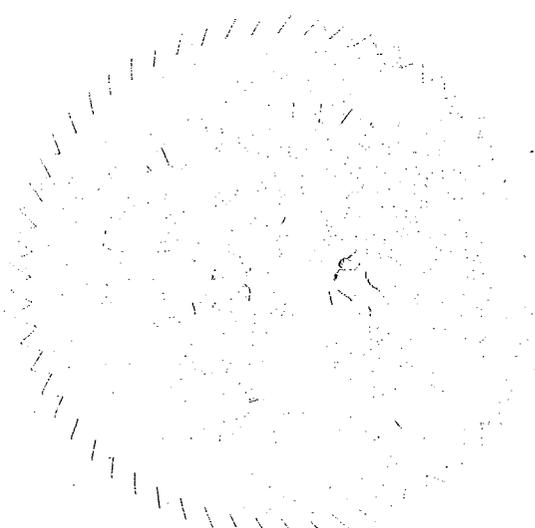
BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 20th day of February, 2007, in accordance with Section 905(c) of the Pennsylvania Insurance Department Act, Act of May 17, 1921, P.L. 789, as amended, 40 P.S. § 323.5, I hereby designate Terrance A. Keating, Deputy Chief Counsel, 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.



Randolph L. Rohrbaugh
Acting Insurance Commissioner



BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE: : VIOLATIONS:
: :
OHIO NATIONAL LIFE : Section 903(a) of the Insurance
ASSURANCE CORPORATION : Department Act, Act of May 17, 1921,
One Financial Way : P.L. 789, No. 285 (40 P.S. § 323.3)
Cincinnati, OH 45242 :
: Sections 641-A and 671-A of Act 147
: of 2002 (40 P.S. §§ 310.41 and
: 310.71)
: :
: Sections 406-A, 408-A(e)(1)(ii),
: 408-A(e)(2)(i) and 408-A(a)(4) of the
: Insurance Company Law, Act of May
: 17, 1921, P.L. 682, No. 284 (40 P.S.
: §§ 625-6 and 625-8)
: :
: Title 31, Pennsylvania Code, Sections
: 81.4(b)(1), 81.5(b), 81.6(a)(1),
: 81.6(a)(2)(ii), 83.3, 83.4a, 83.4b,
: 83.55, 88.101, 146.5, 146.6 and
: 146.7
: :
: Title 18, Pennsylvania Consolidated
: Statutes, Section 4117(k)
: :
Respondent. : Docket No. MC07-04-030

CONSENT ORDER

AND NOW, this *11th* day of *May*, 2007, this Order is hereby
issued by the Insurance Department of the Commonwealth of Pennsylvania pursuant
to the statutes cited above and in disposition of the matter captioned above.

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

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

3. Respondent neither admits nor denies the Findings of Fact or the Conclusions of Law contained herein; further, Respondent denies that it has committed violations of Pennsylvania insurance laws recited herein.

FINDINGS OF FACT

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

(a) Respondent is Ohio National Life Assurance Corporation, and maintains its address at One Financial Way, Cincinnati, Ohio.

(b) A market conduct examination of Respondent was conducted by the Insurance

Department covering the period from January 1, 2005, to December 31, 2005.

- (c) Respondent cooperated with the Department throughout the market conduct process.
- (d) On March 8, 2007, the Insurance Department issued a Market Conduct Examination Report to Respondent.
- (e) A response to the Examination Report was provided by Respondent on April 7, 2007.
- (f) After consideration of the April 7, 2007 response, the Insurance Department has modified the Examination Report as attached.
- (g) 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 641.1-A of Act 147 of 2002 prohibits any entity or the appointed agent of any entity from transacting the business of insurance through anyone acting without an insurance producer license (40 P.S. § 310.41a);
- (iii) Section 671-A of Act 147 of 2002 (40 P.S. § 310.71), which prohibits producers from transacting business within this Commonwealth without written appointment as required by the Act;
- (iv) 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;
- (v) Section 408-A(e)(1)(ii) of the Insurance Company Law, No. 284 (40 P.S. § 625-8), which states if the policy is issued other than as applied for, a revised basic illustration conforming to the policy as issued shall be mailed or delivered with the policy. The revised illustration shall conform to the requirements for basic illustrations contained in this act and shall be labeled "Revised Illustration". The statement required by subsection (c)(4) shall be signed and dated by the policy owner and producer no later than the time the policy is delivered. A copy shall be provided to the policy owner no later than the time the policy is delivered and to the insurer as soon as practical after the policy is delivered;

- (vi) Section 408-A(e)(2)(i) of the Insurance Company Law, No. 284 (40 P.S. § 625-8), which states the following applies if no illustration is used by a producer in the sale of a life insurance policy or if a computer screen is displayed. The producer shall certify in writing on a form provided by the insurer that no illustration was used in the sale of the life insurance policy. On the same form, the applicant shall acknowledge an understanding that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery;

- (vii) Title 31, Pennsylvania Code, Section 408-A(a)(4) of the Insurance Company Law, No. 284 (40 P.S. § 625-8), which states if a life insurance policy form is identified by the insurer as one to be marketed with an illustration, a basic illustration prepared and delivered in accordance with this section is required. The life insurance policy forms listed in the table below were identified by the insurer as policies to be marketed with an illustration;

- (viii) 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;

- (ix) Title 31, Pennsylvania Code, Section 81.5(b), which requires the insurer, as part of a completed application for life insurance or annuity, require a

statement signed by the applicant regarding whether the proposed insurance or annuity will replace existing life insurance or annuity;

- (x) 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;

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

- (xii) Title 31, Pennsylvania Code, Section 83.3, which requires written disclosure. A life insurance agent, broker or insurer soliciting the type of business to which this subchapter applies shall provide a prospective

purchaser with a written disclosure statement clearly labeled as such;

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

- (xvi) Title 31, Pennsylvania Code, Section 88.101, which states application forms shall contain a question to elicit information as to whether the insurance to be issued is to replace any other accident and health insurance presently in force. A supplementary application or other form to be signed by the applicant containing such a question may be used;

- (xvii) Title 31, Pennsylvania Code, Section 146.5, which requires every insurer, upon receiving notification of a claim, shall within 10 working days, acknowledge the receipt of such notice unless payment is made within such period of time. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgement shall be made in the claim file of the insurer and dated;

- (xviii) 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;

- (xix) Title 31, Pennsylvania Code, Section 146.7, which requires within 15 working days after receipt by the insurer of properly executed proof of loss, the first party claimant shall be advised of the acceptance or denial of the claim by the insurer; and

- (xx) 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 Insurance Department makes the following Conclusions of Law:
- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.
 - (b) Respondent’s violations of Sections 641-A and 671-A of Act 147 of 2002 are punishable by the following, under Section 691-A of Act 147 of 2002 (40 P.S. § 310.91):
 - (i) suspension, revocation or refusal to issue the certificate of qualification or license;

- (ii) imposition of a civil penalty not to exceed five thousand dollars (\$5,000.00) for every violation of the Act;
 - (iii) an order to cease and desist; and
 - (iv) any other conditions as the Commissioner deems appropriate.

- (c) Respondent's violations of Sections 406-A and 408-A of the Insurance Company Law, No. 284 (40 P.S. §§625-6 and 625-8) are punishable by the following, under 40 P.S. § 625-10: Upon determination by hearing that this act has been violated, the commissioner may issue a cease and desist order, suspend, revoke or refuse to renew the license, or impose a civil penalty of not more than \$5,000 per violation.

- (e) Respondent's violations of Title 31, Pennsylvania Code, Chapter 81, are punishable under Title 31, Pennsylvania Code, Section 81.8(b) and (c), which provide failure to comply, after a hearing, may subject a company to penalties provided in 40 P.S. § 475. Failure to comply shall be considered a separate violation and may not be considered in lieu of a proceeding against the company for a violation of 40 P.S. §§472, 473 or 474. In addition, failure to make the disclosure may be considered a violation of the Unfair Insurance Practices Act (40 P.S. §§ 1171.1 to 1171.15);

- (f) Respondent's violations of Title 31, Pennsylvania Code, Chapter 83 are punishable under Title 31, Pennsylvania Code, Section 83.6:

- (i) For failing to insure adequate disclosure of basic information, after a hearing, a company may be subject to the penalties provided under 40 P.S. § 475, for violations of 40 P.S. §§ 472 through 474. In addition, failure to make the disclosure outlined in this subchapter may be considered a violation of 40 P.S. §§ 1171.1 through 1171.15.

- (g) Respondent's violations of Title 31, Pennsylvania Code, Sections 146.5, 146.6 and 146.7 are punishable under Section 9 of the Unfair Insurance Practices Act (40 P.S. §§ 1171.9):
 - (i) cease and desist from engaging in the prohibited activity;
 - (ii) suspension or revocation of the license(s) of Respondent.

- (h) In addition to any penalties imposed by the Commissioner for Respondent's violations of the Unfair Insurance Practices Act (40 P.S. §§ 1171.1 – 1171.5), the Commissioner may, under Sections 10 and 11 of the Unfair Insurance Practices Act (40 P.S. §§ 1171.10, 1171.11) file an action in which the Commonwealth Court may impose the following civil penalties:
 - (i) for each method of competition, act or practice which the company knew or should have known was in violation of the law, a penalty of not more than five thousand dollars (\$5,000.00);

 - (ii) for each method of competition, act or practice which the company did

not know nor reasonably should have known was in violation of the law,
a penalty of not more than one thousand dollars (\$1,000.00).

ORDER

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

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) Respondent shall file an affidavit stating under oath that it will provide each of its directors, at the next scheduled directors meeting, a copy of the adopted Report and related Orders. Such affidavit shall be submitted within thirty (30) days of the date of this Order.
- (c) Respondent shall comply with all recommendations contained in the attached Report.
- (d) Respondent shall pay Fifty-Five Thousand Dollars (\$55,000.00) to the Commonwealth of Pennsylvania in settlement of all violations contained in the Report.

(e) Payment of this matter shall be made by check payable to the Commonwealth of Pennsylvania. Payment should be directed to Sharon L. Fraser, Office Manager, 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 Insurance Department finds that there has been a breach of any of the provisions of this Order, based upon the Findings of Fact and Conclusions of Law contained herein may pursue any and all legal remedies available, including but not limited to the following: The Insurance Department may enforce the provisions of this Order in the Commonwealth Court of Pennsylvania or in any other court of law or equity having jurisdiction; or the Department may enforce the provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

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

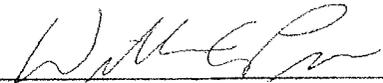
9. In any such enforcement proceeding, Respondent may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact and Conclusions of Law contained herein.

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

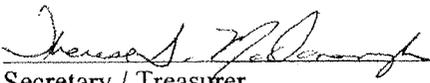
11. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

12. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegee is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law contained herein, and this Consent Order is not effective until executed by the Insurance Commissioner or a duly authorized delegee.

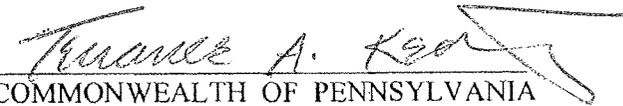
BY: OHIO NATIONAL LIFE ASSURANCE
CORPORATION, Respondent



President / Vice President + Assistant General Counsel



Secretary / Treasurer



COMMONWEALTH OF PENNSYLVANIA
By: Terrance A. Keating
Deputy Chief Counsel

I. INTRODUCTION

The Market Conduct Examination was conducted on Ohio National Life Assurance Corporation, hereafter referred to as "Company," at the Company's office located in Cincinnati, Ohio, August 14, 2006, through September 15, 2006. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

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

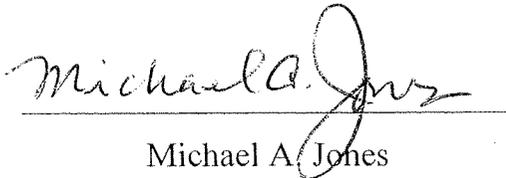
Throughout the course of the examination, Company officials were provided status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials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

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

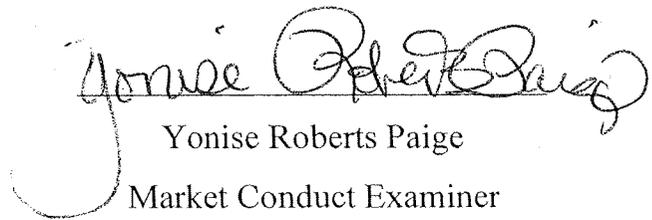
The undersigned participated in the Examination and in the preparation of this Report.



Daniel Stemcosky, A/E, FLMI
Market Conduct Division Chief



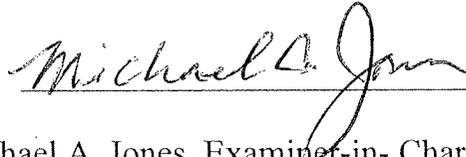
Michael A. Jones
Market Conduct Examiner



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).



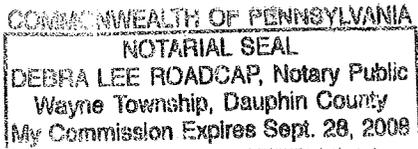
Michael A. Jones, Examiner-in- Charge

Sworn to and Subscribed Before me

This *23rd* Day of *February*, 2007



Notary Public



II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the experience period of January 1, 2005, through December 31, 2005, unless otherwise noted. The purpose of the examination was to determine compliance by the Company with Pennsylvania insurance laws and regulations.

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

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

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

III. COMPANY HISTORY AND LICENSING

Ohio National Life Assurance Corporation (Company) was incorporated in the state of Ohio on June 26, 1979, and commenced business on August 22, 1979. The Company is a wholly owned stock subsidiary of Ohio National Life Insurance Company. Ohio National Financial Services is the marketplace name for the affiliated companies of the Ohio National Life Insurance Company, headquartered in Cincinnati, Ohio.

Ohio National Financial Services (Ohio National), through its affiliated insurance companies (The Ohio National Life Insurance Company and Ohio National Life Assurance Corporation) markets a variety of insurance and financial products in 47 states (all except Alaska, Hawaii and New York), the District of Columbia and Puerto Rico, with subsidiary operations in Santiago, Chile.

Ohio National products are marketed through a network of sales associates, broker associates, stock brokerages, Banks and the Internet. The products distributed include: individual life insurance; individual disability income insurance; individual annuities and Pension and retirement products.

As of their December, 2005, annual statement for Pennsylvania, Ohio National Life Assurance Corporation reported direct premium for ordinary life insurance and annuities in the amount of \$16,512,542 and direct premium for accident and health in the amount of \$1,130,905

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 a copy of their advertising Certificate of Compliance, as required by Title 31, Pennsylvania Code, Section 51.5. 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, Pennsylvania Consolidated Statutes, Section 4117(k). The following violations were noted:

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

All applications for insurance and all claim forms shall contain or have attached thereto the following notice:

“Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance ace, which is a crime and subjects such person to criminal and civil penalties.”

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

| Form Number | Description | Frequency of Use |
|------------------|---|------------------|
| 3023.1A REV.3/89 | Part 1 Request for Life Policy Change | 9 |
| 3023.2A REV.3/89 | Part 2 Request for Univ. Life Policy Change | 1 |
| 3023.1A REV.3/88 | Conversion Application | 1 |
| 3023.1A REV.8/88 | Universal Life Application | 1 |

VI. PRODUCER LICENSING

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

The Company provided a list of 1,006 active and terminated producers. A random sample of 200 producers was selected for review. Of the 200 producers reviewed 117 were active producers and 83 were terminated producers. The 200 producer files were compared to departmental records of producers to verify appointments, terminations and licensing. The following violations were noted:

6 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. Six files were missing accurate social security numbers for verification of licensing and appointment.

41 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 21 producers or agencies. The Company listed these producers as active; however, Department records did not indicate their appointment.

| Producer |
|----------------------------|
| Ralph Criswell |
| Robert Deighton |
| Bull Fincl.Grp, Inc. |
| Michael Feinberg |
| Ann Imes |
| Earl Stalker |
| William Yarbinitz |
| Gregory Hall |
| Alfred Varano |
| Lawrence Jamieson |
| David Bernhardt |
| P. Loss |
| Gary Wooden |
| Martin Coyne |
| Roy Oskutis |
| Charles Shuman |
| Philip Lowcher |
| Monaghan Tilghman & Ho. |
| Douglas Dreher |
| Kenneth Rosenblum |
| Jeffrey Stevens |

The Company failed to file a notice of appointment and submit appointment fees to the Insurance Department for the following 2 producers. The Company listed these producers on 3 applications reviewed in the Individual Disability Income Policies Issued Section of the exam; however, Department records did not indicate their appointment at the time of application.

| Producer |
|-------------------|
| Paul Koepfer |
| J. Edward Nissley |

The Company failed to file a notice of appointment and submit appointment fees to the Insurance Department for the following 5 producers. The Company listed these producers on 7 applications reviewed in the Individual Universal Life Policies Issued Section of the exam; however, Department records did not indicate their appointment at the time of application.

| Producer |
|-----------------------|
| Brian M. Hayes |
| Stanley B. Greenfield |
| Edward J. Garabedian |
| Robert Eichinger |
| William Mercer |

The Company failed to file a notice of appointment and submit appointment fees to the Insurance Department for the following 7 producers. The Company listed these producers on 10 applications reviewed in the Individual Universal Life Policies Issued as Replacements Section of the exam; however, Department records did not indicate their appointment at the time of application.

| Producer |
|-----------------------|
| Brian M. Hayes |
| Peter C. Cisick |
| William A. Burgunder |
| Yarbinitz, William R. |
| James F. Bednar |
| Darryl R. Bull |
| John A. Shumski |

1 Violation – Insurance Department Act, No. 147, Section 671.1-A

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

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

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

The following producer was listed as terminated by the Company but not reported as terminated to the Department. Department records indicate active status.

| Producer |
|-----------------|
| Tari Kelley |

2 Violations – Insurance Department Act, No. 147, Section 641.1A

(40 P.S. §310.41a)

Any insured entity or licensee accepting applications or orders for insurance from any person or securing any insurance business that was sold, solicited or negotiated by any person acting without an insurance producer license shall be subject to civil penalty of no more than \$5,000.00 per violation in accordance with this act. This section shall not prohibit an insurer from accepting an insurance application directly from a consumer or prohibit the payment or receipt of referral fees in accordance with this act.

The producer noted was listed as a producer for the Company on 2 applications; however, Department records did not identify him as holding a Pennsylvania insurance license.

| Producer Name |
|-----------------------|
| Stanley B. Greenfield |

VII. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of their consumer complaint logs for 2002, 2003, 2004, and 2005. The Company identified 4 written consumer complaints and provided complaints logs for 2002, 2003, 2004 and 2005. All 6 complaints identified were forwarded from the Department. All 4 consumer complaint files were requested, received and reviewed.

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

VIII. UNDERWRITING

The Underwriting review was sorted and conducted in 12 general segments.

- A. Underwriting Guidelines
- B. Individual Annuity Contracts Issued
- C. Individual Disability Income Policies Issued
- D. Individual Term Life Policies Issued
- E. Individual Universal Life Policies Issued
- F. Individual Variable Universal Life Policies Issued
- G. Individual Term Life Policies Issued as Replacements
- H. Individual Universal Life Policies Issued as Replacements
- I. Individual Term Life Conversions

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

A. Underwriting Guidelines

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

The following guidelines were reviewed:

- Web-sites:
 - a. www.ohionational.com
 - b. www.ohionatl.com
 - c. www.ohioinsurance.gov

- Narrative:
 - a. Pride-Tech (Policy Issue System)
 - b. Automated Work Distribution (AWD)
 - c. Underwriting Worksheet (UWWS)

- Life Underwriting Requirements (Brochure)

- Swiss Re' Underwriting Requirements Life Guide 7.0
 - a. Guide
 - b. Medical
 - c. Occupation
 - d. Sports
 - e. Financial
 - f. Residence

B. Individual Annuity Contracts Issued

The Company identified a universe of 17 individual annuity contracts issued during the experience period. All 17 annuity contracts were requested, received and reviewed. The annuity contracts were reviewed to determine compliance with issuance, 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.

1 Violation - 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 question on replacement was not completed on the application in the file noted.

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

An insurer that uses an agent or broker in a life insurance or annuity sale shall:
Require with or as part of a completed application for life insurance or annuity a statement signed by the agent or broker as to whether the broker knows replacement is or may be involved in the transaction. The agent's question on replacement was not completed on the application in the 3 files noted.

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

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

C. Individual Disability Income Policies Issued

The Company was requested to provide a list of all individual disability income policies issued during the experience period. The Company identified 11 individual disability income policies issued. All 11 disability income policy files were requested, received and reviewed. Of the 11 policy files reviewed, two files were outside Pennsylvania jurisdiction. The remaining 9 policy files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violation was noted:

1 Violation – Title 31, Pennsylvania Code, Section 88.101; Application Forms

Application forms shall contain a question to elicit information as to whether the insurance to be issued is to replace any other accident and health insurance presently in force. A supplementary application or other form to be signed by the applicant containing such a question may be used. The applicant's replacement question was not answered on the application in the file noted.

D. Individual Term Life Policies Issued

The Company identified a universe of 968 individual term life policies issued during the experience period. A random sample of 40 individual term life policies was requested, received and reviewed. The policy files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted:

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.

1 Violation - 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 correctly on the application in the file noted.

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

An insurer that uses an agent or broker in a life insurance or annuity sale shall: Require with or as part of a completed application for life insurance or annuity a statement signed by the agent or broker as to whether the broker knows replacement is or may be involved in the transaction. Of the 2 files noted, the agents statement on replacement was not answered in 1 file and the remaining file did not have an agent's statement.

40 Violations – Title 31, Pennsylvania Code, Section 83.3 Disclosure Statement

(a) Required written disclosure. A life insurance agent, broker or insurer soliciting the type of business to which this subchapter applies shall provide a prospective purchaser with a written disclosure statement clearly labeled as such. An acceptable disclosure statement is attached as Appendix A. The 40 files noted did not contain evidence that a written disclosure was provided.

39 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 39 files noted did not contain a copy of the required agent's certification of disclosure delivery.

E. Individual Universal Life Policies Issued

The Company identified a universe of 92 individual universal life policies issued during the experience period. A random sample of 25 individual universal life policy files was requested, received and reviewed. Of the 25 individual universal life policy files reviewed, 7 policy files were duplicates of policy files reviewed in Section 9 of the exam, individual universal life issued as replacement and 5 policy files were duplicates of policy files reviewed in Section 11 of the exam, individual term conversions. The results of the review of those files is addressed in their respective sections of the Report . The remaining 13 policy 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 83.3 Disclosure Statement

(a) Required written disclosure. A life insurance agent, broker or insurer soliciting the type of business to which this subchapter applies shall provide a prospective purchaser with a written disclosure statement clearly labeled as such. An acceptable disclosure statement is attached as Appendix A. The 4 files noted did not contain evidence that a written disclosure was provided.

4 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 4 files noted did not contain a copy of the required agent's certification of disclosure.

1 Violation – Title 31, Pennsylvania Code, Section 83.55

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

(b) A disclosure that is minimally satisfactory to the Insurance Department is set forth in Appendix B. If the Appendix B disclosure will be used, a letter to that effect, prior to use, is adequate notification to the Department for review prior to use. The file noted did not include the Cost Surrender Comparison Index Disclosure.

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 applicants consent.

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

The following applies if a basic illustration is used by a producer in the sale of a life insurance policy. If the policy is issued other than as applied for, a revised basic illustration conforming to the policy as issued shall be mailed or delivered with the policy. The revised illustration shall conform to the requirements for basic illustrations contained in this act and shall be labeled “Revised Illustration.” The statement required by subsection (c)(4) shall be signed and dated by the policy owner and producer no later than the time the policy is delivered. A copy shall be provided to the policy owner no later than the time the policy is delivered and to the insurer as soon as practical after the policy is delivered. The 6 files noted did not contain an illustration labeled “Revised Illustration.”

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

The following applies if no illustration is used by a producer in the sale of a life insurance policy or if a computer screen is displayed. The producer shall certify in writing on a form provided by the insurer that no illustration was used in the sale of the life insurance policy. On the same form the applicant shall acknowledge an understanding that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery. The 4 files noted did not contain the signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy.

F. Individual Variable Universal Life Policies Issued

The Company identified a universe of 11 variable universal life policies issued during the experience period. All 11 variable universal life policies were requested, received and reviewed. The policies were reviewed to determine compliance with issuance, and replacement statutes and regulations. The following violation was 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.

G. Individual Term Life Policies Issued as Replacements

The Company identified a universe of 320 individual term life policies issued as replacements during the experience period. A random sample of 50 term life replacement files was requested, received and reviewed. The policy files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted:

13 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. Eleven replacement forms were dated after the application date and two files did not include the replacement notice.

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

An insurer that uses an agent or broker in a life insurance or annuity sale shall:
Require with or as part of a completed application for life insurance or annuity a statement signed by the agent or broker as to whether the broker knows replacement is or may be involved in the transaction. The statement was answered incorrectly on one file and the statement was not answered on four files.

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

An insurer that uses an agent or broker in a life insurance or annuity sale shall, if replacement is involved: Send to each existing insurer a written communication advising of the replacement or proposed replacement and the identification information obtained under subparagraph (I) and in the case of life insurance, the disclosure statement as required by § 83.3 (relating to disclosure statement) or ledger statement containing comparable policy data on the proposed life insurance. This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner. The replacement letter to the replaced company was not documented in the file noted.

45 Violations – Title 31, Pennsylvania Code, Section 83.3 Disclosure Statement

(a) Required written disclosure. A life insurance agent, broker or insurer soliciting the type of business to which this subchapter applies shall provide a prospective purchaser with a written disclosure statement clearly labeled as such. An acceptable disclosure statement is attached as Appendix A. The 45 files noted did not contain a disclosure form.

44 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 44 files noted did not contain a copy of the required agent's certification of disclosure.

H. Individual Universal Life Policies Issued as Replacements

The Company identified a universe of 32 individual universal life policies issued as replacements during the experience period. All 32 individual universal life replacement files was requested, received and reviewed. Of the 32 individual universal life replacement policy files reviewed, 1 file was a duplicate of a policy file reviewed in Section 11 of the exam. The results of the review of that file is addressed in section I of the Report, Individual Term Conversions. The remaining 31 replacement policy files were reviewed to determine compliance to issuance, underwriting, 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.

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

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

15 Violations – Title 31, Pennsylvania Code, Section 83.3 Disclosure Statement

(a) Required written disclosure. A life insurance agent, broker or insurer soliciting the type of business to which this subchapter applies shall provide a prospective purchaser with a written disclosure statement clearly labeled as such. An acceptable disclosure statement is attached as Appendix A. The 15 files noted did not contain a disclosure form.

15 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 15 files noted did not contain a copy of the required agent's certification of disclosure.

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

If the policy is issued other than as applied for, a revised basic illustration conforming to the policy as issued shall be mailed or delivered with the policy. The revised illustration shall conform to the requirements for basic illustrations contained in this act and shall be labeled “Revised Illustration.” The statement required by subsection (c)(4) shall be signed and dated by the policy owner and producer no later than the time the policy is delivered. A copy shall be provided to the policy owner no later than the time the policy is delivered and to the insurer as soon as practical after the policy is delivered. The 3 files noted contained illustrations but the illustrations were not labeled as “Revised Illustration”.

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

The following applies if no illustration is used by a producer in the sale of a life insurance policy or if a computer screen illustration is displayed. The producer shall certify in writing on a form provided by the insurer that no illustration was used in the sale of the life insurance policy. On the same form the applicant shall acknowledge an understanding that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery. Verification of agent’s certification or applicant’s acknowledgement could not be established in the 9 files noted.

2 Violations – Insurance Company Law, Section 408-A(a)(4)(40 P.S. §625-8)

If a life insurance policy form is identified by the insurer as one to be marketed with an illustration, a basic illustration prepared and delivered in accordance with this section is required. The life insurance policy forms listed in the table below were identified by the insurer as policies to be marketed with an illustration. The 2 files noted did not contain any illustrations, certifications or acknowledgements of illustrations.

I. Individual Term Life Conversions

The Company identified a universe of 10 individual term life conversion policies issued during the experience period. All 10 term life conversion files were requested, received and reviewed. The files were reviewed to determine compliance to issuance and underwriting statutes and regulations. The following violations were noted:

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

The producer shall certify in writing on a form provided by the insurer that no illustration was used in the sale of the life insurance policy. On the same form the applicant shall acknowledge an understanding that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery. The 2 files noted did not contain any illustrations, certifications or acknowledgements of illustrations.

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

If the policy is issued other than as applied for, a revised basic illustration conforming to the policy as issued shall be mailed or delivered with the policy. The revised illustration shall conform to the requirements for basic illustrations contained in this act and shall be labeled “Revised Illustration.” The statement required by subsection (c)(4) shall be signed and dated by the policy owner and producer no later than the time the policy is delivered. A copy shall be provided to the policy owner no later than the time the policy is delivered and to the insurer as soon as practical after the policy is delivered. The 2 files noted, which were issued other than applied for, did not include an illustration labeled “Revised Illustration”

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. Disability Claims Procedure Package
2. PA Life Claims Procedures Package

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 7 areas:

- A. Individual Life Claims
- B. Individual Disability Claims
- C. Waiver of Premium Claims

All claim files sampled were reviewed for compliance with requirements of the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171) and Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices. The 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 individual life claims received during the experience period. The Company identified 61 individual life claims received. All 61 individual life claims were requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b). The following violations were noted:

2 Violations - Title 31, Pennsylvania Code, Section 146.5

Every insurer, upon receiving notification of a claim, shall within ten working days, acknowledge the receipt of such notice unless payment is made within such period of time. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated. The Company failed to acknowledge the 2 claims noted within 10 working days.

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 a timely status letter for the 5 claims noted.

B. Individual Disability Claims

The Company was requested to provide a list of claims received during the experience period. The Company identified a universe of 16 individual disability claims. All 16 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:

11 Violations - Title 31, Pennsylvania Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of a claim, unless the investigation cannot reasonably be completed within the time. If the investigation cannot be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company failed to provide a timely status letter for the 11 claims noted.

1 Violation - Title 31, Pennsylvania Code, Section 146.7

Within 15 working days after receipt by the insurer of properly executed proofs of loss, the insurer shall advise the first-party claimant of the acceptance or denial of the claim. The Company failed to provide notice of acceptance or denial within 15 working days in the claim noted.

C. Waiver of Premium Claims

The Company was requested to provide a list of waiver of premium claims received during the experience period. The Company identified a universe of 2 waivers of premium claims. Both claim files were requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. The following violation was noted:

1 Violation - Title 31, Pennsylvania Code, Section 146.7

Within 15 working days after receipt by the insurer of properly executed proofs of loss, the insurer shall advise the first-party claimant of the acceptance or denial of the claim. The Company failed to provide notice of acceptance or denial within 15 working days in the claim noted.

X. RECOMMENDATIONS

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

1. The Company must review and revise internal control procedures to ensure compliance with requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices.
2. The Company must review and revise Licensing procedures to ensure compliance with Sections 641.1-A, Section 671-A and Section 671.1-A of the Insurance Department Act of 1921 (40 P.S. §§310.41a, 310.71 and 310.71a).
3. The Company must implement procedures to ensure compliance with the fraud statement notice requirements of Title 18, Pennsylvania Consolidated Statutes Section 4117(k).
4. The Company must review and revise procedures to ensure all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the Company are maintained in such manner and for such period of time to ensure compliance with Section 903(a) of the Insurance Department Act of 1921 (40 P.S. §323.3).
5. The Company must review and revise internal control procedures to ensure compliance with the replacement requirements of Title 31, Pennsylvania Code, Section 81.
6. The Company must review internal control procedures to ensure compliance with disclosure requirements of Title 31, Pennsylvania Code, Chapter 83.
7. The Company must review internal control procedures to ensure compliance with application and outline of coverage requirements of Title 31, Pennsylvania Code, Chapter 88.

8. 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).
9. 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).

XI. COMPANY RESPONSE



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April 7, 2007

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

Re: Pennsylvania Insurance Department, Market Conduct Examination of
Ohio National Life Assurance Corporation
Examination Warrant Number 06-M28-010

Dear Mr. Stemcosky:

The purpose of this letter is to provide Ohio National Life Assurance Corporation's ("Ohio National") comments to the Report of the Examination of Ohio National Life Assurance Corporation covering the period January 1, 2005 through December 31, 2005. Ohio National has previously provided detailed responses to the Department regarding the violations alleged. The Company incorporates by reference those responses herein.

Ohio National takes its obligations to its customers very seriously and Ohio National has consistently complied with those obligations at a very high level. This is clearly illustrated by the minimal number of overall complaints against the Company. Based upon the Company's review of the data, it believes it is generally in compliance with the applicable statutes and rules. Ohio National provides the following responses corresponding with the sections identified in the report:

V. FORMS

12 Violations – Title 18, Pa. C.S., Section 4117(k)

The violations identified by the Department relate to one or two forms used for policy conversions. While four forms were identified by the Department, three forms were revisions of the same conversion form and one form was a conversion form specifically for Universal Life policies. Conversion is a matter of contractual right. With specific reference to the questions to be answered by the applicant for a conversion, there are no questions that require the applicant to make any representation or underwriting to be done where fraud would be an issue. In regard to

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a conversion, the only application where a fraud statement would be applicable would be the original term policy application. Title 18, PA C.S., Section 4117(k) does not require the fraud statement on policy change forms. Thus, we do not believe this is a violation of code section cited for the conversions identified. Notwithstanding the forgoing, Ohio National is in the process of making revisions to this form to be submitted to the Department for approval. These revisions will include the fraud statement.

VI. PRODUCER LICENSING

Where a Producer was found not to have been submitted to the Department for appointment or where Ohio National could not locate a record submitted for appointment, Ohio National records erroneously noted that these Producers had been appointed. Ohio National has corrected any oversights that it may have had with this section by re-filing appointments or processing terminations as possible. Ohio National has adjusted its process and procedures to better coordinate Ohio National's appointment records with the Department's.

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

The violations identified by the Department relate to the files missing accurate social security numbers for verification of licensing and appointment. The correct Producer tax ID was not provided on the file during a system conversion. All Producers were terminated from company records. These Producers did not submit any applications.

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

The violations identified by the Department relate to the Producers being listed as active in Ohio National records when the Department records did not indicate their appointment.

Ohio National submitted timely appointments for Producers Criswell, Deighton, Bull Fincl Grp Inc., Stalker, Bernhardt. Oskutis, and Shuman, however these appointments were either put on hold or rejected by the Department. However, Ohio National inadvertently did not follow up on these appointments and resubmit them.

With regard to Producers Feinberg, Imes, Yarbinitz, Hall, Varano, Jamieson, Loss, Wooden, Coyne, Lowcher, Monaghan Tilghman & Ho, Dreyer, Rosenblum, and Stevens, these Producers should have been noted as pending appointment in Ohio National's records instead of active. None of these Producers submitted any business. This was an internal record keeping discrepancy and we do not believe it was a violation.

With regard to Producer Nissley, Ohio National records indicate that the Producer was licensed for Accident and Sickness by Pennsylvania on 5/17/2004. The Company received the Individual Disability Income application and Appointment papers from the Producer on or about 8/24/2005.

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The Producer was appointed by Ohio National on 9/12/05, which we believe was within the time frame permitted to appoint the Producer. We do not believe there is a violation of the code section cited.

**6 Violations - Insurance Department Act, No. 147, Section 671.1-A (40 P.S. §310.71a)
Termination of Appointments**

The violations identified by the Department relate to the Producers being listed as terminated in Ohio National records when the Department records did not indicate they were terminated.

With regard to Producer Barr, previous attempts by Ohio National to appoint this Producer were rejected by the Department. Because the Department did not recognize the appointment of the Producer, the termination request could not be processed. This Producer was subsequently reappointed with Pennsylvania on May 6, 2006, outside the exam period that ended December 31, 2005.

With regard to Producer McDermott, the termination was submitted to the Department on January 3, 2006, outside the exam period that ended December 31, 2005.

With regard to Producers Kelley, Wolfers and Hammond, these Producers were appointed during the exam period that ended December 31, 2005. However, these Producers were terminated or resigned in 2006, outside the exam period that ended December 31, 2005.

Therefore, Ohio National does not believe it was in violation of the code section cited.

2 Violations - Insurance Department Act, No. 147, Section 641.1-A (40 P.S. §310.41a)

The violations identified by the Department relate to the Producer being identified in Ohio National records as holding a Pennsylvania variable license when the Department records did not the Producer held a Pennsylvania insurance license.

With regard to Producer Greenfield, the Producer is appointed for life, fixed annuity and accident and sickness with Pennsylvania. He is also licensed for variable life in other states. The company records were incorrectly updated to indicate the Producer was appointed for variable life, which allowed the policies to be issued. We have corrected our internal records to remove the appointment record for variable life to prevent any future variable life policy issues

VIII. UNDERWRITING

As a general response to the violations alleged, Ohio National takes its obligations relating to replacements very seriously. Ohio National's process and procedures show Ohio National's commitment to comply with the replacement regulations. Ohio National's process and

procedure is to send the notice to the insurer whose policy is being replaced at the earliest possible time when the application is received. In so doing, the consumer is benefited, not harmed. If Ohio National required a new application be secured or waited for the forms to be received, then this would be less beneficial to the consumer and arguably could be harmful to the consumer. The insurer whose policy is being replaced has an opportunity at the earliest possible time to review the replacing policy information to allow it to provide the applicant with information as to the benefits of retaining its policy. Ohio National's approach to providing notice to the insurer whose policy is being replaced is more conservative, more favorable to the company being replaced, and most importantly, more favorable to the consumer by giving notice at the earliest time we are aware so the consumer has the opportunity to fully understand the transaction.

With regard to corrective measures, Ohio National will continue to monitor its Producer's submission of applications to insure that the notice regarding replacement is submitted at the time of application completion or if not submitted with the application, Ohio National will follow up with the Producer to obtain the required documentation. Ohio National will also notify its Pennsylvania Producers of the importance of providing the information as required at the time of application and the importance of completing the entire application.

B. Individual Annuity Contracts Issued

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

The violation identified by the Department indicated that the replacement form was dated after the application date in the file noted.

Ohio National requires that the Producer comply with all replacement regulations including providing notice regarding replacement to the prospective insured at the time of the application. In the cases where the Producer does not provide the notice regarding replacement at the time of the application, Ohio National requires the Producer to correct this oversight as soon as possible and to provide the notice regarding replacement. The Producer submitted an application indicating replacement. The application was signed 12/18/2004. The replacement form was signed 12/23/2004. It should also be noted that upon receipt of the application that has sufficient information to identify the existing insurer, Ohio National promptly sends written notice to the existing insurer so that the existing insurer can also notify the applicant and provide any basis for conservation of the existing contract.

1 Violation - Title 31, Pennsylvania Code, Section 81.5(b)

The violation identified by the Department indicated that the applicant's question on replacement was not completed on the application in the file noted.

Ohio National acknowledges that the applicant's question on replacement was not completed, however, the Producer answered the Producer question indicating it was a replacement. Moreover, the application was accompanied by the appropriate replacement forms signed by the applicant and the Producer. The applicant was clearly informed and had the opportunity to fully understand the transaction and received the appropriate information.

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

The violation identified by the Department indicated that the Producer's question on replacement was not completed on the applications noted.

All incomplete Producer replacement statements cited involved the same Producer. We will advise the Producer that it is necessary to answer this question for each Pennsylvania applicant.

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

The violation identified by the Department indicated that the replacement letter to the replaced company was untimely.

Applications that Ohio National receives that do not contain all of the information necessary for us to provide appropriate notices are not considered to be complete. Our procedure shows that upon receipt of an incomplete application, we contact the Producer and request the additional information necessary as soon as possible. Upon receipt of the additional information to complete the application, we promptly send written notice to the existing insurer. Therefore, based upon our review and information we provided, we believe we are in compliance.

With regard to the file identified, the application was received in the Home Office 4/14/2005 but replaced policy information was not received until 5/5/06. The paperwork received from the Producer was not complete. The replacement notification letter was dated 5/9/2005 which is within 5 days of receipt of completed application information.

C. Individual Disability Income Policies Issued

1 Violation - Title 31, Pennsylvania Code, Section 88.101; Application Forms

The violation identified by the Department indicated that the applicant's question on replacement was not completed on the application in the file noted.

Although the replacement question was not answered on the face of the application, an amendment providing an answer to this question was required by Ohio National and made a part of the application prior to policy issue. The applicant signed the amendment indicating no replacement was involved prior to policy issue.

D. Individual Term Life Policies Issued

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

The violation identified by the Department indicated that the replacement form was dated after the application date in the file noted.

Ohio National requires that the Producer comply with all replacement regulations including providing notice regarding replacement to the prospective insured at the time of the application. All Producers are instructed to comply with state regulations regarding replacement sales. In the event that an application is received without appropriate information or forms, Ohio National contacts that Producer as soon as possible and requires that the Producer provide the missing information or forms. The company whose policy may be replaced is notified immediately after Ohio National has sufficient information to identify the company. We believe that providing the available replacement information to the replaced company at this time rather than waiting for new applications or receipt of remaining replacement information provides the replaced company with the earliest opportunity to contact the applicant and provide any basis for conservation of the existing contract.

1 Violation - Title 31, Pennsylvania Code, Section 81.5 (b)

The violation identified by the Department indicated that the applicant's question on replacement was not completed on the application in the file noted.

Page two of the Ohio National application indicated replacement information but the Producer statement indicated no replacement. The application was received on 3/7/2005. On 3/9/2005, Ohio National sent notification to the insurer whose policy may be replaced indicating proper replacement forms were not received. Ohio National requested appropriate replacement from Producer on 3/9/2005. Email from Producer on 3/10/2005 indicated that no replacement was involved and page 2 responses were incorrect.

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

The violation identified by the Department indicated that the Producer's question on replacement was not completed on the applications noted.

In each of the files noted, the applicant's answer on the Ohio National application properly documents the replacement of an existing contract. In each file, the Producer identified the policy to be replaced and signed the certification indicating that all recorded information provided in the application is complete and correct to the best of his knowledge. This certification includes the replacement responses from the Producer and applicant. It should also be noted that Ohio National notified the company whose policy was identified to be replaced immediately after Ohio National had sufficient information to identify the company.

40 Violations - Title 31, Pennsylvania Code, Section 83.3 Disclosure Statement

The violations identified by the Department indicated that the files noted did not contain evidence that a written disclosure was provided. More specifically, the Department indicated that files at issue did not contain a written disclosure "*clearly labeled as such*" or a written disclosure that had been filed and approved by the Department.

Ohio National provides a Statement of Policy Cost and Benefit Information to each policy owner. The Statement of Policy Cost and Benefit Information is clearly labeled as a document that discloses information about the policy and uses plain English indicating that it is providing the cost and benefit information. This Statement of Policy Cost and Benefit Information contains a large majority of the items listed in example document noted in Pennsylvania regulations, 83.3 - Disclosure Statement. Our Statement of Policy Benefit information includes: Policy number, Name of Proposed Insured, Age, Sex, Producer's name and address, Name of Insurer and address, Descriptive Title of Coverage, Face Amount, Total Initial premium (i.e. Annual, quarterly, etc.), Annual Premiums and Premium change years and Rider Information.

Notwithstanding the forgoing, Ohio National will adjust its process and procedures to either utilize the disclosure statement identified in Appendix A of Section 83.3 Disclosure Statement or if a statement different than Appendix A will be used, Ohio National will file it with the Department for review prior to use.

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

The violations identified by the Department indicated that the files noted did not contain a copy of the required Producer's certification of disclosure delivery.

Ohio National believed that the disclosure identified in the section above met the requirements for a disclosure statement; however, the Producer was not required to submit a certification of disclosure delivery. Ohio National will adjust its process and procedures to require the certification of delivery of the disclosure statement by the Producer.

E. Individual Universal Life Policies Issued

4 Violations - Title 31, Pennsylvania Code, Section 83.3 Disclosure Statement

The violations identified by the Department indicated that the files noted did not contain evidence that a written disclosure was provided.

Ohio National will monitor Producer's submission of applications for evidence that a written disclosure statement is provided by the Producer. Ohio National did provide an illustration in lieu of the disclosure statement at the time of policy delivery.

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

The violations identified by the Department indicated that the files noted did not contain a copy of the required Producer's certification of disclosure delivery.

Ohio National will monitor Producer's submission of applications for a copy of the required Producer's certification of disclosure delivery. Ohio National did provide an illustration in lieu of the disclosure statement at the time of policy delivery.

1 Violation - Title 31, Pennsylvania Code, Section 83.55

The violations identified by the Department indicated that the file noted did not include the Cost Surrender Comparison Index Disclosure.

While the file did not contain a copy of the Cost Surrender Comparison Index Disclosure, the file did contain Form T38, which provided the Producer's certification of delivery of surrender comparison index disclosure.

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

The violations identified by the Department indicated that the file noted contained alterations without the applicant's consent.

The correction of misstated "no" responses to the medical questions were consented to by the applicant as evidenced by his signature on the application and by the responses to each of the questions which provided detailed explanations of the corrected "yes" responses to the questions. We do not believe that this was a material alteration.

Notwithstanding the foregoing, we will continue to monitor applications submitted to insure that no material alterations exist on the applications.

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

The violations identified by the Department indicated that the files identified did not contain an illustration labeled "Revised Illustration."

Ohio National's illustration software provides the ability for the Producer to check a box that will identify the illustration as "revised". If the Producer does not check that box, the illustration prints without the words "revised". Ohio National will remind our Producers that they need to check the appropriate box to reflect "revised" illustration.

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

The violations identified by the Department indicated that the file noted did not contain the signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy.

Ohio National will monitor Producer's submission of applications for evidence of the signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy.

F. Individual Variable Universal Life Policies Issued

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

The violation identified by the Department indicated that the file noted the replacement form was dated after the application date.

Ohio National requires that the Producer comply with all replacement regulations including providing notice regarding replacement to the prospective insured at the time of the application. In the cases where the Producer does not provide the notice regarding replacement at the time of the application, Ohio National requires the Producer to correct this oversight as soon as possible and to provide the notice regarding replacement. In the file noted, the application was received on 8/3/2005. The replacement form was requested from the Producer on 8/5/2005 and a replacement notice was sent to the company whose policy may be replaced on the same date. The replacement form signed by the applicant was received on 8/19/2005.

We will remind our Producers of the importance of providing replacement forms to the applicant at time of application and dating the replacement forms accordingly.

G. Individual Term Life Policies Issued as Replacements

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

The violations identified by the Department indicated that in the files noted the replacement form was dated after the application date.

Ohio National requires that the Producer comply with all replacement regulations including providing notice regarding replacement to the prospective insured at the time of the application. All Producers are instructed to comply with state regulations regarding replacement sales. In the event that an application is received without appropriate information or forms, Ohio National contacts that Producer as soon as possible and requires that the Producer provide the missing information or forms. The company whose policy may be replaced is notified immediately after Ohio National has sufficient information to identify the company.

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We will remind our Producers of the importance of providing replacement forms to the applicant at time of application and dating the replacement forms accordingly.

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

The violations identified by the Department indicated that in the files noted the applications did not contain a Producer's statement regarding replacement, the statement was answered incorrectly or the statement was not answered.

In the files noted where the applicant indicated that a replacement was to occur, the Producer identified the policy to be replaced and signed the certification indicating that all recorded information provided in the application is complete and correct to the best of his knowledge. Ohio National notified the company whose policy was identified as to be replaced immediately after Ohio National has sufficient information to identify the company.

We will remind our Producers of the importance of completing the statement regarding replacement at time of application, even in situations where at the time of application complete replacement information has been provided that clearly provides acknowledgement from the producer that a replacement is involved.

45 Violations - Title 31, Pennsylvania Code, Section 83.3 Disclosure Statement

The violations identified by the Department indicated that the files noted did not contain evidence that a written disclosure was provided. More specifically, the Department indicated that files at issue did not contain a written disclosure "*clearly labeled as such*" or a written disclosure that had been filed and approved by the Department.

Ohio National provides a Statement of Policy Cost and Benefit Information to each policy owner. The Statement of Policy Cost and Benefit Information is clearly labeled as a document that discloses information about the policy and uses plain English indicating that it is providing the cost and benefit information. This Statement of Policy Cost and Benefit Information contains a large majority of the items listed in example document noted in Pennsylvania regulations, 83.3 - Disclosure Statement. Our Statement of Policy Benefit information includes: Policy number, Name of Proposed Insured, Age, Sex, Producer's name and address, Name of Insurer and address, Descriptive Title of Coverage, Face Amount, Total Initial premium (i.e. Annual, quarterly, etc.), Annual Premiums and Premium change years and Rider Information.

Notwithstanding the forgoing, Ohio National will adjust its process and procedures to either utilize the disclosure statement identified in Appendix A of Section 83.3 Disclosure Statement or if a statement different than Appendix A will be used, Ohio National will file it with the Department for review prior to use.

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

The violations identified by the Department indicated that the files noted did not contain a copy of the required Producer's certification of disclosure delivery.

Ohio National believed that the disclosure identified in the section above met the requirements for a disclosure statement; however, the Producer was not required to submit a certification of disclosure delivery. Ohio National will adjust its process and procedures to require the certification of delivery of the disclosure statement by the Producer.

H. Individual Universal Life Policies Issued as Replacements

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

The violations identified by the Department indicated that in the files noted the replacement form was dated after the application date in the following files.

Ohio National requires that the Producer comply with all replacement regulations including providing notice regarding replacement to the prospective insured at the time of the application. All Producers are instructed to comply with state regulations regarding replacement sales. In the event that an application is received without appropriate information or forms, Ohio National contacts that Producer as soon as possible and requires that the Producer provide the missing information or forms. The company whose policy may be replaced is notified immediately after Ohio National has sufficient information to identify the company.

We will remind our Producers of the importance of providing replacement forms to the applicant at time of application and dating the replacement forms accordingly.

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

The violation identified by the Department indicated that the Producer's question on replacement was not completed on the application noted.

In the file noted, the Producer's question regarding replacement on the Producer's Report, page 8, was not answered. The replacement question on page 2 of the application did indicate replacement and the Producer witnessed the application noting that all responses on the application were accurately recorded. It should also be noted that Ohio National notified the company whose policy was identified as to be replaced immediately after Ohio National has sufficient information to identify the company.

We will remind our Producers of the importance of completing the statement regarding replacement at time of application.

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15 Violations - Title 31, Pennsylvania Code, Section 83.3 Disclosure Statement

The violations identified by the Department indicated that the files noted did not contain evidence that a written disclosure form was provided.

Ohio National uses the NAIC illustration to meet the Disclosure statement requirements. In the files noted, the Producers did not provide the company with the disclosure document at the time the application was received. In each case the Producer was contacted upon application receipt to provide the disclosure document. The illustrations were provided after the application date.

We will remind our Producers of the importance of providing this information at time of application.

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

The violations identified by the Department indicated that the files noted did not contain a copy of the required Producer's certification of disclosure delivery.

Ohio National uses the NAIC illustration to meet the Disclosure statement requirements. In the files noted, the Producers did not provide the company with the disclosure document at the time the application was received. In each case the Producer was contacted upon application receipt to provide the disclosure document. The illustrations were provided after the application date. Ohio National will correct its process and procedures to require the certification of delivery of the disclosure statement by the Producer.

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

The violations identified by the Department indicated that the files identified did not contain an illustration labeled "Revised Illustration."

Ohio National's illustration software provides the ability for the Producer to check a box that will identify the illustration as "revised". If the Producer does not check that box, the illustration prints without the words "revised".

Ohio National will remind our Producers that they need to check the appropriate box to reflect "revised" illustration.

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

The violations identified by the Department indicated that the files noted did not contain the signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy.

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Ohio National will monitor Producer's submission for evidence of the signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy.

2 Violations - Insurance Company Law, Section 408-A(a)(4)(40 P.S. §625-8)

The violations identified by the Department indicated that the files noted did not contain any illustrations, certifications or acknowledgements of illustrations as required by Section 408-A.

The files noted by the Department were the Producer's personal policy and his wife's policy. The Producer provided a non-NAIC Producers ledger with each application.

Ohio National will remind this producer to provide this information even on his own personal family policies.

I. Individual Term Life Conversions

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

The violations identified by the Department indicated that the files noted did not contain any illustrations, certifications or acknowledgements of illustrations as required by Section 408-A.

The files noted were conversions of term insurance. Information related to illustrations was identified, however the illustrations were not certified by the Producer.

Ohio National will remind its Producers of this requirement.

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

The violations identified by the Department indicated that the files identified did not contain an illustration labeled "Revised Illustration."

Ohio National's illustration software provides the ability for the Producer to check a box that will identify the illustration as "revised". If the Producer does not check that box, the illustration prints without the words "revised".

Ohio National will remind our Producers that they need to check the appropriate box to reflect "revised" illustration.

X. CLAIMS

A. Individual Life Claims

2 Violations - Title 31, Pennsylvania Code, Section 146.5

The violations identified by the Department indicated that in the files noted the Company failed to acknowledge the following claims within 10 working days.

Ohio National notes these claims were paid within 14 days and 15 days of notice of claim.

Ohio National will remind its claims department of the requirement to acknowledge claims within 10 working days.

5 Violations - Title 31, Pennsylvania Code, Section 146.6

The violations identified by the Department indicated that in the files noted the Company failed to provide a timely status letter for the following claims.

Ohio National receives verbal notice of a potential claim from various sources including Producers, beneficiaries, family members and others. At this time, since no formal notice or documents have been received, there is generally insufficient information to begin an investigation and many times insufficient information to determine who the appropriate claimant(s) are. When Ohio National provides a response to the verbal notice, usually in the form of claim forms with an explanation of what is necessary to complete the claim, Ohio National considers that to be the initial status letter. Until the claimant provides the required claim forms and proof, Ohio National is limited in its ability to perform any investigation. Ohio National makes every effort to maintain contact with the insured orally and in writing during the claims process.

Ohio National provided the Department with detailed responses as to each of the violations alleged. The Company believes that the correspondence provided to the claimants meets the letter and spirit of providing an acknowledgment and status. The Department seems to be making a technical distinction when there does not appear to be a meaningful difference. The purpose of these sections is to insure that there is communication between the claimant and insurer. Correspondence with the claimant was timely and within the appropriate time frame.

Notwithstanding Ohio National's disagreement with the violations alleged, we have changed our claims process and procedures to add an additional layer of letters within the first 30 days following the receipt and acknowledgement of the notice of the claim.

B. Individual Disability Claims

11 Violations - Title 31, Pennsylvania Code, Section 146.6

The violations identified by the Department indicated that in the files noted the Company failed to provide a timely status letter for the following claims.

Ohio National receives verbal notice of a potential claim from various sources including Producers, beneficiaries, family members and others. At this time, since no formal notice or documents have been received, there is generally insufficient information to begin an investigation and many times insufficient information to determine who the appropriate claimant(s) are. When Ohio National provides a response to the verbal notice, usually in the form of claim forms with an explanation of what is necessary to complete the claim, Ohio National considers that to be the initial status letter. Until the claimant provides the required claim forms and proof, Ohio National is limited in its ability to perform any investigation. Ohio National makes every effort to maintain contact with the insured orally and in writing during the claims process.

Ohio National provided the Department with detailed responses as to each of the violations alleged. The Company believes that the correspondence provided to the claimants meets the letter and spirit of providing an acknowledgment and status. The Department seems to be making a technical distinction when there does not appear to be a meaningful difference. The purpose of these sections is to insure that there is communication between the claimant and insurer. Correspondence with the claimant was timely and within the appropriate time frame.

Notwithstanding Ohio National's disagreement with the violations alleged, we have changed our claims process and procedures to add an additional layer of letters within the first 30 days following the receipt and acknowledgement of the notice of the claim.

1 Violation - Title 31, Pennsylvania Code, Section 146.7

The violations identified by the Department indicated that in the files noted the Company failed to provide notice of acceptance or denial within 15 working days in the following claim. Ohio National has reminded its claims department of the requirement to provide notice of acceptance or denial within 15 working days following receipt of properly executed proofs of loss.

C. Waiver of Premium Claims

1 Violation - Title 31, Pennsylvania Code, Section 146.7

The violations identified by the Department indicated that in the files noted the Company failed to provide notice of acceptance or denial within 15 working days in the following claim.

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Ohio National has reminded its claims department of the requirement to provide notice of acceptance or denial within 15 working days following receipt of properly executed proofs of loss.

In closing, Ohio National reviews its procedures on a periodic basis and believes the low number of complaints illustrate our customer service and our efforts to serve our customers. Ohio National takes its obligations to its customers very seriously. Ohio National has consistently complied with those obligations at a very high level. Ohio National will institute the corrective measures identified in its response.

Very truly yours,



William C. Price
Vice President & Assistant General Counsel

WCP:mam

Stemcosky