

**REPORT OF  
MARKET CONDUCT EXAMINATION  
OF**

**SYMETRA LIFE INSURANCE COMPANY**  
Redmond, Washington

**AS OF  
July 12, 2006**

**COMMONWEALTH OF PENNSYLVANIA**



**INSURANCE DEPARTMENT  
MARKET CONDUCT DIVISION**

**Issued: August 23, 2006**

**SYMETRA LIFE INSURANCE COMPANY**

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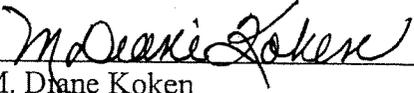
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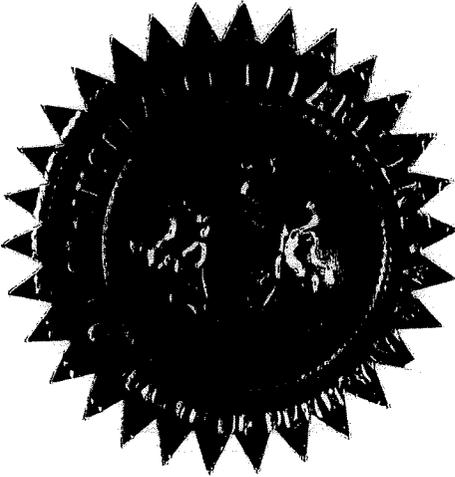
BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

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

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

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

  
\_\_\_\_\_  
M. Diane Koken  
Insurance Commissioner



BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

IN RE:	:	VIOLATIONS:
	:	
SYMETRA LIFE INSURANCE	:	Section 903(a) of the Insurance
COMPANY	:	Department Act, Act of May 17, 1921,
777 108 <sup>th</sup> Avenue, NE	:	P.L. 789, No. 285 (40 P.S. § 323.3)
Suite 1200	:	
Bellevue, WA 98004-5135	:	Sections 641-A and 671-A of Act 147
	:	of 2002 (40 P.S. §§ 310.41 and
	:	310.71)
	:	
	:	Sections 354, 404-A, 406-A, 408-
	:	A(a)(1), 408-A(c)(4)(i), 408-C(4)(i),
	:	410D(a)(2) and (3), and 410E(a)(2)
	:	of the Insurance Company Law, Act
	:	of May 17, 1921, P.L. 682, No. 284
	:	(40 P.S. §§ 477b, 625-4, 625-6, 625-8
	:	and 510)
	:	
	:	Title 31, Pennsylvania Code, Sections
	:	81.4(b)(1), 81.5(b), 81.6(a)(1),
	:	81.6(a)(2)(ii), 81.6(c), 83.3, 83.4a,
	:	83.4b, 83.55, 83.55a and 83.55b,
	:	146.3, 146.5, 146.6 and 146.7
	:	
	:	Title 18, Pennsylvania Consolidated
	:	Statutes, Section 4117(k)
	:	
	:	
Respondent.	:	Docket No. MC06-08-027

CONSENT ORDER

AND NOW, this *23<sup>RD</sup>* day of *AUGUST*, 2006, this Order is hereby  
issued by the Deputy Insurance Commissioner of the Commonwealth of

Pennsylvania pursuant to the statutes cited above and in disposition of the matter captioned above.

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

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

#### FINDINGS OF FACT

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

(a) Respondent is Symetra Life Insurance Company, and maintains its address at 777 108<sup>th</sup> Avenue, NE, Suite 1200, Bellevue, Washington 98004-5135.

(b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from July 1, 2004 to June 30, 2005.

- (c) On July 12, 2006, the Insurance Department issued a Market Conduct Examination Report to Respondent.
- (d) A response to the Examination Report was provided by Respondent on August 9, 2006.
- (e) The Examination Report notes violations of the following:
  - (i) Section 903(a) of the Insurance Department Act, No. 285 (40 P.S. § 323.3), which requires every company or person subject to examination must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the Department may require, in order that its representatives may ascertain whether the company has complied with the laws of the Commonwealth;
  - (ii) Section 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 354 of the Insurance Company Law (40 P.S. § 477b), which prohibits issuing, selling, or disposing of any policy, contract or certificate until the forms have been submitted to, and formally approved by, the Insurance Commissioner;
  
- (v) Section 404-A of the Insurance Company Law, No. 284 (40 P.S. §625-4), which requires when the individual policy or annuity is delivered to the policyholder by the producer by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set and state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery receipt, and such date shall commence any applicable policy or annuity examination period. Copies of the delivery receipt must be provided to the policyholder on the date of policy or annuity delivery and to the issuing insurer. When the individual policy or annuity is delivered by a means other than by hand-delivery by the producer, the insurer shall establish appropriate means of verifying delivery by the producer of the policy or annuity and of establishing the date from which any applicable policy or examination period shall commence;
  
- (vi) Section 406-A of the Insurance Company Law, No. 284 (40 P.S. §625-6), prohibits alteration of any written application for a life insurance policy or

annuity shall be made by any person other than the applicant without the applicant's written consent;

- (vii) Section 408-A(a)(1) of the Insurance Company Law, No. 284 (40 P.S. § 625-8), which requires each insurer marketing policies to which this act is applicable shall notify the commissioner whether a life insurance policy form is to be marketed with or without an illustration. For all life insurance policy forms being actively marketed on the effective date of this section, the insurer shall identify in writing those forms and whether or not an illustration will be used with them. The notification shall be provided within 60 days of the effective date of this section. For life insurance policy forms approved by the Department but not being actively marketed on the effective date of this section, the identification shall be made on or before the time the life insurance policy form is actively marketed. For life insurance policy forms filed with the commissioner after the effective date of this section, the identification shall be made at the time of filing;
  
- (viii) Section 408-A(c)(4)(i) of the Insurance Company Law, No. 284 (40 P.S. § 625-8), which requires a statement to be signed and dated by the applicant or the policy owner in the case of an illustration provided at time of delivery, reading as follows: "I have received a copy of this illustration and understand that any nonguaranteed elements illustrated are subject to

change and could be either higher or lower. The producer told me they are nonguaranteed.”

- (ix) Section 410-D(a)(2) of the Insurance Company Law, No. 284 (40 P.S. § 510c), which requires individual fixed dollar life insurance or endowment policies which are offered as replacements for an existing life insurance policy or annuity contract with the same insurer or insurer group shall not be delivered in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such policy or attached thereto, a notice stating in substance that the policyholder shall be permitted to return the policy within at least 45 days of its delivery;
  
- (x) Section 410-D(a)(3) of the Insurance Company Law, No. 284 (40 P.S. § 510c), which requires individual fixed dollar life insurance policies or endowment insurance policies which are offered as replacements for existing life insurance policy or annuity contract with an insurer or insurer group other than the one which issued the original policy or contract shall not be delivered in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such policy or attached thereto a notice stating in substance that the policyholder shall be permitted to return the policy within at least 20 days of its delivery;

- (xi) Section 410-E(a)(2) of the Insurance Company Law, No. 284 (40 P.S. § 510d), which states individual fixed dollar annuity contracts which are offered as replacements for an existing annuity contract or life insurance policy with the same insurer or insurer group shall not be entered into in the Commonwealth of Pennsylvania, unless they have prominently printed on the first page of such contract or attached thereto, a notice stating in substance that the contractholder shall be permitted to return the contract within at least 45 days of its delivery;
- (xii) 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;
- (xiii) Title 31, Pennsylvania Code, Section 81.5(b), which requires the insurer to have, as part of the completed application for life insurance or annuity, a statement signed by the applicant of whether the proposed insurance or annuity will replace existing life insurance or annuity;
- (xiv) Title 31, Pennsylvania Code, Section 81.6(a)(1), which requires an insurer that uses an agent or broker in a life insurance or annuity sale shall require with or as part of a completed application for life insurance or annuity, a

statement signed by the agent or broker regarding whether the broker knows replacement is or may be involved in the transaction;

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

- (xviii) Title 31, Pennsylvania Code, Section 83.4a, which states the agent shall submit to the insurer with or as a part of the application for life insurance a statement, signed by him, certifying that the written disclosure statement was given no later than the time that the application was signed by the applicant;
- (xix) Title 31, Pennsylvania Code, Section 83.4b, which requires the insurer to maintain the agent's certification of disclosure statement delivery in its appropriate files for at least three years. The absence of the agent's certification from the appropriate files of the insurer shall constitute prima facie evidence that no disclosure statement was provided to the prospective purchaser of life insurance;
- (xx) Title 31, Pennsylvania Code, Section 83.55, 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;

- (xxi) Title 31, Pennsylvania Code, Sections 83.55a and 83.55b, which states
- (a) the agent shall submit to the insurer a statement, signed by him, certifying that the surrender comparison index disclosure was given upon delivery of the policy or earlier at the request of the life insurance applicant, and (b) the insurer shall maintain the agent's certification of surrender comparison index disclosure delivery in its appropriate files for at least 3 years, or until the conclusion of the next succeeding regular examination by the insurance department of its domicile, whichever is later. The absence of the agent's certification from the appropriate files of the insurer shall constitute prima facie evidence that no surrender comparison index disclosure was provided to the prospective purchaser of life insurance;
- (xxii) Title 31, Pennsylvania Code, Section 146.3, which requires the claim files of the insurer shall be subject to examination by the Commissioner or by his appointed designees. The files shall contain notes and work papers pertaining to the claim in the detail that pertinent events and the dates of the events can be reconstructed;
- (xxiii) 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;

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

## CONCLUSIONS OF LAW

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

- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.
  
- (b) Respondent's violations of Sections 641-A and 671.1-A of Act 147 of 2002 are punishable by the following, under Section 691-A of Act 147 of 2002 (40 P.S. § 310.91):
  - (i) suspension, revocation or refusal to issue the certificate of qualification or license;
  - (ii) imposition of a civil penalty not to exceed five thousand dollars (\$5,000.00) for every violation of the Act;
  - (iii) an order to cease and desist; and
  - (iv) any other conditions as the Commissioner deems appropriate.
  
- (c) Respondent's violation of Section 354 of The Insurance Company Law is punishable by the following, under Section 354 of The Insurance Company Law (40 P.S. § 477b):

- (i) suspension or revocation of the license(s) of Respondent;
  - (ii) refusal, for a period not to exceed one year thereafter, to issue a new license to Respondent;
  - (iii) imposition of a fine of not more than one thousand dollars (\$1,000.00) for each act in violation of the Act.
- (d) Respondent's violations of Sections 404-A, 406-A, 408-A, 410-D and 410-E of the Insurance Company Law, No. 284 (40 P.S. §§625-4, 625-6, 625-8 and 510) are punishable by the following, under 40 P.S. § 625-10: Upon determination by hearing that this act has been violated, the commissioner may issue a cease and desist order, suspend, revoke or refuse to renew the license, or impose a civil penalty of not more than \$5,000 per violation.
- (e) Respondent's violations of Title 31, Pennsylvania Code, Sections 81.4, 81.5 and 81.6 are punishable under Title 31, Pennsylvania Code, Section 81.8(b) and (c), which provide failure to comply, after a hearing, may subject a company to penalties provided in 40 P.S. § 475. Failure to comply shall be considered a separate violation and may not be considered in lieu of a proceeding against the company for a violation of 40 P.S. §§472, 473 or 474. In addition, failure to make the disclosure may be considered a violation of the Unfair Insurance Practices Act (40 P.S. §§ 1171.1 to 1171.15);

- (f) Respondent's violations of Title 31, Pennsylvania Code, Sections 83.3, 83.4 and 83.5 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 146.3, 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

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

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

(d) Respondent shall pay Ninety Thousand Dollars (\$90,000.00) to the Commonwealth of Pennsylvania in settlement of all violations contained in the Report.

(e) Payment of this matter shall be made by check payable to the Commonwealth of Pennsylvania. Payment should be directed to Sharon L. Harbert, Administrative Assistant, Bureau of Enforcement, 1227 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.

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

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

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

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

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

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

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

BY: SYMETRA LIFE INSURANCE  
COMPANY, Respondent

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

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

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

## I. INTRODUCTION

The Market Conduct Examination was conducted on Symetra Life Insurance Company, hereafter referred to as "Company," at the Company's offices located in Bellevue, Washington, November 1, 2005 through March 2, 2006. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

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

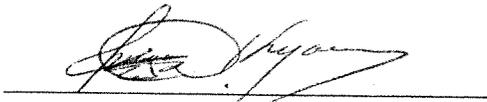
Throughout the course of the examination, Company officials were provided status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials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

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

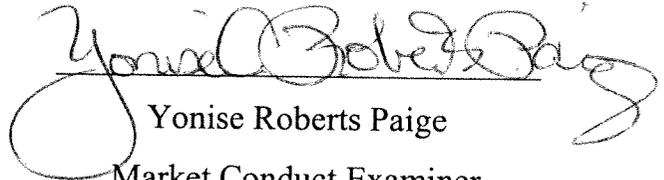
The undersigned participated in the Examination and in the preparation of this Report.



Daniel Stemcosky, AIE, FLMI  
Market Conduct Division Chief



Frank W. Kyazze, AIE, FLMI, ALHC  
Market Conduct Examiner



Yonise Roberts Paige  
Market Conduct Examiner

## Verification

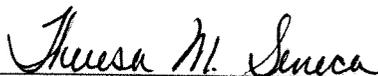
Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).



Frank W. Kyazze, AIE, ALHC, FLMI  
[Examiner in Charge]

Sworn to and Subscribed Before me

This 7 Day of July, 2006



Notary Public  
COMMONWEALTH OF PENNSYLVANIA  
NOTARIAL SEAL  
THERESA M. SENECA, Notary Public  
City of Harrisburg, Dauphin County  
My Commission Expires Aug. 15, 2008

## II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the experience period of July 1, 2004, through June 30, 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**

Symetra Life Insurance Company (Symetra Life) was originally incorporated as General Life Company of America and was issued a Certificate of Authority by the Washington Office of Insurance Commissioner April 5, 1957. The Company name was changed in 1959 to LIFECO Insurance Company of America and in 1964 the name Safeco Life Insurance Company was adopted. On Aug. 2, 2004, Safeco Life Insurance Company was purchased by an investor group led by White Mountains Insurance Group, Ltd., and Berkshire Hathaway Inc. and was renamed Symetra Life Insurance Company, a wholly owned subsidiary of the holding company, Symetra Financial Corporation, a privately held company.

Symetra Financial is a team of affiliated insurance and financial services companies with nearly 50 years of experience. The company works with some 20,000 independent agents and advisors, providing life insurance, annuities, group insurance, employee benefits and retirement plans to approximately 2 million customers in all 50 states.

Symetra National Life Insurance Company (Symetra National) and American States Life Insurance Company (American States) are wholly owned subsidiaries of Symetra Life Insurance Company.

Symetra National was issued a Certificate of Authority by the Office of Insurance Commissioner October 10, 1979. The Company is domiciled in Washington.

American States Life Insurance Company was issued a Certificate of Authority by the Office of the Insurance Commissioner November 12, 1965. The Company is domiciled in Indiana. American States was merged into Symetra Life on October 1, 2005.

### **Territory of Operations**

During the examination period, Symetra Life Insurance Company and American States Life Insurance Company operated in all of the states and the District of Columbia, with the exception of New York.

As of their December, 2004, annual statement for Pennsylvania, Symetra Life Insurance Company reported direct premium for ordinary life insurance and annuities in the amount of \$59,549,586; and direct premium for accident and health in the amount of \$12,434,242.

#### **IV. ADVERTISING**

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

The Company provided a list and 716 pieces of advertising and marketing material utilized in the Commonwealth. The advertising pieces consisted of: Letters, Direct Mailers, Brochures, Presentations, Newspaper Advertisements, Cards, Illustrations, and Product Guides. A sample of 100 pieces of advertising and marketing material was reviewed. The 100 advertising and marketing material, and the Company’s web site ([www.symetra.com](http://www.symetra.com)), were reviewed to ascertain compliance with Act 205, Section 5 (40 P.S. § 1171.5), Unfair Methods of Competition and Unfair or Deceptive Acts or Practices and Title 31 Pennsylvania Code, Chapter 51. 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:

### **2 Violations - Insurance Company Law, Chapter 2, Section 354 (40 P.S. §477b)**

It shall be unlawful for any insurance company, doing business in the Commonwealth of Pennsylvania, to issue, sell, or dispose of any policy, contract, or certificate, covering life insurance, or use application, riders, or endorsements, in connection therewith, until the forms have been submitted to, and formally approved by, the Insurance Commissioner. Verification of Department Form approval could not be established in the following form.

<b>Form Number</b>	<b>Descriptive Name</b>	<b>Frequency of Use</b>
LA 93 R11/04	Term Conversion Application	2

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

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

“Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties.” The following application, utilized in the 3 noted files, did not contain the required fraud statement.

<b>Form No.</b>	<b>Descriptive Name</b>	<b>Frequency of Usage</b>
LPC 332 12/00	Group Variable Annuity	3

## 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 4,251 active and terminated producers. A random sample of 200 producers was selected for review. Of the 200 producers selected for review, 5 records were blank fields and 6 records were duplicates. Of the remaining 189 producers, 149 were listed as active producers and 40 were listed as terminated producers. The 189 producers were reviewed and compared to Department records of producers to verify appointments, terminations and licensing. In addition, a comparison was made on the individuals identified as producers on applications reviewed in the policy issued sections of the exam. The following violations were noted:

### **61 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.

<b>Producer Last</b>	<b>First</b>	<b>Appointment Date</b>
Angelo	Clarence	12/01/98
Atkinson	William	12/01/98
Bauccio	Gina	09/15/00
Beatty	Robert	03/20/98
Bechtold Boraski & Kennedy		07/01/82
Blackwood	Harry	12/01/98
Bolish	Elizabeth	07/21/98
Bryant	Loretta	03/01/03
Gaglianese	Richard	08/30/93
Garascia	Christine	02/02/04
Garland	Joseph	04/04/98
Griffith & Bennett, Inc.		01/28/86
Hammon	James	08/03/98
Latronica	Anthony	08/01/99
Legend Equities	Corp	02/05/04
Lieb Gott	Christine	07/25/02
R & R Insurance	Associate	12/01/98
Rudek	Linda	07/12/04
Schellenberger	Raymond	05/02/01
Talbot Agency, Inc.		07/01/03
Ward	Jeanne	01/01/05

The following 18 individuals were listed as producers on 40 applications reviewed in the policy issued sections of the exam. Department records do not identify these individuals as being appointed by the Company.

<b>Producer</b>	<b>Number of Applications</b>
Edmund Garno Jr., Inc.	1
Yorke, John	1
McMenamin, Daniel	1
Treisner, George	1
Farinncci, Stephen	1
Liang, Stickle	3
Burtley, C.W.	1
Beronio, Peter	2
Pham, Trang	14
Storms, Glenn	2
Cellucci, Darlene	5
Zavala, Kimberly	1
Araujo, Francine	2
Rudek, Linda	1
Liang, Ying	1
Andrews, Jack	1
Anderson, Wendy	1
Johnson, Dirk	1

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

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

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

The following 6 individuals/entities were listed as producers for the Company; however, Department records did not identify the individuals/entities as holding a Pennsylvania insurance license.

<b>Producer</b>
Beatty, Robert
Bechtold Boraski And Kennedy
Bolish, Elizabeth
Griffith & Bennett Inc
Lieb Gott
R & R Insurance Associates

The following 5 individuals were listed as producers on 5 applications reviewed in the policy issued sections of the exam. Department records do not identify these individuals as holding a Pennsylvania insurance license.

<b>Producer</b>
Edmund Garno, Jr. Inc.
Yorker, John
McMenamin, Daniel
Andrews, Jack
Anderson, Wendy

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

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

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

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

The following 2 producers were listed as terminated by the Company but not reported as terminated to the Department. Department records indicate an active status.

<b>Producer</b>
Angelo, Clarence
Georgiana, Kay

## VII. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of their consumer complaint logs for 2001, 2002, 2003 and 2004. The Company identified 9 written consumer complaints and provided complaints logs for 2001, 2002, 2003 and 2004.

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 25 general segments.

- A. Underwriting Guidelines
- B. Group Policies Issued
- C. Group Deferred Annuities Issued
- D. Group Select Benefits Issued
- E. Group Deferred Annuity Certificates Issued
- F. Group Select Benefits Certificates Issued
- G. Group Deferred Annuity Terminated
- H. Group Policies Terminated
- I. Group Select Benefit Policies Terminated
- J. Individual Deferred Annuities Issued
- K. Individual Immediate Annuities Issued
- L. Individual Term Life Policies Issued
- M. Individual Universal Life Policies Issued
- N. Individual Whole Life Policies Issued
- O. Individual Variable Univ. Life Policies Issued
- P. Individual Deferred Annuities Declined
- Q. Individual Life Policies Declined
- R. Individual Deferred Annuities Terminated
- S. Individual Immediate Annuities Terminated
- T. Individual Life Policies Terminated
- U. Individual Deferred Annuities Issued As Replacements
- V. Individual Immediate Annuities Issued As Replacements
- W. Individual Life Policies Issued As Replacements

- X. Individual Deferred Annuities Not-Taken
- Y. Individual Life Policies Not-Taken
- Z. Individual Term Life Conversions

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

#### **A. Underwriting Guidelines**

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

The following manuals and guides were provided and reviewed:

1. Group Life Underwriting Guidelines
2. Group Long Term Disability Underwriting Guidelines
3. Group Select Benefits Underwriting Guidelines
4. Individual Life Underwriting Guidelines-
5. Life and AD& D Field Underwriting Guidelines
6. Excess Loss Underwriting Guidelines
7. Life Underwriting Procedures – Symetra and Group Resource Plus

8. Disability Resources
9. Annuities – New Business Application Check List
10. CD-Rom – Swiss Re Life & Health Underwriting Guidelines
11. Retirement Services New Business Checklists

### **B. Group Policies Issued**

The company identified 10 group policies issued. All 10 group policy files were requested, received, and reviewed. The policy files were reviewed to determine compliance to issuance statutes and regulations. The violations noted were included in the producer licensing section.

### **C. Group Deferred Annuities Issued**

The Company was requested to provide a list of all group policies issued during the experience period. The Company identified 3 group policies issued. All 3 group policy files were requested, received, and reviewed. The policy files were reviewed to determine compliance to issuance statutes and regulations. The violations noted were included in the forms and producer licensing sections.

#### **D. Group Select Benefits Issued**

The Company was requested to provide a list of all group policies issued during the experience period. The company identified 3 group policies issued. All 3 group policy files were requested, received and reviewed. The policy files were reviewed to determine compliance to issuance statutes and regulations. No violations were noted.

#### **E. Group Deferred Annuity Certificates Issued**

The Company was requested to provide a list of all certificates issued during the experience period. The Company provided a list of 82 group deferred annuity certificates issued. A random sample of 25 certificates issued was requested, received and reviewed. Of the 25 certificate files reviewed, 4 certificate files were determined to be reinstatements. The remaining 21 files were reviewed to ensure compliance with Pennsylvania Consolidated Statutes, Section 4117(k). No violations were noted.

#### **F. Group Select Benefits Certificates Issued**

The Company was requested to provide a list of all certificates issued during the experience period. The Company provided a list of 364 group select benefit certificates issued. A random sample of 25 certificate files was requested, received and reviewed. The files were reviewed to ensure compliance with Pennsylvania Consolidated Statutes, Section 4117(k). No violations were noted.

### **G. Group Deferred Annuities Terminated**

The Company was requested to provide a list of all group annuity contracts terminated during the experience period. The Company identified a universe of 11 group deferred annuity contracts terminated. All 11 contract files were requested, received and reviewed. The files were reviewed to ensure compliance with contract provisions, termination laws and regulations. No violations were noted.

The following table summarizes the reasons for termination.

<b>Number</b>	<b>Termination Reason</b>	<b>Percent</b>
10	Group Requested Termination	91%
1	Death	9%
11	Total	100%

### **H. Group Policies Terminated**

The Company was requested to provide a list of all group policies terminated during the experience period. The Company identified a universe of 16 group policies terminated. All 16 files were requested and received. Of the 16 files received, 2 were determined to be reinstatements. The remaining 14 files were reviewed to ensure compliance with contract provisions, termination laws and regulations, and proper return of any unearned premiums. No violations were noted.

### **I. Group Select Benefit Policies Terminated**

The Company was requested to provide a list of all group policies terminated during the experience period. The Company identified a universe of 6 group select policies terminated. All 6 files were requested, received and reviewed. The 6 policy files were reviewed to ensure compliance with contract provisions, termination laws and regulations, and proper return of any unearned premiums. No violations were noted.

The following table summarizes the reasons for termination.

<b>Number</b>	<b>Termination Reason</b>	<b>Percent</b>
4	Participation Reduction Below Requirement	67%
2	Customer Request	33%
6	Total	100%

### **J. Individual Deferred Annuities Issued**

The Company identified a universe of 1134 individual deferred annuities issued during the experience period. A random sampling of 100 files was requested. Of the 100 files requested, 99 were received and reviewed. The annuity files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted:

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

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

**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 not documented in the file noted.

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

The insurer shall require as part of a completed application for life insurance or annuity a statement signed by the applicant as to whether the proposed insurance or annuity will replace existing life insurance or annuity. The applicant's replacement question was not answered in the applications noted.

**22 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 at the time of application.

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

An insurer that uses an agent or broker in a life insurance or annuity sale shall, if replacement is involved: Send to each existing insurer a written communication advising of the replacement or proposed replacement and the identification information obtained under subparagraph (I) and in the case of life insurance, the disclosure statement as required by § 83.3 (relating to disclosure statement) or ledger statement containing comparable policy data on the proposed life insurance. A surrender comparison index need not be included. In the case of an annuity, a ledger statement containing comparable data shall be provided. 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 1 file, the ledger statement was not documented in 3 files, and the correspondence to the replaced company was untimely in 1 file.

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

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

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

When the individual policy or annuity is delivered to the policyholder by the producer by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set and state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery receipt, and such date shall commence any applicable

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

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

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

**K. Individual Immediate Annuities Issued**

The Company identified a universe of 34 individual immediate annuity contracts issued during the experience period. A random sampling of 10 annuity contract files was requested, received, and reviewed. The Annuity 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 81.5(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 in the application noted.

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

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

**L. Individual Term Life Policies Issued**

The Company identified a universe of 938 individual term life policies issued during the experience period. A random sampling of 100 policy files was requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted:

**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 in the application noted.

**100 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 files noted did not contain evidence that a written Disclosure Statement was provided.

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

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

When the individual policy or annuity is delivered to the policyholder by the producer by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set and state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery receipt, and such date shall commence any applicable policy or annuity examination period. Copies of the delivery receipt must be provided to the policyholder on the date of policy or annuity delivery and to the issuing insurer. When the individual policy or annuity is delivered by a means other than by hand delivery by the producer, the insurer shall establish appropriate means of verifying delivery by the producer of the policy or annuity and of establishing the date from which any applicable policy or examination period shall commence. Verification of the date of policy delivery could not be established in 87 files, the agent's signature was missing in 5 files, and the applicant's signature was missing in 1 file.

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

The Company identified a universe of 9 individual universal life policies issued during the experience period. All 9 policy files were requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted:

**3 Violations - Title 31, Pennsylvania Code, Section 83.3 Disclosure Statement**

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

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

**3 Violations - Title 31, Pennsylvania Code, Section 83.55**

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

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

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

**3 Violations - Title 31, Pennsylvania Code, Sections 83.55a and 83.55b**

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

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

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

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

establishing the date from which any applicable policy or examination period shall commence. The agent's signature was missing on the delivery receipt in the file noted.

**9 Violations - Insurance Company Law, Section 408-A(a)(1) (40 P.S. §625-8)**

Each insurer marketing policies to which this act is applicable shall notify the commissioner whether a life insurance policy form is to be marketed with or without an illustration. For all life insurance policy forms being actively marketed on the effective date of this section, the insurer shall identify in writing those forms and whether or not an illustration will be used with them. The notification shall be provided within sixty(60) days of the effective date of this section. For life insurance policy forms approved by the department but not being actively marketed on the effective date of this section, the identification shall be made on or before the time the life insurance policy form is actively marketed. For life insurance policy forms filed with the commissioner after the effective date of this section, the identification shall be made at the time of filing. The required notification of illustration usage was not provided to the Department for the 9 policy forms noted.

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

A statement to be signed and dated by the applicant or the policy owner in the case of an illustration provided at time of delivery, reading as follows: "I have received a copy of this illustration and understand that any nonguaranteed elements illustrated are subject to change and could be either higher or lower. The producer has told me they are nonguaranteed." The applicant's acknowledgement of illustration receipt was not dated in the file noted.

## **N. Individual Whole Life Policies Issued**

The Company identified a universe of 1 whole life insurance policy issued during the experience period. The policy file was requested, received and reviewed. The file was reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted:

### **1 Violation - 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. (Appendix A of the Regulation). There was no evidence that a written Disclosure Statement was provided in the file noted.

### **1 Violation - 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 files noted did not contain a copy of the required agent's certification of disclosure.

### **O. Individual Variable Universal Life Policies Issued**

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

### **P. Individual Deferred Annuities Declined**

The Company was requested to provide a list of all annuities declined during the experience period. The Company identified 1 individual deferred annuity declined contract. The contract file was requested, received and reviewed. The file was reviewed to ensure the declination was not the result of any discriminatory underwriting practice and the proper return of any unearned premium. No violations were noted.

### **Q. Individual Life Policies Declined**

The Company was requested to provide a list of all life policies declined during the experience period. The Company identified 95 individual life policies declined. A random sample of 25 policy files was requested, received, and reviewed. The files were reviewed to ensure declinations were not the result of any discriminatory underwriting practice and the proper return of any unearned premium. No violations were noted.

## **R. Individual Deferred Annuities Terminated**

The Company was requested to provide a list of all annuities terminated during the experience period. The Company identified a universe of 409 individual deferred annuities terminated. A random sample of 25 contract files was requested, received, and reviewed. The files were reviewed to ensure that terminations were not the result of any discriminatory underwriting practice. The files terminated due to death were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. The following violations were noted:

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

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

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

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

### **S. Individual Immediate Annuities Terminated**

The Company was requested to provide a list of all annuities terminated during the experience period. The Company identified a universe of 56 individual immediate annuities terminated. A random sample of 25 contract files was requested, received, and reviewed. The files were reviewed to ensure that terminations were not the result of any discriminatory underwriting practice. The files terminated due to death were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. No violations were noted.

### **T. Individual Life Policies Terminated**

The Company was requested to provide a list of all life policies terminated during the experience period. The Company identified a universe of 603 individual life policies terminated. A random sample of 25 policy files was requested, received and reviewed. The policy files were reviewed to ensure compliance with contract provisions, termination laws and regulations, and proper return of any unearned premiums.

No violations were noted.

The following table is a synopsis of the 25 files reviewed.

<b>#</b>	<b>TERMINATION REASON</b>	<b>PERCENT</b>
6	Cash Surrender	24%
17	Lapse (Non Payment of Premiums)	68%
2	Policyholder Request	8%
25	Total	100%

## **U. Individual Deferred Annuities Issued As Replacements**

The Company identified a universe of 40 individual deferred annuity contracts issued as replacements during the experience period. All 40 annuity contracts files were requested, received and reviewed. The files were reviewed to determine compliance with issuance, and replacement statutes and regulations. The following violations were noted:

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

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

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

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

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

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

issuing insurer. When the individual policy or annuity is delivered by a means other than by hand delivery by the producer, the insurer shall establish appropriate means of verifying delivery by the producer of the policy or annuity and of establishing the date from which any applicable policy or examination period shall commence. Verification of policy delivery could not be established in the files noted.

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

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

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

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

**2 Violations - Insurance Company Law, Section 410E(a)(2) (40 P.S. §510d)**

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

**V. Individual Immediate Annuities Issued As Replacements**

The Company identified a universe of 8 individual immediate annuity contracts issued as replacements during the experience period. All 8 annuity contract files were requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted:

**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 in the application 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. The agent's question on replacement was not completed in the applications noted.

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

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

## **W. Individual Life Policies Issued As Replacements**

The Company identified a universe of 33 individual life policies issued as replacements during the experience period. All 33 policy files were requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted:

### **10 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. In the files noted, the replacement form was dated after the application date.

### **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.

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

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

**31 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 files noted did not contain a written Disclosure Statement.

**31 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 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 - Title 31, Pennsylvania Code, Sections 83.55a and 83.55b**

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

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

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

When the individual policy or annuity is delivered to the policyholder by the producer by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set and state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery receipt, and such date shall commence any applicable policy or annuity examination period. Copies of the delivery receipt must be provided to the policyholder on the date of policy or annuity delivery and to the issuing insurer. When the individual policy or annuity is delivered by a means other than by hand delivery by the producer, the insurer shall establish appropriate means of verifying delivery by the producer of the policy or annuity and of establishing the date from which any applicable policy or examination period shall commence. Verification of the date of policy delivery could not be established in 12 files, and the agent's signature was missing in 7 files.

### **X. Individual Deferred Annuities Not-Taken**

The Company was requested to provide a list of all annuities not-taken during the experience period. The Company identified a universe of 15 individual deferred annuities not-taken. All 15 contract files were requested, received and reviewed. A not-taken contract by definition is a contract that is issued and the annuitant requests cancellation. The files were reviewed to ensure compliance with the free-look provisions of the contract. The following violations were noted:

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

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

#### **Y. Individual Life Policies Not-Taken**

The Company was requested to provide a list of all policies not-taken during the experience period. The Company identified 66 individual life policies not-taken. A random sample of 15 files was requested, received and reviewed. A not-taken policy by definition is a contract that is issued and the insured requests cancellation. The files were reviewed to ensure compliance with the free-look provisions of the contract. No violations were noted.

## **Z. Individual Term Life Conversions**

The Company identified a universe of 5 individual term life conversion policies issued during the experience period. All 5 policy 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:

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

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

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

Each insurer marketing policies to which this act is applicable shall notify the commissioner whether a life insurance policy form is to be marketed with or without an illustration.

For all life insurance policy forms being actively marketed on the effective date of this section, the insurer shall identify in writing those forms and whether or not an illustration will be used with them. The notification shall be provided within sixty (60) days of the effective date of this section. For life insurance policy forms approved by the department but not being actively marketed on the effective date of this section, the identification shall be made on or before the time the life insurance policy form is actively marketed. For life insurance policy forms filed with the commissioner after the effective date of this section, the identification shall be made at the time of filing. The following life insurance policy forms were marketed before the effective date of the illustration statute (July 1, 1997). The required notification of illustration usage was not provided to the Department for the policy forms noted.

**1 Violation - Insurance Company Law, Section 408A (c)(4)(i)**

A statement to be signed and dated by the applicant or the policy owner in the case of an illustration provided at time of delivery, reading as follows: "I have received a copy of this illustration and understand that any nonguaranteed elements illustrated are subject to change and could be either higher or lower. The producer has told me they are nonguaranteed." The applicant's acknowledgement of illustration receipt was not dated in the file noted.

## **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 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 and procedures:

1. Individual Claims – Master Procedure Manual:
  - a. Accelerated Benefit Rider (ABR)
  - b. Handling a Claim Call
  - c. Measuring Time Service
  - d. Handling Initial Death Claim and Follow-Ups
  - e. Paying a Death Claim
  - f. VUL Transfer Due to Death Claim Notice
  - g. Handling Contestable Death Claims
  - h. Missing Person Claims
  - i. Paying Benefit Claim Settlement Option
  - j. Temporary Insurance Agreement Claim
  - k. Small Estates Statutes
  - l. Disability Claims
  - m. Adjudicating A Waiver Claim
2. Select Benefit Claims (Training Manual):
  - a. Medical & Dental Claim Procedure Codes
  - b. System Explanation of Benefits
  - c. How To Explain Benefits
3. Group Medical Conversion Guidelines & Claim Procedures
4. Group – ERISA Claim Procedures

## 5. Retirement Services – Claim Procedures

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

The Claim file review consisted of 8 areas:

- A. Group Select Benefit Claims
- B. Group Life Death Claims
- C. Individual Deferred Annuity Death Claims
- D. Individual Immediate Annuity Death Claims
- E. Individual Life Death Claims
- F. Group Deferred Annuity Death Claims
- G. Non-Resident Individual Deferred Annuity Death Claims
- H. Non-Resident Group Deferred Annuity Death Claims

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

## **A. Group Select Benefit Claims**

The Company was requested to provide a list of all claims received during the experience period. The Company identified a universe of 154 group select benefit (health) claims. A random sample of 75 files was requested, received and reviewed. The insured submitted claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. The provider-submitted claim files were reviewed for compliance with Quality Health Care Accountability and Protection Act, No. 68, Section 2166 (40 P.S. §991.2166), Prompt Payment of Provider Claims. The following violations were noted:

### **26 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 noted claims within 10 working days.

### **3 Violations - Title 31, Pennsylvania Code, Section 146.6**

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

## **B. Group Life Death Claim**

The Company was requested to provide a list of all life claims received during the experience period. The Company identified 9 group life death claims received. All 9 policy files were requested, received and reviewed. Of the 9 files received, 1 file was determined to be a waiver of premium file due to disability. The remaining claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b). No violations were noted.

## **C. Individual Deferred Annuity Death Claims**

The Company was requested to provide a list of all annuity claims received during the experience period. The Company identified a universe of 202 individual deferred annuity death claims. A random sample of 50 claims was requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, and Chapter 146. The following violations were noted:

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

Every insurer, upon receiving notification of a claim, shall within ten working days, acknowledge the receipt of such notice unless payment is made within such period 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 noted claims within 10 working days.

**30 Violations - Title 31, Pennsylvania Code, Section 146.6**

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

**D. Individual Immediate Annuity Death Claims**

The Company was requested to provide a list of all annuity claims received during the experience period. The Company identified a universe of 12 individual immediate annuity death claims. All 12 claim files were requested, received and reviewed. The files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. The following violation was noted:

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

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 noted claim.

### **E. Individual Life Death Claims**

The Company was requested to provide a list all life claims received during the experience period. The Company identified 35 individual life death claims. All 35 claim files were requested, received and reviewed. The files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b). No violations were noted.

### **F. Group Deferred Annuity Death Claims**

The Company was requested to provide a list of annuity claims received during the experience period. The Company identified a universe of 29 group deferred annuity death claims. All 29 claim files were requested; of which, 28 were received and reviewed. The files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. The following violations were noted:

#### **9 Violations - Title 31, Pennsylvania Code, Section 146.3**

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

can be reconstructed. The noted claim files were missing the proof of claim settlement.

**1 Violation - Title 31, Pennsylvania Code, Section 146.5**

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

**22 Violations - Title 31, Pennsylvania Code, Section 146.6**

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

**G. Non-Resident Individual Deferred Annuity Death Claims**

The Company was requested to provide a list all annuity claims received during the experience period. The Company identified a universe of 1 non-resident individual deferred annuity death claim. The claim file was requested, received and reviewed. The file was reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. The following violation was noted:

**1 Violation - Title 31, Pennsylvania Code, Section 146.5**

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

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

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

**H. Non-Resident Group Deferred Annuity Death Claims**

The Company was requested to provide a list of all annuity claims received during the experience period. The Company identified a universe of 1 non-resident group deferred annuity death claim. The claim file was requested, received and reviewed. The file was reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. No violations were noted.

## XI. RECOMMENDATIONS

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

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

5. The Company must review and revise internal control procedures to ensure compliance with the replacement requirements of Title 31, Pennsylvania Code, Chapter 81.
6. The Company must review internal control procedures to ensure compliance with disclosure requirements of Title 31, Pennsylvania Code, Chapter 83.
7. The Company must review internal control procedures to ensure compliance with forms filing and approval requirements of Section 354 of the Insurance Company Law of 1921 (40 P.S. §477b).
8. The Company must implement procedures to ensure compliance with the policy delivery receipt requirements of Section 404-A of the Insurance Company Law of 1921 (40 P.S. §625-4).
9. 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).
10. The Company must review internal control procedures to ensure compliance with illustration certification and delivery requirements of Section 408-A of the Insurance Company Law of 1921 (40 P.S. §625-8).
11. The Company must review internal control procedures to ensure compliance with Section 410D of the Insurance Company Law of 1921 (40 P.S. §510c) pertaining to the “Free Look” provision requirements for life insurance and endowment insurance.

12. The Company must review internal control procedures to ensure compliance with Section 410E of the Insurance Company Law of 1921 (40 P.S. §510d) pertaining to the “Free Look” provision requirements for annuity and pure endowment contracts.

**XII. COMPANY RESPONSE**

**SYMETRA**  
FINANCIAL

August 7, 2006

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

Re: Report of Examination of Symetra Life Insurance Company  
Examination Warrant Number 05-M26-059  
Report dated July 12, 2006

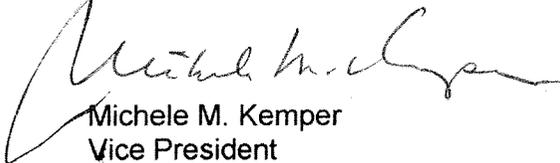
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Dear Mr. Stemcosky;

We have completed the review of the above captioned report. We do not disagree with the exam observations and recommendations.

During the exam, the examiners discussed with us their findings and recommendations. As such we were able to undertake recommended actions throughout the course of the examination. Attached is a status update on our actions on the 12 recommendations contained in the report.

Sincerely,



Michele M. Kemper  
Vice President  
Chief Compliance Officer  
Symetra Life Insurance Company

Pennsylvania Examination Findings  
Report Dated July 12, 2006

Status of Corrective Actions  
August 7, 2006

1. The Company must implement procedures to ensure compliance with the fraud statement notice requirements of Title 18, PA Consolidated Statutes Section 4117(k),

The Company corrected the fraud statement language prior to the close of the examination. Applications were revised to use the required fraud statement language and the old stock of pre-printed forms were destroyed.

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

The Company reviewed internal control procedures as recommended. As a result of this review, the Company revised and enhanced the claims procedures, training program, and quality assurance program (e.g., audit program) to ensure compliance. The Unfair Claims Settlement Practice internal audits are conducted on a regular basis throughout the year. The results of these audits are presented to senior management. The results now show we meet standards of Title 31, PA Code, Chapter 146, Unfair Claims Settlement Practices.

3. The Company must review and revise Licensing procedures to ensure compliance with Sections 641.1A, Section 671-A and Section 671.1-A of the Insurance Department Act of 1921 (40P.S. §310.41A, 310.71 and 310.71a).

The Company reviewed internal control procedures as recommended. As a result of this review, the Company revised procedures and the quality assurance program to ensure compliance. The Company uses NIPR for verification of agent license and appropriate lines of authority. The Company uses a third party vendor in conjunction with NIPR to submit appointments and terminations electronically to the Department. The Company has revised our audit the our third party vendor's work product for increased quality control on compliance with licensing and appointment regulatory standards. The results of these audits are presented to senior management.

4. The Company must review and revise procedures to ensure all books, records, papers, documents and any or all computer or other recordings related

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 s 903(a) of the Insurance Department Act of 1921 (40 P.S. §323.3).

The Company had a formal effort underway to reviewing and revise procedures related to Records Management prior to the start of the exam. The review of records management issues was started in late 2004 as a result of the sale of the Company and the need to migrate records to a new records system platform. The review findings include establishing a new electronic Records Management system, training staff on the use of the new system, and placing oversight responsibilities for records management in a new centralized department to ensure uniform compliance company-wide. Records management is a priority and continues to have senior management oversight for improvements.

**Note:** Prior to 2004 Records Management was supported by the former parent company, Safeco Corporation. In 2004, Safeco Corporation sold the Company to private investors. As part of the sale of the company, we needed to separate our records from the parent company's multiple systems and migrated our records onto a single system. Our former parent company was not able to readily release all records due to unexpected systems incompatibilities and the records migration effort took longer than anticipated. Since the close of the Department's on-site portion of the examination, an additional 90,000 records were migrated from our former parent company's multiple records systems to our system. We do not disagree with the exam findings that noted we were unable to produce all records in a timely manner. This note is to clarify the records management history and the efforts that are underway to meet regulatory standards.

5. The Company must review and revise internal control procedures to ensure compliance with the replacement requirements of Title 31, PA Code, Chapter 81.

The Company reviewed internal control procedures as recommended before the onsite portion of the exam concluded. The Company revised procedures and modified the quality assurance program to ensure compliance with replacement regulations. In addition, appropriate staff were re-trained on replacement requirements. A senior manager is responsible for the review of replacement transactions. The audit program is done on a regular basis throughout the year and audit results are presented to senior management. The results show we now meet best practice standards including replacement requirements of Title 31, PA Code, Chapter 81.

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

The Company completed a full review of internal control procedures before the onsite portion of the exam concluded. This review identified improvements in internal controls including: disclosures and procedures

updates, staff re-training, and agent communications and training. Internal audits of disclosure processing were implemented and are conducted on a regular basis throughout the year. The results of the audits are presented to senior management. The results now show we meet best practice standards including replacement requirements of Title 31, PA Code, Chapter 83.

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

The Company has completed a review of internal control procedures. This review identified improvements to prevent errors in forms filing and approval processes for forms. This included revising the system and manuals that serve as the centralized control to validate that forms meet state requirements.

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

The Company revised procedures so that all business areas are using a standard delivery receipt for policies and contracts mailed directly to the agent for delivery to the applicant prior. This revision was implemented prior to the close of the on-site examination. The USP Certification of Mailing is being used for all contracts and policies that are mailed directly to the applicant. This new delivery receipt process replaces the mailing process which was noted as insufficient to prove delivery date.

9. 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).

The Company completed a review of internal control procedures. The review identified the specific source of the error. Staff were re-trained on the proper use of endorsements and amendments as the appropriate means to capture changes or clarifications required for application.

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

The Company completed a review of illustration certification and delivery procedures. This review determined that the Illustration Certification previously filed with the Department contained the *basic policy* form number instead of the *state specific* form number. This error was

corrected. The illustration software was revised to print the proper number on the Certification. The Illustration Certification has been re-filed with the Department.

11. The Company must review internal control procedures to ensure compliance with Section 410D of the Insurance Company Law of 1921 (40 P.S. §510c) pertaining to the "Free Look" provision requirement for life insurance and endowment insurance.

The Company completed a review of internal control procedures pertaining to the "free look" provision prior to the conclusion of the on-site portion of the exam. The review confirmed that our procedures meet Department requirements. All life insurance policies have at least a 10-day free-look period. Replacements have at least a 20 day free-look period, and in-house replacements have a 45-day free-look period. The Examiner however was not able to determine compliance with "free look" provisions as the mailing process in use at the time did not meet the Department requirements for establishing the date from which the 'free look' period begins. The mailing process was revised - see Department Recommendation 8.

12. The Company must review internal control procedures to ensure compliance with Section 410E of the Insurance Company Law of 1921 (40 P.S. §510d) pertaining to the "Free Look" provision requirements for annuity and pure endowment contracts.

The Company completed a review of internal control procedures pertaining to the "free look" provision prior to the conclusion of the on-site portion of the exam. The review confirmed that our procedures meet Department requirements. All annuity contracts have at least a 10-day free-look period. Replacements have at least a 20 day free-look period, and in-house replacements have a 45-day free-look period. The Examiner however was not able to determine compliance with "free look" provisions as the mailing process in use at the time did not meet the Department requirements for establishing the date from which the 'free look' period begins. The mailing process was revised - see Department Recommendation 8.