



**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT**

MARKET CONDUCT
EXAMINATION REPORT

OF

**TRANSAMERICA LIFE
INSURANCE COMPANY**
CEDAR RAPIDS, IA

As of: January 3, 2024
Issued: February 26, 2024

**BUREAU OF MARKET ACTIONS
LIFE AND ANNUITY DIVISION**



PENNSYLVANIA INSURANCE DEPARTMENT
EXAMINATION VERIFICATION

I, David Kelly, Market Conduct Examiner II from
(Name of Examiner) (Title of Examiner)

Pennsylvania Insurance Department certify that I was the Examiner-In-Charge of the Report of
(Name of Vendor/Department)

Examination of Transamerica Life Insurance Company made as of 12/27/2023.
(Name of Examined Company) (Date)

The last date of examination file review was 11/29/2023 and the written Report
(Date)

of Examination was reviewed and accepted by Paul Towsen
(Chief of Market Conduct Examiner)

on 1/3/2024.
(Date)

I have reviewed the completed written Report of Examination and certify that the facts and figures recited therein are true and accurate, according to the records, documents and other evidence obtained during the course of the examination.

David Kelly
(Examiner-in Charge)

Pennsylvania Insurance Department
(Name of Vendor/Department)

1326 Strawberry Sq, Harrisburg, PA 17120
(Address of Vendor/Department)

[Signature]
(Examiner in Charge Signature)

12/27/2023
(Date)

IN ORDER TO SATISFY SECTION 40 P.S. § 323.5(b), THAT PROVIDES FOR NO LONGER THAN SIXTY (60) DAYS FROM THE COMPLETION OF THE EXAMINATION, THE EXAMINER IN CHARGE SHALL FILE WITH THE DEPARTMENT A VERIFIED WRITTEN REPORT OF EXAMINATION UNDER OATH.

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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this __3rd__ day of _July__, 2023, in accordance with Section 905(c) of the Pennsylvania Insurance Department Act, Act of May 17, 1921, P.L. 789, as amended, P.S. § 323.5, I hereby designate David J. Buono, Jr., Deputy Insurance Commissioner, to consider and review all documents relating to the market conduct examination of any company and person who is the subject of a market conduct examination and to have all powers set forth in said statute including the power to enter an Order based on the review of said documents. This designation of authority shall continue in effect until otherwise terminated by a later Order of the Insurance Commissioner.



Michael Humphreys
Insurance Commissioner

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

- (a) Respondent is Transamerica Life Insurance Company and maintains its address at 6400 C Street SW, Cedar Rapids, IA 52499.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the experience period from July 1, 2021, through June 30, 2022.
- (c) On January 3, 2024, the Insurance Department issued a Market Conduct Examination Report to Respondent.

(d) A response to the Examination Report was provided by Respondent on February 2, 2024.

(e) The Market Conduct Examination of Respondent revealed violations of the following:

(i) All findings and conclusions in the Examination Report, which is attached hereto, are hereby incorporated into this Consent Order.

CONCLUSIONS OF LAW

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

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

(b) Respondent's violations of 40 P.S. §§310.41(a), 310.71(a), and 310.71(f) are punishable by the following, under (40 P.S. §310.91):

- (i) suspension, revocation or refusal to issue the certificate of qualification or license;
- (ii) imposition of a civil penalty not to exceed five thousand dollars (\$5,000.00) for every violation of the Act;
- (iii) an order to cease and desist; and

- (iv) any other conditions as the Commissioner deems appropriate.

- (c) Respondent's violations of Sections 40 P.S. §§510e(c)(5)(i), 511b(a), 625-6, 625-8(c)(4)(i), and 625-8(c)(4)(ii) are punishable by the following, under 40 P.S. § 625-10: Upon determination by hearing that this act has been violated, the commissioner may issue a cease-and-desist order, suspend, revoke or refuse to renew the license, or impose a civil penalty of not more than \$5,000 per violation.

- (d) Violations of 40 P.S. §§1171.5(a)(10)(vi) and 1171.5(a)(10)(x) are punishable by the following, 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.

- (e) In addition to any penalties imposed by the Commissioner for Respondent's violations of 40 P.S. §§1171.1 – 1171.15, the Commissioner may, under (40 P.S. §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 under 40 P.S. 1171.5 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 under 40 P.S. 1171.5 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).

- (f) Respondent's violations of 31 Pa. Code, Chapter 81 are punishable under 31 Pa. Code §§81.8(b) and (c), which states that failure to comply, after a hearing, may subject a company to penalties provided in 40 P.S. §475.

- (g) Respondent's violations of 31 Pa. Code, Chapter 83 Subchapter B are punishable under 31 Pa. Code §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 sections 347-349 of that act 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.

- (h) Respondent's violations of 31 Pa. Code §§146.3, 146.5(a), 146.5(d), 146.6, and 146.7(a)(1) are punishable under Sections 1 through 5 and Section 9 of the Unfair Insurance Practices Act (40 P.S. §§1171.1 – 1171.5 and 1171.9):
 - (i) cease and desist from engaging in the prohibited activity;
 - (ii) suspension or revocation of the license(s) of Respondent.

ORDER

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

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) Respondent shall pay Sixty-Five Thousand Dollars (\$65,000.00) in settlement of all violations contained in the Report.
- (c) Payment of this matter shall be made at <https://www.bpp.ob.pa.gov/Customer> Instructions on how to do this are provided in the attached cover letter to this order. Payment must be made no later than thirty (30) days after the date of this Order.
- (d) Respondent shall share the Examination Report and this Order with each of its directors and submit affidavits executed by each of its directors, stating under oath that they have received a copy of the Examination Report and this Order. Such affidavits shall be submitted within thirty (30) days of the date of this Order.
- (e) Respondent shall comply with all recommendations contained in the attached Report.

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

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

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

BY: TRANSAMERICA LIFE INSURANCE
COMPANY
Respondent

DocuSigned by:

Christopher Fleming

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COO, Individual Solutions Christopher Fleming

DocuSigned by:

kimberly king

Head of Life Operations Kimberly King

David J. Buono

DAVID J. BUONO
Deputy Insurance Commissioner
Commonwealth of Pennsylvania

I. INTRODUCTION

The Market Conduct Examination (Examination) was conducted as a comprehensive examination of Transamerica Life Insurance Company (the Company) (NAIC #86231). All reviews were conducted remotely at off-site locations.

Pennsylvania Market Conduct Examination Reports generally note the items that have been reviewed and whether there is a violation of law or regulation. A violation is any instance of a Company activity that does not comply with an insurance statute or regulation. Violations contained in an Examination Report may result in the imposition of penalties. An Examination Report also includes 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 to determine the potential impact upon Company operations for future compliance. Findings identified in all summaries issued to the Company throughout the Examination process are included in this Examination Report.

Throughout the course of the Examination, Company officials were provided status memoranda or summaries, which reference specific policy numbers with citations to each section of law violated. Additional information was requested to clarify apparent violations. Multiple conference calls, status meetings, and an exit conference were conducted with Company officials to discuss the various types of violations identified during the Examination and to review written summaries provided for the violations that the examiners identified.

The courtesy and cooperation extended by the officers and employees of the Company during the course of the Examination is acknowledged.

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

Pennsylvania Insurance Department

Paul Towsen, MCM
Chief Property & Casualty/Life & Annuity Division
PA Insurance Department

David J. Kelly, MCM
Market Conduct Examiner II
Examiner-in-Charge
PA Insurance Department

Donna Shafer, MCM
Market Conduct Examiner II
PA Insurance Department

Holly Blanchard, FLMI, AIE, ACP, CCP, INS, MCM
Contract Market Conduct Examiner

II. SCOPE OF EXAMINATION

The 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 examination period of July 1, 2021, through June 30, 2022, unless otherwise noted. The purpose of the Examination was to ensure compliance with Pennsylvania insurance laws and regulations.

The Examination focused on the Company's policies, procedures, and processes in the following areas: Complaints, Underwriting, Policyholder Services, Claims, Producer Licensing, and 2021 MCAS. The lines of business examined included Individual Life Contracts and Individual Annuity Contracts.

Examiners requested that the Company identify the universe of files for: Consumer Complaints, Pennsylvania Insurance Department Complaints, Life New Business Issued, Annuity New Business Issued, Life New Business Replacements, Annuity New Business Replacements, Life New Business Declined, Annuity New Business Declined, Life Terminations, Annuity Terminations, Life Claims Paid and Denied, Life Claims Pended, Annuity Claims Paid and Denied, Annuity Claims Pended, Policy Loans, and Producers Appointed and Terminated. Based on the universe sizes identified, random sampling was utilized to select files to review for analysis.

For control purposes, some of the review segments identified in this Examination Report may be broken down into various sub-categories by line of insurance or Company administration. These specific sub-categories, if not reflected individually in the Examination Report, are included, and grouped within the respective categories of the Examination Report. All reviews conducted throughout the Examination included consideration of Company responses to examiner requests pursuant to 40 P.S. §§ 323.3 and 323.4. While these statute and regulation sections are included in all reviews completed during the Examination, the Examination Report only notes where examiners found a violation of these sections

in a particular sub-category, such as incomplete file documentation or incorrect information provided in response to the requests.

III. COMPANY HISTORY

The Company was originally licensed on March 19, 1962, following incorporation on April 19, 1961, in the state of Wisconsin, as a legal reserve life insurance company. The Company's original name was American Public Life Insurance Company, Inc. and it operated as a member of the Northwestern National Insurance Group. At the annual meeting of the shareholders held on April 9, 1968, the name change to NN Investors Life Insurance Company, Inc., was approved.

Life Investors Insurance Company of America acquired 100% of the outstanding stock of the Company from NN Corporation on December 31, 1975, and the executive office was moved to Cedar Rapids, Iowa. On June 30, 1976, the domicile of the Company was change from the state of Wisconsin to the state of Iowa pursuant to the provisions of Chapter 508, Code of Iowa.

At a special meeting of the shareholders on June 28, 1982, Articles of Merger between the Company and Investors Fidelity Life Insurance Company were approved with the Company being the survivor. The effective date of the merger was June 30, 1982.

At a special meeting of the shareholders on September 30, 1985, Articles of Merger between the Company and Investors Life of Florida Insurance Company were approved with the Company being the survivor. The effective date of the merger was January 24, 1986.

At the annual meeting on April 26, 1990, the shareholders approved changing the name of the Company to PFL Life Insurance Company effective January 1, 1991. The Company merged with two affiliated life insurers, National Old Line Life Insurance Company, domiciled in the state of Arkansas, and Pacific Fidelity Life Insurance Company, domiciled in the state of California, with the Company being

the surviving entity. Effective dates of these mergers were January 1, 1991, and March 31, 1991, respectively.

Effective March 1, 2001, the Company's name was changed to Transamerica Life Insurance Company.

Effective October 1, 2004, an affiliated Missouri domiciled life insurer, Transamerica Assurance Company, was merged into the Company.

Effective October 1, 2005, Transamerica Life Insurance and Annuity Company merged into the Company.

Effective October 1, 2008, an affiliated Iowa-domiciled life insurer, Transamerica Occidental Life Insurance Company (TOLIC), was merged into the Company.

Effective October 1, 2008, an affiliated Iowa-domiciled life insurer, Life Investors Insurance Company of America, was merged into the Company.

Effective October 1, 2009, an affiliated Arizona-domiciled life insurer, Iowa Fidelity Life Insurance Company, was merged into the Company.

Effective October 1, 2015, Stonebridge Life Insurance Company was merged into the Company. The outstanding stock of Stonebridge Life Insurance Company was deemed cancelled by operation of law.

Effective January 1, 2016, Global Preferred Re Limited was merged into the Company.

Effective October 1, 2018, Firebird Re Corp. merged into the Company.

Effective October 1, 2018, Firebird Re Corp. merged into the Company.

Effective July 1, 2019, Transamerica Advisors Life Insurance Company was merged into the Company. The outstanding stock of Transamerica Advisors Life Insurance Company was deemed cancelled by operation of law.

Effective October 1, 2020, Transamerica Premier Life Insurance Company merged with and into the Company, with the Company being the surviving entity. The outstanding stock of Transamerica Premier Life Insurance Company was deemed cancelled by operation of law.

Effective October 1, 2020, MLIC Re I, Inc., merged with and into the Company, with the Company being the surviving entity.

Effective December 31, 2020, Pine Falls Re, Inc., merged with and into the Company, with the Company being the surviving entity.

OVERVIEW AND ORGANIZATION OF THE COMPANY

The Company is licensed in 49 states. The Company is authorized to transact the business of life insurance, including Whole Life and Term Life.

SECTION A: CONSUMER COMPLAINTS

Examiners requested documentation relating to Consumer Complaints and Pennsylvania Insurance Department Complaints. Unless noted, all documents identified in the universe provided by the Company were requested, received, and reviewed by the examiners. In the event the initial documents provided by the Company did not provide enough information, examiners issued information requests which resulted in additional documents that were included in the review. Documents provided pursuant to examiner requests under this section were reviewed to ensure compliance with applicable standards, including 40 P.S. §§ 323.3, 323.4, and 1171.5, and 31 Pa. Code §146.5.

A.1 Complaint Handling Procedures

The Company was asked to provide all policies and procedures for the intake and processing of complaints. Additionally, the Company was requested to provide all correspondence that is provided to the policyholder outlining how to file a complaint, including contact information and address presented for consumer inquiries as well as information presented to file a complaint with the Pennsylvania Insurance Department. The requested materials were received and reviewed. There were no violations were noted.

A.2 Complaints Register

Examiners requested a listing of all Consumer Complaints received during the experience period. The Company identified 103 Consumer Complaints received during the experience period. The Department selected a sample of 40 complaint files which were requested, received, and reviewed. The Company also provided complaint logs as requested. There were no violations were noted.

A.3 Complaint Tracking

The Company was requested to provide all policies and procedures demonstrating that the Company takes adequate steps to finalize and dispose of the complaint in accordance with applicable statutes. The requested materials were received and reviewed. There were no violations were noted.

A.4 Agent Complaints

The Company was requested to provide policies and procedures for monitoring complaints regarding agent conduct. The requested materials were received and reviewed. There were no violations were noted.

SECTION B: UNDERWRITING AND POLICYHOLDER SERVICES

Examiners requested documentation relating to policyholder services. The documents were reviewed to ensure policyholder service guidelines were in place, being followed in a uniform and consistent manner, and that no policyholder service practices or procedures were in place that could be discriminatory in nature, or specifically prohibited by statute or regulation. Unless noted, all documents identified in the universe by the Company were requested, received, and reviewed by the examiners. In the event the initial documents provided by the Company did not provide enough information, examiners issued information requests, which resulted in additional documents that were included in the review.

Documents provided pursuant to examiner requests under this section were reviewed to ensure compliance with applicable standards, including 40 P.S. §§ 477, 477b, 323.3, 323.4, 1171.5, and 625-6, and 31 Pa. Code §§ 83.55c, 90c.5, and 90f.4.

B.1 Policyholder Business Area

The Company was asked to provide a comprehensive description of the policyholder services department(s), including an organization chart for the business units comprising the policyholder services areas. The requested items were received and reviewed. There were no violations noted.

B.2 Reinstatement Procedures

The Company was asked to provide the policies and procedures for reinstatements. The requested items were received and reviewed. There were no violations noted.

B.3 Contact Information

The Company was asked to provide documents that advise the policyholder how to access customer service, including the contact information that is presented. The requested items were received and reviewed. There were no violations noted.

B.4 Annual Report

The Company was asked to provide policies and procedures for providing policyowners annual reports. The requested items were received and reviewed. There were no violations noted.

B.5 Life New Business

Not Issued as Replacement

The Company was requested to provide a list of all individual life new business policies issued during the experience period of July 01, 2021 to June 30, 2022. The Company identified a universe of 5,477 life new business policies issued during the experience period. A random sample of 75 individual life new business policies issued, not as replacements, was requested and received. The files were reviewed to determine compliance with issuance and underwriting statutes, regulations, and 18 Pa. C.S. §4117(k). Of the 75 policies, 4 files were identified as not new business, not issued as replacements. The following violations were noted.

5 Violations – 40 P.S. §625-6 Application. 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, except that insertions may be made by the insurer, for administrative purposes only, in such manner as to indicate clearly that such insertions are not to be ascribed to the applicant. It could not be verified that the alterations to the applications were made by the applicants for the five (5) files noted.

1 Violation – 31 Pa. Code §83.3(a) 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. If the Appendix A disclosure statement will be used, a letter to that effect, prior to use, is adequate notification to the Department. However, if a statement different

than Appendix A will be used, the statement shall be filed with the Department for review prior to use. If an insurer desires to use an advertisement as its disclosure statement, the portion of the advertisement containing the disclosure statement shall be filed for review prior to use. A disclosure statement shall be a document which shall describe the purpose and importance of the disclosure and describe the significant elements of the policy and riders being offered. The disclosure statement was missing from the file noted.

16 Violations – 31 Pa. Code §83.4a Certification of disclosure statement delivery. 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. The required producers certification of disclosure was signed later than the application date for the sixteen (16) files noted.

14 Violations – 31 Pa. Code §83.55(a) Delivery.

(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. There was no Cost Surrender Comparison Index disclosure in the fourteen (14) files noted.

In reviewing the Individual Life New Business Not a Replacement Sample, the following concern was noted:

CONCERN – Several files within the Sample contained email correspondences asking for documents the Company had already received. The unclear requests resulted in wrong documents being sent multiple times and a delay in placing the policy in force.

B.5 Life New Business

New Business Issued as Replacement

The Company was requested to provide a list of all policies issued as replacements during the experience period. The Company identified a universe of 1120 life policies issued as replacements. A random sampling of 60 life replacement 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.

3 Violations – 40 P.S. §323.3(a) Authority, scope, and scheduling of examinations.

(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. There was pertinent information missing in the three (3) files noted.

1 Violation – 40 P.S. §625-6 Application. 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, except that insertions may be made by the insurer, for administrative purposes only, in such manner as to indicate clearly that such insertions are not to be ascribed to the applicant. It could not be verified that the alterations to the application were made by the applicant in the file noted.

3 Violations – 31 Pa. Code §81.4(b)(1) – Duties of agents and brokers.

(b) If replacement is involved, the agent or broker shall:

(1) 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 form as described in Appendix A (relating to notice regarding replacement of life insurance and annuities), or other substantially similar form filed and accepted prior to use by the Commissioner. The

notice shall be signed by both the applicant and the agent or broker and left with the applicant. The notices regarding replacements were dated after the application date in the three (3) files noted.

2 Violations – 31 Pa. Code §81.6(a)(2)(ii) – Duties of insurers that use agents or brokers.

(a) An insurer that uses an agent or broker in a life insurance or annuity sale shall:

(2) If replacement is involved:

(ii) 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 letters to the existing companies were not documented in the two (2) files noted.

1 Violation – 40 P.S. §625-8(c)(4)(i) – Life insurance illustrations.

(4) Statements substantially similar to the following shall be included on the same page as the numeric summary:

(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 or the policyholder did not sign and date an illustration delivery receipt for the file noted.

2 Violations – 40 P.S. §625-8(c)(4)(ii) – Life insurance illustrations.

(4) Statements substantially similar to the following shall be included on the same page as the numeric summary:

(ii) A statement to be signed and dated by the producer reading as follows:

“I certify that this illustration has been presented to the applicant or the policy owner and that I have explained that any nonguaranteed elements illustrated are subject to change. I have made no statements that are inconsistent with the illustration.” The producer did not sign and date the certification for the two (2) files noted.

17 Violations – 31 Pa. Code §83.3(a) – 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. If the Appendix A disclosure statement will be used, a letter to that effect, prior to use, is adequate notification to the Department. However, if a statement different than Appendix A will be used, the statement shall be filed with the Department for review prior to use. If an insurer desires to use an advertisement as its disclosure statement, the portion of the advertisement containing the disclosure statement shall be filed for review prior to use. A disclosure statement shall be a document which shall describe the purpose and importance of the disclosure and describe the significant elements of the policy and riders being offered. A disclosure statement was missing for the seventeen (17) files noted.

11 Violations – 31 Pa. Code §83.4a – Certification of disclosure statement delivery.

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. The eleven (11) files noted contained a disclosure statement dated after the application date.

37 Violations – 31 Pa. Code §83.55(a) – Delivery.

(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. The Cost Surrender Comparison Index Disclosure was not included in the thirty-seven (37) files noted.

In reviewing the individual Life Issued as Replacements Sample policies, the following concern was noted:

CONCERN 1 – Several files within the Sample contained email correspondences asking for documents the company had already received. The unclear requests resulted in wrong documents being sent multiple times and a delay in placing the policy in force.

CONCERN 2 – Several files contained disclosure statements with alterations. The Examiner was unable to determine the source of these alterations. The Department requests that such alterations be clear on source. These instances could be viewed as unfair practices.

B.5 Life New Business

New Business Terminated

The Company was requested to provide a list of all policies terminated during the experience period. The Company identified a universe of 557 life insurance policies terminated. A random sample of 25 files was requested. The policies were reviewed to ensure compliance with contract provisions, termination laws and regulations, and proper return of any unearned premium. No violations were noted.

B.6 Annuity New Business

Not Issued as a Replacement

The Company was requested to provide a list of all annuity policies issued as new business during the experience period of July 01, 2021 through June 30, 2022. The Company identified a universe of 82 annuity contracts issued as new business during the experience period. A random sampling of 15 annuity contracts issued as new business not replacements was requested, received, and reviewed. Annuity contracts were reviewed to determine compliance with issuance statutes and regulations. The following violations were noted.

1 Violation – 40 P.S. §323.3(a) Authority, scope, and scheduling of examinations.

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

2 Violations – 40 P.S. §625-6 Application. 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, except that insertions may be made by the insurer, for administrative purposes only, in such manner as to indicate clearly that such insertions are not to be ascribed to the applicant. It could not be verified that the alterations to the applications were made by the applicants for the two (2) files noted.

B.6 Annuity New Business

New Business Issued as Replacement

The Company was requested to provide a list of all annuity policies issued during the experience period of July 1, 2021 through June 30, 2022. The Company identified a universe of eighty-two (82) annuity contracts issued as new business during the experience period. A random sampling of thirty-five (35) annuity contracts new business issued as replacements was requested, received, and reviewed. The annuity contracts were reviewed to determine compliance with issuance, replacement statutes and regulations. Of the thirty-five (35) files reviewed, four (4) were identified as new business not issued as replacements. The following violations were noted.

1 Violation – 31 Pa. Code §81.6(a)(2)(ii) Duties of insurers that use agents or brokers.

- (a) An insurer that uses an agent or broker in a life insurance or annuity sale shall:
- (2) If replacement is involved:

(i) Require from the agent or broker with the application for life insurance or annuity a list of all the applicant's existing life insurance or annuity to be replaced, and a copy of the replacement notice provided the applicant under § 81.4(b)(1) (relating to duties of agents and brokers). The existing life insurance or annuity shall be identified by name of insurer, insured and contract number. If a number has not been assigned by the existing insurer, alternative identification, such as an application or receipt number, shall be listed.

(ii) 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 was not issued to the surrendering company in a timely manner for the file noted.

B.6 Annuity New Business

New Business Terminated

The Company was requested to provide a list of all annuity policies issued during the experience period of July 1, 2021 through June 30, 2022. The Company identified a universe of eighty-two (82) annuity contracts issued as new business during the experience period. One annuity new business terminated policy was identified and reviewed to determine compliance with issuance, replacement statutes and regulations. There were no violations were noted.

B.7 Underwriting Guidelines

The Company was asked to provide processes, procedures, and guidelines for underwriting for each product sold during the examination period. The requested items were received and reviewed. There were no violations were noted.

B.8 Policy Forms

The Company was asked to provide a listing of company filed policy forms, endorsements, and applications used during the experience period. This listing should include the form number, descriptive name, date approved and date the form was replaced by another form if changed during the experience period. The requested items were received and reviewed. There were no violations were noted.

B.9 Declined Business

Life Policies Declined

The Company was requested to provide a list of all individual life policies declined during the experience period of July 1, 2021 through June 30, 2022. The Company identified a universe of 966 individual life contracts declined during the experience period. A random sampling of 50 individual life contracts declined was requested, received, and reviewed. The life contracts were reviewed to determine compliance with issuance, replacement statutes and regulations. The following violations were noted.

1 Violation – 40 P.S. §323.3(a) – Authority, scope, and scheduling of examinations.

(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. There was missing information in the file noted.

1 Violation – 31 Pa. Code §81.6(a)(2)(ii) Duties of insurers that use agents or brokers.

(a) An insurer that uses an agent or broker in a life insurance or annuity sale shall:

(2) If replacement is involved:

(i) Require from the agent or broker with the application for life insurance or annuity a list of all the applicant's existing life insurance or annuity to be replaced, and a copy of the replacement notice provided the applicant under § 81.4(b)(1) (relating to duties of agents and brokers). The existing life insurance or annuity shall be identified by name of insurer, insured and contract number. If a number has not been assigned by the existing insurer, alternative identification, such as an application or receipt number, shall be listed.

(ii) 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 was not issued by the surrendering company in a timely manner for the file noted.

B.10 Terminated Business

Life Terminations (Expired, Lapsed, Surrendered, or Matured)

The Company was requested to provide a list of all individual life policies terminated during the experience period of July 01, 2021 through June 30, 2022. The Company identified a universe of 4,622 life policies terminated during the period. A random sampling of 76 life terminated files was requested, received, and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. Out of the 76 files reviewed, 2 files were identified as claims. The following were noted:

2 Violations – 40 P.S. §323.3(a) Authority, scope, and scheduling of examinations.

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

In reviewing the Individual Life Termination Sample, the following concerns were noted:

CONCERN 1 – The Examiner notes that for several files; follow up letters were not sent regarding the stale check.

CONCERN 2 – The Examiner notes that a Whole Life policy can have cash value and the benefit of a policy loan. It would be beneficial to the consumer to be issued an annual statement as of the policy anniversary date. The purpose of this statement would be to keep the insured abreast of the policy activity.

B.10 Terminated Business

Life Policy Rescissions

The Company was requested to provide a list of all individual life policies terminated during the experience period. The Company identified 11 individual life policy rescissions. All 11 files were requested for review. The files were reviewed to ensure compliance with Pennsylvania insurance statutes, regulations, and provisions of the contract. No violations were noted.

B.10 Terminated Business

Annuity Policies Terminated

The Company was requested to provide a list of all annuity contracts terminated during the experience period. The Company identified a universe of 1,765 annuity contracts terminated. A random sample of 41 files was requested. The files were reviewed to ensure compliance with contract provisions, termination laws and regulations, and proper return of any policy earnings. No violations were noted.

B.11 Suitability

The Company was asked to provide your suitability standards, and the processes and procedures utilized to identify suitability. The requested items were received and reviewed. No violations were noted.

B.12 Insurable Interest

The Company was asked to provide the processes and procedures for ensuring insurable interest exists on each policy and identifying circumstances where insurable interest is a concern. In addition, the Company was requested to provide the processes and procedures utilized to confirm that an insurable interest is presented with application and to present any processes and procedures utilized when an insurable interest cannot be determined. The requested items were received and reviewed. There were no violations noted.

B.13 Cancellation, Partial Surrender, or Loan

The Company was asked to provide all policies and procedures utilized by the Company for policyholder-initiated cancellations, partial surrenders, or loans. The requested items were received and reviewed. There were no violations noted.

B.14 Premium Notices

The Company was asked to provide all examples of notices of premium payments sent to the policyholder. And provide documentation demonstrating that premium notices and billing

notices are sent out with an adequate amount of advance notice. The requested items were received and reviewed. There were no violations noted.

B.15 Unclaimed Property

The Company was asked to provide policies and procedures related to unclaimed property. The requested items were received and reviewed. There were no violations noted.

B.16 Unclaimed Property Register

The Company was asked to provide the unclaimed property register. The requested items were received and reviewed. There were no violations noted.

B.17 Death Master Index

The Company was asked to provide the list of all policies and procedures for reporting unclaimed property to the Death Master Index. This should include all processes for reconciliation against the Death Master Index. The requested items were received and reviewed. There were no violations noted.

B.18 Location of Missing Policyholders and Beneficiaries

The Company was asked to provide documentation demonstrating that reasonable attempts to locate missing policyholder or beneficiaries are made. This includes Schedule F of the annual statement; policies scheduled for matured endowments; identification of unpaid payees of returned benefit checks and copies of all unclaimed property reports. The requested items were received and reviewed. There were no violations noted.

B.19 Policy Lapses

The Company was asked to provide a list of all policies lapsed during the examination period. The list shall include policy number, policy type, policy effective date, insured last name, insured DOB, and lapse date. The policy lapses were included and reviewed in section B.10 Terminations. There were no violations noted.

B.20 Advertisement Maintenance

The Company was asked to provide policies and procedures for the maintenance of advertisements. The requested items were received and reviewed. There were no violations noted.

B.21 Advertisement Approval

The Company was asked to provide policies and procedures for the approval of advertisements. The requested items were received and reviewed. There were no violations noted.

B.22 List of Advertisements

The Company was asked to provide a list of advertisements used during the examination period. The list shall include the form number, title, ad description, date approved, date put into circulation, date removed from circulation, type of advertisement, method of distribution, and intended audience. The requested items were received and reviewed. There were no violations noted.

B.23 Consumer Disclosures

The Company was asked to provide policies and procedures for consumer disclosure of information pertinent to a life insurance contract. The requested items were received and reviewed. There were no violations noted.

B.24 List of Producer Training Materials

The Company was asked to provide a list of producer training materials used during the examination period. The list shall include the form number, title, line of business, and date approved. The requested items were received and reviewed. There were no violations noted.

SECTION C: CLAIMS

C.1 Claims Manuals

The Company was asked to provide all policies and procedures regarding claims handling. The requested items were received and reviewed. There were no violations noted.

C.2 Training Manuals

The Company was asked to provide claims training manuals for each line of business identified above. The requested items were received and reviewed. There were no violations noted.

C.3 Claims Process

The Company was asked to provide a comprehensive narrative regarding the claims process from notification to final disposition. This should include investigative notes and references. The requested items were received and reviewed. There were no violations noted.

C.4 Claims Forms

The Company was asked to provide claims form templates. The requested items were received and reviewed. There were no violations noted.

C.5 Paid Life Claims

The Company was requested to provide a list of claims received during the experience period. The Company identified 5,203 individual life claims received. A random sample of 79 individual life claims were requested for review. Of the 79 files requested, all were received and reviewed. The claim files were reviewed for compliance with 31 Pa. Code §146 and 40 P.S. §511b, Payment of Interest. The following violations were noted.

1 Violation – 31 Pa. Code §146.3 – File and record documentation.

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 claim file noted was missing pertinent information.

9 Violations – 31 Pa. Code §146.5(a) – Failure to acknowledge pertinent communications.

(a) Every insurer, upon receiving notification of a claim, shall, within 10 working days, acknowledge the receipt of the notice unless payment is made within the period of time. If an acknowledgment is made by means other than writing, an appropriate notation of the acknowledgment shall be made in the claim file of the insurer and dated. Notification given to an agent of an insurer shall be notification to the insurer, dating from the time the insurer receives notice. The Company failed to acknowledge the claim within 10 working days for the nine (9) claim files noted.

1 Violation – 31 Pa. Code §146.5(d) – Failure to acknowledge pertinent communications.

(d) Every insurer, upon receiving notification of claim, shall provide within 10 working days necessary claim forms, instructions, and reasonable assistance so that first-party claimants can comply with the policy conditions and reasonable requirements of the insurer. Compliance with this subsection within 10 working days of notification of a claim shall constitute compliance with subsection (a). The necessary claim forms were not provided within 10 working days for the claim file noted.

11 Violations – 31 Pa. Code §146.6 – Standards for prompt investigation of claims.

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 eleven (11) claim files noted.

1 Violation – 31 Pa. Code §146.7(a)(1) – Standards for prompt, fair and equitable settlements applicable to insurers.

(a) Acceptance or denial of a claim shall comply with the following:

(1) 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. An insurer may not deny a claim on the grounds of a specific policy provision, condition, or exclusion unless reference to the provision, condition or exclusion is included in the denial. The denial shall be given to the claimant in writing and the claim file of the insurer shall contain a copy of the denial. The Company failed to provide notice of acceptance or denial within 15 working days for the claim file noted.

2 Violations – 40 P.S. §511b(a) – Payment of Benefits.

(a) Life insurance death benefits not paid within thirty days after satisfactory proof of death was submitted to the insurer shall bear interest at the rate of interest payable on death benefits left on deposit by the beneficiary with the insurer. This interest shall accrue from the date of death of the insured to the date benefits are paid to the beneficiary. In cases where satisfactory proof of death is submitted more than one hundred eighty days after the death of the insured, and the death benefits are not paid within thirty days after the satisfactory proof of death was submitted to the insurer, interest shall accrue from the date on which satisfactory proof was submitted to the date on which the benefits of the policy are paid. The required interest was not paid on the two (2) claim files noted.

C.6 Paid Annuity Claims

The Company was requested to provide a list of all paid annuity claims received during the experience period. The Company identified 1495 paid annuity claims received. A random sample of 50 paid annuity claims was requested for review. The claim files were reviewed for compliance with 31 Pa. Code §146 and 40 P.S. §511B, Payment of Interest. The following violations were noted:

6 Violations – 40 P.S. §1171.5(a)(10)(x) – Unfair methods of competition and unfair or deceptive acts or practices defined.

(a) “Unfair methods of competition” and “unfair or deceptive acts or practices” in the business of insurance means:

(10) Any of the following acts if committed or performed with such frequency as to indicate a business practice shall constitute unfair claim settlement or compromise practices.

(x) Making claims payments to insureds or beneficiaries not accompanied by a statement setting forth the coverage under which payments are being made. The six (6) claim files noted were not accompanied by a statement setting forth the coverage under which payments were made.

In reviewing the Paid Annuity Claims Sample, the following concerns were noted:

CONCERN 1: For most of the Sample, documentation received by the Company does not contain a date stamp; examples are death certificates and claim’s statements. This presents a concern when determining the timeliness of actions.

CONCERN 2: Claims status letters continue to be sent after completion of claim. This may result in confusion for the beneficiary regarding claim status.

C.7 Denied Claims

Life Denied Claims

The Company was requested to provide a list of life claims denied during the experience period. The Company identified 51 individual life claims denied. A sample of 25 individual life claims denied were requested for review. The claim files were reviewed for compliance with 31 Pa. Code §146. The following violations were noted.

8 Violations – 31 Pa. Code §146.5(a) – Failure to acknowledge pertinent communications.

(a) Every insurer, upon receiving notification of a claim, shall, within 10 working days, acknowledge the receipt of the notice unless payment is made within the period of time. If an acknowledgment is made by means other than writing, an appropriate notation of the acknowledgment shall be made in the claim file of the insurer and dated. Notification given to an agent of an insurer shall be notification to the insurer, dating from the time the insurer receives notice. The Company failed to acknowledge the claim within 10 working days for the eight (8) claim files noted.

2 Violations – 31 Pa. Code §146.6 – Standards for prompt investigation of claims.

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 two (2) claim files noted.

2 Violations – 31 Pa. Code §146.7(a)(1) – Standards for prompt, fair and equitable settlements applicable to insurers.

(a) Acceptance or denial of a claim shall comply with the following:

(1) 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. An insurer may not deny a claim on the grounds of a specific policy provision, condition, or exclusion unless reference to the provision, condition or exclusion is included in the denial. The denial shall be given to the claimant in writing and the claim file of the insurer shall contain a copy of the denial. The Company failed to provide notice of acceptance or denial within 15 working days for the 2 claim files noted.

C.8 Pended Claims

Life Pended Claims

The Company was requested to provide a list of all life pended claims for the experience period, 7/1/2021 to 6/20/2022. The Company identified 526 individual life pended claims. A sample of 30 individual life pended claims was requested for review. The claim files were reviewed for compliance with 31 Pa. Code §146. Out of the 30 files reviewed, 26 files were identified as outside the experience period. The following violations were noted:

4 Violations – 31 Pa. Code §146.5(a) – Failure to acknowledge pertinent communications.

(a) Every insurer, upon receiving notification of a claim, shall, within 10 working days, acknowledge the receipt of the notice unless payment is made within the period of time. If an acknowledgment is made by means other than writing, an appropriate notation of the acknowledgment shall be made in the claim file of the insurer and dated. Notification given to an agent of an insurer shall be notification to the insurer, dating from the time the insurer receives notice. The Company failed to acknowledge the claim within 10 working days for the four (4) claim files noted.

16 Violations – 31 Pa. Code §146.6 – Standards for prompt investigation of claims.

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 sixteen (16) claim files noted.

C.8 Pended Claims

Annuity Pended Claims

The Company was requested to provide a list of all pended claims for the experience period, 7/1/2021 to 6/30/2022. The Company identified a universe of 537 pended claims, which contained 11 annuity claims. All 11 annuity pended claims were requested for review. Of the 11 files requested, 11 were received and reviewed. The claim files were reviewed for compliance with 31 Pa. Code §146. The following violations were noted.

1 Violation – 31 Pa. Code §146.5(a) Failure to acknowledge pertinent communications.

(a) Every insurer, upon receiving notification of a claim, shall, within 10 working days, acknowledge the receipt of the notice unless payment is made within the period of time. If an acknowledgment is made by means other than writing, an appropriate notation of the acknowledgment shall be made in the claim file of the insurer and dated. Notification given to an agent of an insurer shall be notification to the insurer, dating from the time the insurer receives notice. The Company failed to acknowledge the claim within 10 working days for the claim file noted.

5 Violations – 31 Pa. Code §146.6 Standards for prompt investigation of claims. 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 five (5) claim files noted.

3 Violations – 72 P.S. §1301.4(a)(1) Property held by insurer.

(a) In the case of life insurance, the following property held or owing by an insurer is presumed abandoned and unclaimed:

1. Any moneys held or owing by an insurer as established by its records under any contract of annuity or policy of life insurance including premiums returnable or dividends payable, unclaimed and unpaid for more than three (3) years after the moneys have or shall become due and payable under the provisions of such contract of annuity or policy of insurance. A life insurance policy not matured by actual proof of the death of the insured is deemed to be matured and the proceeds thereof are deemed to be due and payable if such policy was in force when the insured attained the limiting age under the mortality table on which the reserve is based, unless the person appearing entitled thereto has within the preceding three (3) years, (i) assigned, readjusted or paid premiums on the policy, or subjected the policy to loan, or (ii) corresponded in writing with the insurer concerning the policy. The three (3) claim files noted have remained unclaimed and unpaid for more than three years from the date of notification.

5 Violations – 40 P.S. §1171.5(a)(10)(vi) Unfair methods of competition and unfair or deceptive acts or practices defined.

(a) “Unfair methods of competition” and “unfair or deceptive acts or practices” in the business of insurance means:

(10) Any of the following acts if committed or performed with such frequency as to indicate a business practice shall constitute unfair claim settlement or compromise practices.

(vi) Not attempting in good faith to effectuate prompt, fair and equitable settlements of claims in which the company's liability under the policy has become reasonably clear. The Company failed to take appropriate actions to settle the claims or begin escheating measures accordingly for the five (5) claim files noted.

C.9 Policy Loans

The Company was requested to provide a list of all life insurance policy loans issued during the experience. The Company identified a universe of 3,105 individual life insurance policy loans issued during the period. A random sample of 25 individual life policy loan files issued 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.

6 Violations – 40 P.S. Insurance § 510e(c)(5)(i) – Policy loan interest rate law

(c)(5) The company shall:

(i) notify that policyholder at the time a cash loan is made of the initial rate of interest on the loan. The Company failed to provide notification to the policyholder of the initial interest rate at the time of cash loan for the six (6) files noted.

SECTION D: PRODUCER LICENSING

D.1 List of Appointed and Terminated Producers

The Company was requested to provide a list of all producers active and terminated during the experience period. A sample of 40 active and 40 terminated producers was selected and reviewed. The sampled list was compared to Departmental records of producers to verify appointments, terminations, and licensing. The following violations were noted.

2 Violations – 40 P.S. §310.71(f) – Appointments.

(f) Reporting. – An insurer shall, upon request, certify to the department the names of all licensees appointed by the insurer. The Company listed two producers as active, however, Department records indicated their appointment as terminated.

3 Violations – 40 P.S. §310.71a – Termination of Appointments.

(a) Termination. – An insurer which terminates an appointment pursuant to Section 671A(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. The Company provided a list of producers who were terminated during the experience period. Department records showed termination that occurred outside the experience period for three (3) producers.

1 Violation – 40 P.S. §310.41(a) – Unlicensed Activity.

(a) Prohibition.--No person shall act as or perform the duties of an insurance producer in this Commonwealth without being licensed in accordance with this act. An insurer shall be responsible for a violation of this section by its employees; however, other than against directors and officers, the department may not seek to impose penalties against the individual employees in addition to the insurer for the same activity. One producer was determined to be not licensed with life or annuity qualifications.

D.2 Producer Licensing

The Company was asked to provide documentation demonstrating that producers are properly licensed and appointed and have appropriate continuing education. The requested items were received and reviewed. There were no violations noted.

D.3 Producer Termination

The Company was asked to provide policies and procedures for termination of appointed producers including applicable notifications. The requested items were received and reviewed. There were no violations noted.

D.4 Producer Recruiting and Onboarding

The Company was asked to provide all processes and procedures for recruiting producers and the oversight of the onboarding process (i.e., background checks, how does the Company confirm that the producer is appropriately licensed, that there are no complaints against the producer) The requested items were received and reviewed. There were no violations noted.

D.5 Producer Oversight

The Company was asked to provide policies and procedures for overseeing the sales force, including complaints received regarding any producer, and descriptions of administrative or disciplinary actions the Company imposes against producers. The requested items were received and reviewed. There were no violations noted.

D.6 Producer Training and Ongoing Education

The Company was asked to provide documentation on how the Company monitors producer training and on-going education requirements to ensure that the Producer has the appropriate training and certification for the line of business. The requested items were received and reviewed. There were no violations noted.

D.7 Producer Information

The Company was asked to provide the processes and procedures for ensuring that each producer has the appropriate education and training at the time of sale. The requested items were received and reviewed. There were no violations noted.

SECTION E MCAS

E.1 Life Underwriting

The Company was asked to provide the life underwriting data listings that supported the 2021 MCAS filing. The requested information was received. No violations were noted.

E.2 Life Claims

The Company was asked to provide the life claims data listings that supported the 2021 MCAS filing. The requested information was received. No violations were noted.

E.3 Annuity Underwriting

The Company was asked to provide the annuity underwriting data listings that supported the 2021 MCAS filing. The requested information was received. No violations were noted.

IV. DATA INTEGRITY

As part of the examination, the Company was sent a preliminary examination packet in accordance with NAIC uniformity standards and provided specific information relative to the exam. The purpose of the packet was to provide certain basic examination information, identify preliminary requirements and to provide specific requirements for requested data call information. Once the Company provided all requested information and data contained within the data call, the Department reviewed and validated the data to ensure its accuracy and completeness to determine compliance with Insurance Department Act, Section 904(b) [40 P.S. §323.3(a)]. Several data integrity issues were found during the exam.

The data integrity issue of each section of review is identified below.

B.5 Life New Business Not a Replacement

The data files were provided by the Company. Five (5) of the seventy-five (75) records provided were not New Business Not a Replacement. These files were not reviewed with the Sample.

B.6 Individual Annuity Policies Issued as Replacements

The data files were provided by the Company. Four (4) of the thirty-five (35) records were not Replacements. These files were not reviewed with the Sample.

B.10 Life Terminated

The data files were provided by the Company. Two (2) of the seventy-six (76) records were not Terminations. These files were not reviewed with the Sample.

C.8 Life Pended Claims

The data files were provided by the Company. Twenty-six (26) of the thirty (30) records were outside the experience period. These files were reviewed with the Sample.

D.1 List of Appointed and Terminated Producers

The Company provide a list of all producers active and terminated. Six (6) of the forty (40) producers reviewed on the terminated sample had active appointments.

General Violation - 40 P.S. § 323.3(a) – Authority, scope, and scheduling of examinations.

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

V. RECOMMENDATIONS

The recommendations made below identify corrective measures the Department finds necessary due to the number, nature or severity of violations noted in this Examination Report.

1. The Company must review and revise internal control procedures to ensure compliance with the replacement requirements of 31 Pa. Code, Chapter 81.
2. The Company must review internal control procedures to ensure compliance with disclosure requirements of 31 Pa Code, Chapter 83.
3. The Company must ensure that a notification is sent at the time a cash loan is made of the initial rate of interest on the loan as required by 40 P.S. §510e(c)(5)(i) so that the violations, as noted in the report, do not occur in the future.
4. The Company must ensure that payment of benefits is made timely, and that interest is incorporated into payments not made within 30 days as required by 40 P.S. §511b(a). Additionally, the Company must incorporate measures to identify claims that were not paid in a timely manner and ensure that the correct interest was paid. If interest was not paid, the Company should remediate payments of interest to the claimant.
5. The Company must review and revise internal control procedures to ensure compliance with claims handling requirements of 31 Pa. Code, Chapter 146, Unfair Claims Settlement Practices so that the violations relating to acknowledgement, status letters, acceptance or denial of a claim, and sending claims forms, as noted in the Report, do no occur in the future.
6. The Company should incorporate measures to ensure that all claims are settled or to begin escheating measures accordingly required by 40 PS § 1171.5(a)(10)(vi) so that the violations, as noted in the report, do not occur in the future. .

7. The Company should incorporate measures to ensure all claims payments are accompanied by a statement which clearly outlines and sets forth the coverage under which payments are being made as required by 40 PS § 1171.5(a)(10)(x) so the violations, as noted in the report, do not occur in the future.
8. The Company must review and revise Licensing procedures to ensure compliance with 40 P.S. §§310.71(a), 310.71 (f) and 310.41(a).
9. The Company must review internal control procedures to ensure compliance with illustration certification and delivery requirements of 40 P.S. §§625-8(c)(4)(i) and 625-8(c)(4)(ii).
10. The Company must ensure it obtains the applicant's written consent to alter a written application for a life insurance policy as required by 40 P.S. § 625-6, so the violations, as noted in the exam report, do not occur in the future.
11. The Company must ensure to maintain comprehensive file documentation as required by 40 P.S. § 323.3(a), so the violations, as noted in the exam report, do not occur in the future.
12. The Company should review guidelines regarding property held by the insurer under 72 P.S. §1301.4(a)(1), so the violations, as noted in the exam report, do not occur in the future.

VI. COMPANY RESPONSE

February 2, 2024

Via email to: ptowsen@pa.gov

Paul Towsen, MCM
Chief, Property and Casualty/Life and Annuity Division
Pennsylvania Insurance Department
Bureau of Market Actions
1321 Strawberry Square
Harrisburg, PA 17120

**RE: *Pennsylvania Market Conduct Examination Report
Transamerica Life Insurance Company (NAIC #86231)***

Dear Mr. Towsen,

Transamerica Life Insurance Company (the Company) is in receipt of the Pennsylvania Insurance Department (Department) Report of Examination covering the period of July 1, 2021, through June 30, 2022. The Company appreciates the opportunity to respond to the report.

Pursuant to the Department's letter dated January 3, 2024, the Company hereby submits its response to the report. The Company previously provided responses to the examination findings on December 12, 2023. In addition, the Company wishes to offer the following comments. For ease of reference the corresponding page numbers from the report are also included.

III. Company History - Overview and Organization of the Company (Page 7)

Company Response: The Company respectfully requests that the following language be removed:

The Company is a wholly owned subsidiary of Globe Life Inc.

Concerns (Pages 12, 16, 21, 28)

Company Response: The Company appreciates the Department bringing these concerns to its attention. The Company will review the concerns noted and, where appropriate, evaluate potential enhancements.

V. RECOMMENDATIONS (Pages 40-41)

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

Company Response: The Company completed additional training with the impacted teams to reinforce the replacement requirements of 31 Pa. Code, Chapter 81. Ongoing training and in-depth quality reviews of work performed are also occurring.

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

Company Response: The Company has initiated corrective action to ensure compliance with the disclosure requirements of 31 Pa. Code, Chapter 83. Ongoing training and in-depth quality reviews of work performed are also occurring.

3. The Company must ensure that a notification is sent at the time a cash loan is made of the initial rate of interest on the loan as required by 40 P.S. §510e(c)(5)(i) so that the violations, as noted in the report, do not occur in the future.

Company Response: The Company has initiated corrective action to ensure compliance with the cash loan initial interest rate notification requirements of 40 P.S. §510e(c)(5)(i).

4. The Company must ensure that payment of benefits is made timely, and that interest is incorporated into payments not made within 30 days as required by 40 P.S. §511b(a). Additionally, the Company must incorporate measures to identify claims that were not paid in a timely manner and ensure that the correct interest was paid. If interest was not paid, the Company should remediate payments of interest to the claimant.

Company Response: The Company has procedures in place to comply with 40 P.S. §511b(a). In addition, the Company has completed remediation for the two claims identified during the exam and paid correct interest. The Company is also conducting ongoing training to help ensure compliance.

5. The Company should ensure that comprehensive claim files are retained and contain all notes and work papers pertaining to the claim in a level of detail allowing pertinent events and dates of events to be reconstructed as required by 31 Pa Code § 146.3.

Company Response: The Company has procedures in place to maintain comprehensive claim files and will continue to maintain appropriate information. For this exam, one document was missing from one claim file. The Company respectfully submits that a single occurrence is an anomaly and requests that the Department consider removing this Recommendation.

6. The Company must review and revise internal control procedures to ensure compliance with claims handling requirements of 31 Pa. Code, Chapter 146, Unfair Claims Settlement Practices so that the

violations relating to acknowledgement, status letters, acceptance or denial of a claim, and sending claims forms, as noted in the Report, do not occur in the future.

Company Response: The Company is conducting ongoing training to address the claims handling recommendations referenced above. Additionally, the Company has completed corrective action to consistently comply with the requirements specific to status letters.

7. The Company should incorporate measures to ensure that all claims are settled or to begin escheating measures accordingly required by 40 PS § 1171.5(a)(10)(vi) so that the violations, as noted in the report, do not occur in the future.

Company Response: Remediation was completed in 2023 to ensure impacted claims were either settled or escheated. The Company also reviewed its procedures and has verified compliance with 40 PS § 1171.5(a)(10)(vi).

8. The Company should incorporate measures to ensure all claims payments are accompanied by a statement which clearly outlines and sets forth the coverage under which payments are being made as required by 40 PS § 1171.5(a)(10)(x) so the violations, as noted in the report, do not occur in the future.

Company Response: The Company has procedures in place to comply with 40 PS § 1171.5(a)(10)(x) and is conducting ongoing training to address the processor errors identified during this exam.

9. The Company must review and revise Licensing procedures to ensure compliance with 40 P.S. §§310.71(a), 310.71 (f) and 310.41(a).

Company Response: The Company has procedures in place to comply with 40 P.S. §§310.71(a), 310.71 (f) and 310.41(a). The data for this exam contained both processor and data errors. Producer Licensing managers are addressing the processor errors with their staff. Company management is also reviewing the Data Integrity concerns to identify and implement process enhancements that will help ensure more accurate data.

10. The Company must review internal control procedures to ensure compliance with illustration certification and delivery requirements of 40 P.S. §§625-8(c)(4)(i) and 625-8(c)(4)(ii).

Company Response: The Company updated its procedures and completed additional training with impacted teams to ensure compliance with the illustration certification and delivery requirements of 40 P.S. §§625-8(c)(4)(i) and 625-8(c)(4)(ii). Ongoing training and in-depth quality reviews of work performed are also occurring.



6400 C Street SW
Cedar Rapids, IA 52499

11. The Company must ensure it obtains the applicant's written consent to alter a written application for a life insurance policy as required by 40 P.S. § 625-6, so the violations, as noted in the exam report, do not occur in the future.

Company Response: The Company has initiated corrective action to ensure compliance with the written consent requirements of 40 P.S. § 625-6. Ongoing training and in-depth quality reviews of work performed are also occurring.

12. The Company must ensure to maintain comprehensive file documentation as required by 40 P.S. § 323.3(a), so the violations, as noted in the exam report, do not occur in the future.

Company Response: Company management is reviewing the Data Integrity concerns noted during the exam to identify and implement process enhancements that will help ensure more accurate data going forward.

13. The Company should review guidelines regarding property held by the insurer under 72 P.S. §1301.4(a)(1), so the violations, as noted in the exam report, do not occur in the future.

Company Response: Procedures have been reviewed and determined to be in compliance with 72 P.S. §1301.4(a)(1).

The Company would like to thank the Department for their ongoing partnership throughout the examination process. Please do not hesitate to contact me if there are any questions.

Sincerely,

Tate Flott

Tate Flott
Compliance Manager