



**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT**

**MARKET CONDUCT
EXAMINATION REPORT**

OF

**GENWORTH LIFE
INSURANCE COMPANY
LYNCHBURG, VA**

**As of: October 2, 2015
Issued: November 13, 2015**

**BUREAU OF MARKET ACTIONS
LIFE, ACCIDENT AND HEALTH DIVISION**

GENWORTH LIFE INSURANCE COMPANY
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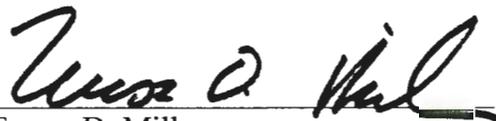
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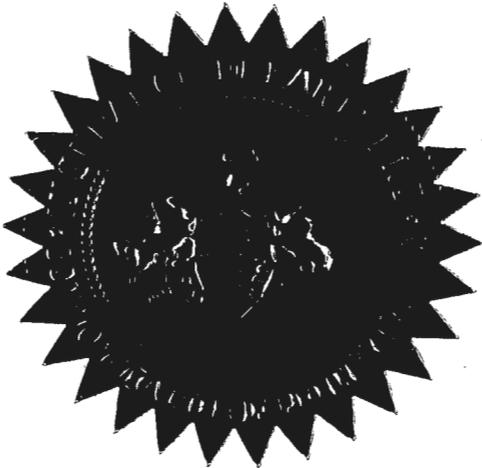
BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

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

AND NOW, this 7th day of April, 2015, Christopher R. Monahan,
Acting 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.



Teresa D. Miller
Acting Insurance Commissioner



BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE:	:	VIOLATIONS:
	:	
GENWORTH LIFE	:	40 P.S. §323.3(a), 991.1110
INSURANCE COMPANY	:	and 991.1111b(1)
700 Main Street, Mail Stop 3-040	:	
Lynchburg, VA 24504	:	31 Pa. Code §§51.32(b), 89a.106
	:	89a.108(b)(2), 89a.113(f), 146.4(a)
	:	and 146.7
	:	
	:	
	:	
Respondent.	:	Docket No. MC15-10-001

CONSENT ORDER

AND NOW, this *13th* day of *November*, 2015, this Order is hereby issued by the Insurance Department of the Commonwealth of Pennsylvania pursuant to the statutes cited above and in disposition of the matter captioned above.

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

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

3. Respondent neither admits nor denies the Findings of Fact or Conclusions of Law contained herein. No acts by Respondent that are alleged to be violations of Pennsylvania law in the referenced provisions were the result of any conscious policy to evade the requirements of Pennsylvania law.

FINDINGS OF FACT

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

- (a) Respondent is Genworth Life Insurance Company, and maintains its address at 700 Main Street, Mail Stop 3-040, Lynchburg, VA 24504.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from January 1, 2014 to December 31, 2014.

- (c) On October 2, 2015, the Insurance Department issued a Market Conduct Examination Report to Respondent.
- (d) The Examination Report notes violations of the following:
 - (i) 40 P.S. §323.3(a), which requires every company subject to examination to keep all books, records, accounts, papers, documents and any 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 readily ascertain whether the company has complied with the laws of this Commonwealth;
 - (ii) 40 P.S. §991.1110, which states individual long term care insurance policyholders and group certificate holders who contribute to the cost of their long term care coverage shall have the right to return the 24 policy within thirty (30) days of its delivery and to have the premium refunded if, after examination of the policy or certificate, the policyholder or certificate holder is not satisfied for any reason;
 - (iii) 40 P.S. §991.111b(1), which states within thirty (30) business days after receipt of a claim for benefits under a long-term care insurance policy or certificate, an insurer shall pay the claim if it is a clean claim or send a written notice acknowledging the date of receipt of the claim and one of the

following: (1) The insurer is declining to pay all or part of the claim and the specific reason for denial;

(iv) 31 Pa. Code §51.32(b), which states the source of any statistics used in an advertisement shall be identified in the advertisement, if the failure to so identify would have the capacity or tendency to mislead purchasers or prospective purchasers;

(v) 31 Pa. Code §89a.106, which states: (a) Each insurer offering long-term care insurance shall, as a protection against unintentional lapse, comply with the following conditions:

(1) Notice before lapse or termination. An individual long-term care policy or certificate may not be issued until the insurer has received from the applicant either a written designation of at least one person, in addition to the applicant, who is to receive notice of lapse or termination of the policy or certificate for nonpayment of premium, or a written waiver dated and signed by the applicant electing not to designate additional persons to receive notice. The applicant has the right to designate at least one person who is to receive the notice of termination, in addition to the insured.

Designation may not constitute acceptance of liability on the third party for services provided to the insured. The form used for the written designation must provide space clearly designated for listing at least one person. The designation shall include each person's full name and home address. In the

case of an applicant who elects not to designate an additional person, the waiver shall state: "Protection against unintended lapse. I understand that I have the right to designate at least one person other than myself to receive notice of lapse or termination of this long-term care insurance policy for nonpayment of premium. I understand that notice will not be given until 30 days after a premium is due and unpaid. I elect not to designate a person to receive this notice." The insured shall be able to change the written designation at any time. The insurer shall notify the insured of the right to change this written designation, at least once every 2 years.

(2) Deduction Plans. When the policyholder or certificate holder pays premium for a long-term care insurance policy or certificate through a payroll or pension deduction plan, the requirements contained in paragraph (1) need not be met until 60 days after the policyholder or certificate holder is no longer on the payment plan. The application or enrollment form for those policies or certificates shall clearly indicate the payment plan selected by the applicant.

(3) Lapse or termination for nonpayment of premium. No individual long term care policy or certificate may lapse or be terminated for nonpayment of premium unless the insurer, at least 30 days before the effective date of the lapse or termination, has given notice to the insured and to those persons designated under paragraph (1), at the address provided by the insured for purposes of receiving notice of lapse or termination. Notice shall be given by first class United States mail, postage prepaid; and notice

may not be given until 30 days after a premium is due and unpaid. Notice shall be deemed to have been given as of 5 days after the date of mailing.

(b) Reinstatement. In addition to the requirement in subsection (a), a long term care insurance policy or certificate shall include a provision that provides for reinstatement of coverage, in the event of lapse if the insurer is provided proof that the policyholder or certificate holder was cognitively impaired or had a loss of functional capacity before the grace period contained in the policy expired. This option shall be available to the insured if requested within 5 months after termination and shall allow for the collection of a past due premium, when appropriate. The standard of proof of cognitive impairment or loss of functional capacity may not be more stringent than the benefit eligibility criteria on cognitive impairment or the loss of functional capacity contained in the policy and certificate;

(vi) 31 Pa. Code §89a.108(b)(2), which states other than policies for which no applicable premium rate or rate schedule increases can be made, insurers shall provide all of the information listed in this subsection to the applicant at the time of application or enrollment, unless the method of application does not allow for delivery at that time. In such a case, an insurer shall provide all of the information listed in this section to the applicant no later than at the time of delivery of the policy or certificate. An explanation of potential future premium rate revisions, and the policyholder's or certificate

holder's option in the event of a premium rate revision (should be presented);

- (vii) 31 Pa. Code §89a.113(f), which requires the insurer to maintain records demonstrating delivery date of policies so that this date can be used to determine the commencement of the 30-day policy examination period. Delivery date shall be deemed the date the policy is received by the policyholder;
- (viii) 31 Pa. Code §146.4(a), which requires (a) An insurer or agent may not fail to fully disclose to first-party claimant's pertinent benefits, coverages or other provisions of an insurance policy or insurance contract under which a claim is presented;
- (ix) 31 Pa. Code §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.

CONCLUSIONS OF LAW

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

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

- (b) Respondent's violations of 31 Pa. Code §§991.1110 and 991.1111b(1) are punishable under 40 P. S. §991.1114 which states an insurer or producer found to have violated the requirements relating to the regulations of long-term care insurance or the marketing of such insurance shall be subject to a civil penalty of up to three times the amount of any commissions paid for each policy involved in the violation or \$10,000, whichever is greater.

- (c) Respondent's violations of 31 Pa. Code §§89a.106, 89a.108(b)(2) and 89a.113(f) are punishable under 40 P. S. §991.1114 which states an insurer or producer found to have violated the requirements relating to the regulations of long-term care insurance or the marketing of such insurance shall be subject to a civil penalty of up to three times the amount of any commissions paid for each policy involved in the violation or \$10,000, whichever is greater.

- (d) Respondent's violations of 31 Pa. Code §§146.4(a) and 146.7 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.

- (e) In addition to any penalties imposed by the Commissioner for Respondent's violations of 40 P.S. §§1171.1 – 1171.5, the Commissioner may, under (40 P.S. §§1171.10, 1171.11) file an action in which the Commonwealth Court may impose the following civil penalties:
 - (i) for each method of competition, act or practice which the company knew or should have known was in violation of the law, a penalty of not more than five thousand dollars (\$5,000.00);
 - (ii) for each method of competition, act or practice which the company did not know nor reasonably should have known was in violation of the law, a penalty of not more than one thousand dollars (\$1,000.00).

ORDER

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

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) Respondent shall file an affidavit stating under oath that it will provide each of its directors, at the next scheduled directors meeting, a copy of the adopted Report and related Orders. Such affidavit shall be submitted within thirty (30) days of the date of this Order.
- (c) Respondent shall comply with all recommendations contained in the attached Report.
- (d) Respondent shall pay Ten Thousand Dollars (\$10,000.00) 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 Pennsylvania Insurance Department. Payment should be directed to April Phelps, Bureau of Market Actions, 1311 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.

7. In the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, based upon the Findings of Fact and Conclusions of

Law contained herein may pursue any and all legal remedies available, including but not limited to the following: The Insurance Department may enforce the provisions of this Order in the Commonwealth Court of Pennsylvania or in any other court of law or equity having jurisdiction; or the Department may enforce the provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

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

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

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

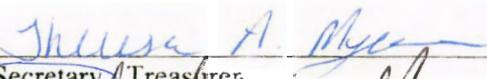
11. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

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

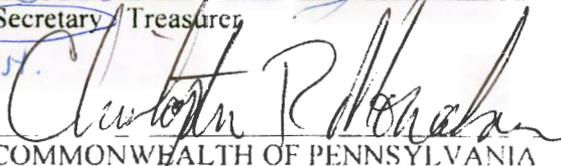
BY: GENWORTH LIFE INSURANCE COMPANY.
Respondent



President / Vice President



Secretary / Treasurer
ASST.



COMMONWEALTH OF PENNSYLVANIA
Christopher R. Monahan
Acting Deputy Insurance Commissioner

I. INTRODUCTION

The Market Conduct Examination was conducted on Genworth Life Insurance Company; hereafter referred to as “Company,” at the Company’s office located in Lynchburg, Virginia the weeks of June 15, 2015, through June 26, 2015, and in the Department Offices June 29, 2015, through September 27, 2015. The Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

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

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

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

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

Deborah Lee
Pennsylvania Insurance Department
Market Conduct Division Chief

Gary L. Boose, LUTC, MCM
Pennsylvania Insurance Department
Market Conduct Examiner
Examiner in Charge

Monique Miller
Pennsylvania Insurance Department
Market Conduct Examiner

Samuel D. Binnun, LUTCF, MCM
Risk & Regulatory Consulting LLC
Senior Director

Teri Harkenrider, MCM
Risk & Regulatory Consulting LLC
Manager

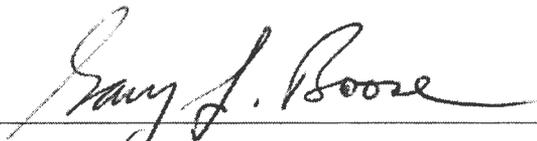
Ernest L. Nickerson, FLMI, ACS, AIRC, ARM, RHU, AIE, AMCM
Risk & Regulatory Consulting LLC
Senior Manager

Pat Lee, FLHC, AIRC, ACS, ALMI, AIE
Risk & Regulatory Consulting LLC
Senior Consultant

Eric Scott
Risk & Regulatory Consulting LLC
Senior Manager

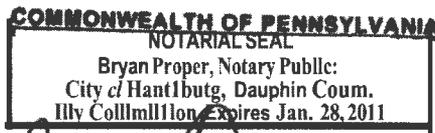
Verification

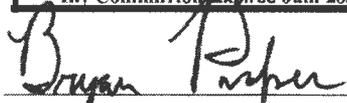
Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).



Gary L. Boose LUTC, MCM, Examiner-In-
Charge

Sworn to and Subscribed Before
me This 10 of September, 2015





Notary Public

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by 40 P.S. §§323.3 and 323.4 of the Insurance Department Act and covered the experience period of January 1, 2014, through December 31, 2014, unless otherwise noted. The purpose of the examination was to ensure compliance with Pennsylvania insurance laws and regulations.

The examination focused on the market conduct activities in areas such as: Forms, Producer Licensing, appointments and terminations, Consumer Complaints, Underwriting Practices and Procedures including surrenders and replacements, life and annuity products of cash value, Long Term Care and Data Integrity. The examination was called on Genworth Life and Annuity Insurance Company (Company) as a result of recent market and complaint analyses.

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 category of 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

Genworth Life Insurance Company (Company) was incorporated as United Pacific Life Insurance Company in the State of Washington and commenced business on September 28, 1956. The Company was re-domiciled in Delaware in 1992. The Company is authorized to do business in 49 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

Effective October 2, 2005, the Company, together with the Company's indirect parent corporation, General Electric Capital Corporation, acquired AMEX (American Express) Life Assurance Company, which was merged into the Company effective June 30, 1996. Effective January 1, 1999, Great Northern Insured Annuity Corporation was merged into the Company. Effective January 1, 2006, the name of the Company was changed to Genworth Life Insurance Company. The Company is now a subsidiary of Genworth Financial, Inc.

The Company offers individual and group fixed life insurance, individual and group fixed annuities, and individual and group long-term care insurance.

In its 2014 Annual Statement, the Company reported direct premium for ordinary and group life insurance of \$487,970,232, direct premium for annuities of \$564,516,036, and direct premium for accident and health insurance of \$2,429,129,188.

IV. COMPANY OPERATIONS AND MANAGEMENT

The Company was requested to provide information documenting its management and operational procedures in areas for which they conduct business for the Commonwealth of Pennsylvania. The following areas were reviewed:

- General Procedures and Company History
- Internal Audit and Compliance Procedures
- Controls of Computer Information
- Antifraud and Disaster Recovery Plans
- Outsourcing and Monitoring of Management Services
- Retention of Records
- Information: Collection, Use, & Disclosure (including Privacy of Personal Info)
- Licensed for Lines of Business

These areas were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulation. No violations were noted.

V. FORMS

The Company was requested to provide a list and copies of all policy and/or member forms, conversion contracts, applications, riders, amendments and endorsements used during the experience period. The forms provided and forms reviewed in various underwriting sections of the exam were reviewed to ensure compliance with 40 P.S. §477b.1 and 18 Pa. Code §4117(k), Fraud notice. No violations were noted.

VI. PRODUCER LICENSING

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

The Company provided a list of 22,414 active producers and 7,412 terminated producers. A random sample of 75 producers each was compared to departmental records of producers to verify appointments, terminations and licensing. In addition, a comparison was made on the individuals identified as producers on applications reviewed in the policy issued sections of the exam. No violations were noted.

VII. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period of January 1, 2014 through December 31, 2014 and to provide copies of consumer complaint logs/registers for the preceding three years. The Company identified a universe of 59 consumer complaints received during 2013 and the experience period. All complaints identified were forwarded from the Department. All 59 files were requested, received and reviewed. The Company also provided complaint registers as requested. The Department's list of written consumer complaints that were forwarded to the Company during the experience period was compared to the Company's complaint register.

The purpose of the review was to determine compliance with the Unfair Insurance Practices Act, (40 P.S. §§1171 – 1171.5). Section 5(a)(11) of the Act (40 P.S. §1171.5(a)(11)), requires a company to maintain a complete record of all complaints received during the preceding four years. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint. The individual complaint files involving claims were reviewed for the relevancy to applicable statutes and to verify compliance with 31 Pa. Code §146.5(b)(c). No violations were noted.

VIII. UNDERWRITING

The Underwriting review is comprised of individual and group underwriting areas and consists of 11 general segments.

- A. Underwriting Guidelines Manuals
Individual**
- B. Individual Long Term Care Issued**
- C. Pennsylvania Total Living Coverage or Individual Universal Life Issued**
- D. Pennsylvania Total Living Coverage or Individual Universal Life Declined**
- E. Pennsylvania Long Term Care Declined in 2014
Group**
- F. Employer Group Long Term Care Policies Issued**
- G. Employer Group Long Term Care Policies Declined**
- H. Pennsylvania Declined in 2014 Group
Long Term Care Terminated**
- I. Long Term Care Policies Terminated**
- J. Group Long Term Care Policies Terminated**
- K. Large Employer Group Terminated**

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

A. Underwriting Guidelines and Manuals

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

The following Guidelines and Manuals were reviewed:

1. Genworth Long Term Care Underwriting Manual 3.13.2014.
2. Genworth Long Term Care Underwriting Manual 6.30.2014.
3. Genworth Long Term Care Underwriting Manual 7.30.2014.
4. Genworth Long Term Care Underwriting Manual 9.30.2014.
5. Genworth Long Term Care Underwriting Manual 10.30.2014.
6. Genworth Long Term Care Underwriting Manual 11.30.2014.
7. Genworth Long Term Care Underwriting Manual 12.30.2014.
8. Comprehensive Handling of Equipment (Harvest Policies).
9. Continued Nursing Home Benefit While Out of the Facility (Harvest Policies).
10. Harvest Policy Dueling Maximums.
11. Multiple Harvest Policy Handling.
12. Producer Compliance Manual.
13. Long Term Care – Standard Operating Procedures.
14. Clinical Unit Training.
15. Fraud Training.
16. Periodic File Review Training.
17. Hospice Training – Initial Eligibility Benefit.

B. Individual Long Term Care Issued

The Company was requested to provide all long term care policies issued during the experience period. The Company provided a universe of 1,436 individual long term care policies issued during the period. A random sample of 41 individual long term care policies issued was requested, received and reviewed. The policy files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted:

1 Violation – 31 Pa. Code §89a.108(b)(2)

Other than policies for which no applicable premium rate or rate schedule increases can be made, insurers shall provide all of the information listed in this subsection to the applicant at the time of application or enrollment, unless the method of application does not allow for delivery at that time. In such a case, an insurer shall provide all of the information listed in this section to the applicant no later than at the time of delivery of the policy or certificate. An explanation of potential future premium rate revisions, and the policyholder's or certificate holder's option in the event of a premium rate revision (should be presented). The disclosure was not provided at the time of application in the noted file.

3 Violations – 31 Pa. Code §89a.113(f)

The insurer shall maintain records demonstrating delivery date of policies so that this date can be used to determine the commencement of the 30-day policy examination period. The delivery receipt was not documented in the 3 noted files.

C. Pennsylvania Total Living Coverage or Individual Life Issued

The Company was requested to provide all long term care policies issued during the experience period. The Company provided a universe of 125 individual long term care policies issued during the period. A random sample of 10 individual long term care policies issued was requested, received and reviewed. The policy files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. No violations were noted.

D. PA Total Living Coverage or Individual Universal Life Declined

The Company was requested to provide all declined policies not issued during the experience period. The Company identified a universe of 35 total living coverage or individual universal life policies declined during the period. A random sample of 10 policies was requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violation was noted:

1 Violation – 40 P.S. §323.3(a)

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

E. Pennsylvania Long Term Care Declined in 2014

The Company was requested to provide all individual long term care policies declined during the experience period. The Company identified a universe of 405 individual long term care policies declined during the period. A random sample of 50 policies were requested, received and reviewed. The individual long term care declined policy files were reviewed to ensure compliance with underwriting statutes and regulations. No violations were noted.

F. Employer Group Long Term Care Policies Issued

The Company was requested to provide all group long term care policies issued during the experience period. The Company identified a universe of 92 employer group long term care policies issued. A random sample of 25 employer group long term care policies issued were requested received and reviewed. The policy files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. No violations were noted.

G. Employer Group Long Term Care Policies Declined

The Company was requested to provide a list of all policies declined during the experience period. The Company identified 28 employer group long term care policies declined. All 28 files were requested, received, and reviewed. The files were reviewed to ensure declinations were not the result of any discriminatory underwriting practice and the proper return of any unearned premium. No violations were noted.

H. Pennsylvania Declined in 2014 Group

The Company was requested to provide all group long term care policies declined during the experience period. The Company identified a universe of one (1) group long term care policy declined during the period. The file was requested, received and reviewed. The group long term care declined policy file was reviewed to ensure compliance with underwriting statutes and regulations. No violations were noted.

I. Long Term Care Policies Terminated

The Company was requested to identify all individual long term care policies terminated during the experience period. The Company identified 1,881 individual long term care policies terminated. A random sample of 50 long term care policies terminated was requested, received and reviewed. The files were reviewed to ensure compliance with contract provisions, termination laws and regulations, and proper return of any unearned premium. No violations were noted.

J. Group Long Term Care Policies Terminated

The Company was requested to identify all group long term care policies terminated during the experience period. The Company identified 174 group long term care policies terminated. A random sample of 15 group long term care policies terminated was requested, received and reviewed. The files were reviewed to ensure compliance with contract provisions, termination laws and regulations, and proper return of any unearned premium. No violations were noted.

K. Large Employer Group Terminated

The Company was requested to provide a list of all policies terminated during the experience period. The Company identified 180 large employer group policies terminated. A random sample of 15 files was requested, received and reviewed. The files were reviewed to ensure compliance with the free-look provisions of the contract. The following violations were noted:

4 Violations – 31 Pa. Code §89a.106

- (a) Each insurer offering long-term care insurance shall, as a protection against unintentional lapse, comply with the following conditions: Notice before lapse or termination. An individual long-term care policy or certificate may not be issued until the insurer has received from the applicant either a written designation of at least one person, in addition to the applicant, who is to receive notice of lapse or termination of the policy or certificate for nonpayment of premium, or a written waiver dated and signed by the applicant electing not to designate additional persons to receive notice. The applicant has the right to designate at least one person who is to receive the notice of termination, in addition to the insured. Designation may not constitute acceptance of liability on the third party for services provided to the insured. The waiver shall state: “Protection against unintended lapse. I understand that I have the right to designate at least one person other than myself to receive notice of lapse or termination of this long-term care insurance policy for nonpayment of premium. I understand that notice will not be given until 30 days after a premium is due and unpaid. I elect not to designate a person to receive this notice.” The insured shall be able to change the written designation at any time. The insurer shall notify the insured of the right to change this written designation, at least once every 2 years. The noted files did not comply with the protection against the unintentional lapse requirements as the file did not include the “right to change” letter mandated every two (2) years.

IX. CLAIMS & CLAIMS MANUALS

The Claim review consisted of 6 general segments:

- A. Claims Manual**
 - Long Term Care Claims**
- B. Individual Long Term Care Claims**
- C. Group Long Term Care Claims**
 - Claims Denied**
- D. Denied Claims, Elimination Period Not Met**
- E. Denied Claims**
 - Request for Services Pre-Claim**
- F. Policy Inquiries**

A. Claim Manuals

The Company was requested to provide copies of all procedural guidelines including all manuals, memorandums, directives and any correspondence or instructions used for processing claims during the experience period. The Company provided the following claim manuals:

1. Handling Workflow Manual
2. Claim Facts System Processing Manual
3. Information Express
4. Group Long Term Care Claims Procedures and Training Manual
5. Claims Procedural Bulletins
6. Required Speed
7. Claim facts Processing Manual
8. After Hours Scripting and FAQ

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.

B. Individual Long Term Care Claims

The Company was requested to provide a list of claims received during the experience period. The Company identified 975 individual long term care claims paid. A random sample of 25 individual long term care claims paid was requested, received and reviewed. The claim files were reviewed for compliance with 31 Pa. Code §146 and Payment of Interest 40 P.S. §511b(a). The following violations were noted:

1 Violation – 40 P.S. §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 for the noted claim.

1 Violation – §991.1111b(1)

Within thirty (30) business days after receipt of a claim for benefits under a long-term care insurance policy or certificate, an insurer shall pay the claim if it is a clean claim or send a written notice acknowledging the date of receipt of the claim and one of the following: (1) The insurer is declining to pay all or part of the claim and the specific reason for denial. The Company failed to send written notice of reason for declining to pay all or part of the claim and the specific reason for denial within (30) days.

C. Group Long Term Care Claims

The Company was requested to provide all long term care claims paid during the experience period. The Company provided a universe of 44 group long term paid claims. A random sample of 15 group long term care paid claims was requested, received and reviewed. Of the 15 claim files reviewed, 12 were paid claims and 3 were declined claims erroneously included in the paid claim population. The claim files were reviewed to ensure the Company claims adjudication process was adhering to the provisions of the policy contract. No violations were noted.

D. Denied Claims, Elimination Period Not Met

The Company was requested to provide all claims denied during the experience period. The Company identified a universe of 47 long term care claims denied due to the elimination period not being met. All 47 denied claims were requested, received and reviewed. The files were reviewed to ensure compliance with contract provisions, termination laws and regulations. The following violation was noted:

1 Violation – 31 Pa. Code §146.4(a)

(a) An insurer or agent may not fail to fully disclose to first-party claimant's pertinent benefits, coverages or other provisions of an insurance policy or insurance contract under which a claim is presented. The Company's letter to the insured did not fully disclose the correct information concerning the policy provisions.

E. Denied Claims

The Company was requested to identify all claims received during the experience period. The Company identified 43 long term care claims denied during the period. All 43 long term care claims denied claims were requested, received and reviewed. The files were reviewed to ensure compliance with contract provisions, termination laws and regulations, and proper return of any unearned premium. No violations were noted.

F. Policy Inquiries

The Company was requested to provide a list of all policy inquiries received for long-term care insurance services during the experience period. The Company identified a universe of 400 policy inquiries received for long term care during the period. A random sample of 50 policy inquiries was requested, received and reviewed. The policy inquiries requested were reviewed to ensure that no qualified activities of daily living were disqualified and that the inquiries were in compliance with 31 Pa. Code §146. No violations were noted.

X. MARKETING & SALES

A. Advertising

The Company was requested to provide a list of all advertising and marketing material used during the experience period. The Company provided 206 pieces of advertising utilized in the Commonwealth. The advertising consisted of: brochures, web pages and illustrations. The advertising materials were reviewed to ascertain compliance with 40 P.S. §1171.5, Unfair Methods of Competition and Unfair or Deceptive Acts or Practices and 31 Pa. Code §51. The Company was also requested to provide a copy of the Advertising Certificate of Compliance submitted to the Department for the experience period. The certification was requested to ensure compliance with 31 Pa. Code §51.5. Section 51.5 provides that “A company required to file an annual statement which is now or which hereafter becomes subject to this chapter shall file with the Department with its Annual Statement a Certificate of Compliance executed by an authorized officer of the company wherein it is stated that to the best of his knowledge, information and belief the advertisements which were disseminated by the company during the preceding statement year complied or were made to comply in all respects with the provisions of the insurance laws and regulations of this Commonwealth.” The following violations were noted:

2 Violations – 31 Pa. Code §51.32(b)

(b) The source of any statistics used in an advertisement shall be identified in the advertisement, if the failure to so identify would have the capacity or tendency to mislead purchasers or prospective purchasers. The noted forms do not identify the source for the statistics used in the advertisement.

XI. INTERNAL AUDIT & COMPLIANCE PROCEDURES

The Company was requested to provide copies of their internal audit and compliance procedures for the experience period. Additionally, the Company was requested to provide a narrative statement explaining internal control methods or systems used to control and assure compliance with underwriting guidelines and proper rating. The documents provided were reviewed to ensure compliance with 40 P.S. §625-5.

The Company provided the following:

- Narrative statements explaining internal control methods or systems used to control and assure compliance with underwriting guidelines and proper rating
- Copies of market conduct reports completed in the previous few years from other states.
- New business mailing procedures.

Additional information provided during the review:

- Integrity First Policy (Filename: Integrity First - Genworth Code of Ethics).
- Compliance Reports to Board (Filename: USLI Entity Risk Committee Report 1Q 2015 – FINAL)
- Complaint Report to Management (Filename: USLI Complaint Review - July 2015)

The following violation was noted:

1 Violation – 40 P.S. §991.1110

Individual long term care insurance policyholders and group certificate holders who contribute to the cost of their long term care coverage shall have the right to return the

policy within thirty (30) days of its delivery and to have the premium refunded if, after examination of the policy or certificate, the policyholder or certificate holder is not satisfied for any reason. The review of your Company's long term care policy delivery procedures did not indicate exactly when the delivery occurred and when the 30 day free look would commence.

XII. RECOMMENDATIONS

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

1. The Company must review and revise procedures to ensure compliance with 40 P.S. §323(a).
2. The Company must review and revise long term care procedures relating to when policyholders and group certificate holders contribute monies to the cost of their long term care coverage, 40 P.S. §991.1110.
3. The Company must review and revise long term care procedures relating to paying the claim if it is a clean claim or send a written notice acknowledging the date of receipt of the claim long term care coverage, 40 P.S. §991.1111.
4. The Company must review and revise their procedures when using statistics in an advertisement 31 Pa. Code §51.32.
5. The Company must review and revise procedures to ensure compliance with the unintentional lapse requirements, the premium rate increases and the commencement of the 30-day policy examination period of 31 Pa. Code §89.
6. The Company must review and revise procedures to ensure compliance with the unfair claims settlement practices of 31 Pa. Code §146.

XIII. COMPANY RESPONSE