



pennsylvania
INSURANCE DEPARTMENT

**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT**

MARKET CONDUCT
EXAMINATION REPORT

OF

**NEW YORK LIFE INSURANCE AND
ANNUITY COMPANY**

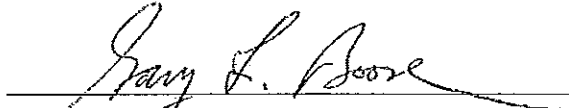
New York, NY

As of: June 24, 2014
Issued: August 7, 2014

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

Verification

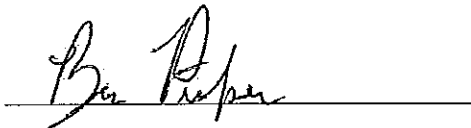
Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).



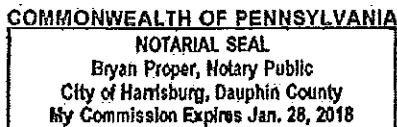
Gary L. Boose LUTC, MCM, Examiner-In-Charge

Sworn to and Subscribed Before me

This 21 Day of May, 2014



Notary Public



NEW YORK LIFE INSURANCE AND ANNUITY COMPANY

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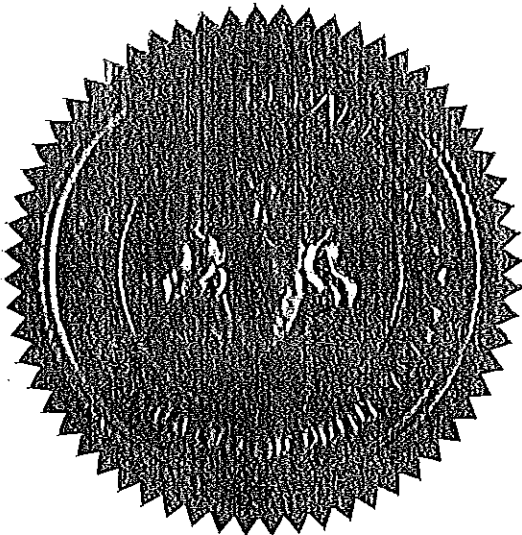
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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 10 day of March, 2014, 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 Arthur F. McNulty, 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 F. Consedine
Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE: : VIOLATIONS:
: :
NEW YORK LIFE : 40 P.S. §§ 323.3(a) and 323.4(b)
INSURANCE and : :
ANNUITY CORPORATION : :
51 Madison Avenue, 10SB : 40 P.S. § 310.71(a)
New York, NY 10010 : :
: 40 P.S. §§ 477b, 477b.7(a)(1)(5)
: 625-4, 625-5(a), 625-6
: 625-8(b)(1)(ii), 625-8(b)(2)(ii)
: 625-8(e)(1)(ii), 625-8(e)(2)(i)
: 625-8(e)(2)(iii), 625-8(e)(3)(i)
: 625-8(e)(5), 510c(a)(2), 510c(a)(3)
: 510c(b)(2), 510c(b)(3), 510d(a)(2)
: 510c(c)(5)(i) & (ii)
: :
: 40 P.S. § 1171.5(a)(11)
: :
: Section 5(a)(11) of the Unfair
: Insurance Practices Act, Act of
: July 22, 1974, P.L. 589, No. 205 (40
: P.S. §1171.5)
: :
: 31, Pennsylvania Code §§ 51.5
: 81.4(b)(1), 81.6(a)(1)
: 81.6(a)(2)(ii), 82.62(3), 82.72
: 83.3(a), 83.4, 83.4(a) 90(c)2(6)
: 146.5 , 146.5c, 146.6 and 146.7
: :
Respondent. : Docket No. MC14-07-002

CONSENT ORDER

AND NOW, this 7th day of August, 2014, 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 New York Life Insurance and Annuity Corporation, and maintains its address at 51 Madison Avenue, 10SB, New York, NY 10010.

- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from June 24, 2013 to March 21, 2014.

- (c) On June 24, 2014, the Insurance Department issued a Market Conduct Examination Report to Respondent.

- (d) A response to the Examination Report was provided by Respondent on July 15, 2014.

- (e) 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. §323.4(b), which requires every company or person from whom information is sought, its officers, directors and agents must provide to the examiners appointed under subsection (a) timely, convenient and free access at all reasonable hours at its offices to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The officers, directors, employees and agents of the company or person must facilitate such examination and aid in such examination so far as it is in their power to do so;

- (iii) 40 P.S. §310.71(a), which states that an insurance producer shall not act on behalf of or as a representative of the insurer unless the insurance producer is appointed by the insurer.

- (iv) 40 P.S. §477b, which prohibits issuing, selling, or disposing of any policy, contract or certificate until the forms have been submitted to, and formally approved by, the Insurance Commissioner;

- (v) 40 P.S. §477b.7 (a)(1)(5) Electronic delivery of information which requires the insurer, after expiration of the policy or endorsement, to archive expired policies or endorsements in accordance with the Insurance Department's general record retention requirements and make them available upon request.

(vi) 40 P.S. §625-4, which requires when the individual policy or annuity is delivered to the policyholder by the producer by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set and state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery receipt, and such date shall commence any applicable policy or annuity examination period. Copies of the delivery receipt must be provided to the policyholder on the date of policy or annuity delivery and to the issuing insurer. When the individual policy or annuity is delivered by a means other than by hand- delivery by the producer, the insurer shall establish appropriate means of verifying delivery by the producer of the policy or annuity and of establishing the date from which any applicable policy or examination period shall commence;

(vii) 40 P.S. § 625-5(a), which require that every insurer institute and maintain internal audit and compliance procedures which provide for the evaluation of compliance with all statutes and regulations dealing with sales methods, advertising and filing and approval requirements for life insurance and annuities.

(viii) 40 P.S. §625-6, which prohibits alterations of any written application for a life insurance policy or annuity to be made by any person other than the applicant without the applicant's written consent;

- (ix) 40 P.S. §625-8(b)(1)(ii), which states an Illustration used in the sale of a life insurance policy shall satisfy the applicable requirements of this section, be clearly labeled “life insurance illustration” and contain the name and business address of producer, if any.

- (x) 40 P.S. §625-8(b)(2)(ii), which requires a basic illustration to include a brief description of the premium outlay or contract premium, as applicable for the policy. For a policy that does not require payment of a specific contract premium, the illustration shall show the premium outlay that must be paid to guarantee coverage for the term of the contract, subject to maximum premiums allowable to qualify as a life insurance policy under the applicable provisions of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.).

- (xi) 40 P.S. § 625-8(e)(1)(ii), which states if the policy is issued other than as applied for, a revised basic illustration conforming to the policy as issued shall be mailed or delivered with the policy. The revised illustration shall conform to the requirements for basic illustrations contained in this act and shall be labeled “Revised Illustration.” The statement shall be signed and dated by the policy owner and producer no later than the time the policy is delivered. A copy shall be provided to the policy owner no later than the time the policy is delivered and to the insurer as soon as practical after the policy is delivered;

(xii) 40 P.S. § 625-8(e)(2)(i), which states the producer shall certify in writing on a form provided by the insurer that no illustration was used in the sale of the life insurance policy. On the same form the applicant shall acknowledge an understanding that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery.

(xiii) 40 P.S. § 625-8(e)(2)(iii) which requires, if no illustration is used by a producer in the sale of a life insurance policy or if a computer screen illustration is displayed, a basic illustration conforming to the policy as issued shall be sent with the policy and signed by the policy owner no later than the time the policy is delivered. A copy shall be provided to the policy owner at the time the policy is delivered and to the insurer as soon as practical after the policy is delivered;

(xiv) 40 P.S. § 625-8(e)(3)(i) applies if an illustration is used by a producer in the sale of a life insurance policy but the policy applied for is other than as illustrated. If the policy is issued, a basic illustration conforming to the policy as issued shall be sent with the policy and signed by the policy owner no later than the time the policy is delivered. A copy shall be provided to the policy owner no later than the time the policy is delivered and to the insured as soon as practical after the policy is delivered;

(xv) 40 P.S. § 625-8(e)(5), which requires a copy of the basic illustration and a revised basic illustration, if any, signed as applicable, along with any certification that either no illustration was used or that the policy was applied for other than as illustrated, shall be retained by the insurer until three years after the policy is no longer in force;

(xvi) 40 P.S. § 510c(a)(2), which states individual fixed dollar life insurance or endowment policies which are offered as replacements for an existing life insurance policy or annuity contract with the same insurer or insurer group shall not be delivered in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such policy or attached thereto a notice stating in substance that the policyholder shall be permitted to return the policy within at least forty-five (45) days of its delivery;

(xvii) 40 P.S. § 510c(a)(3), which states individual fixed dollar life insurance policies or endowment insurance policies which are offered as replacements for an existing life insurance policy or annuity contract with an insurer or insurer group other than the one which issued the original policy or contract shall not be delivered in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such policy or attached thereto a notice stating in substance

that the policyholder shall be permitted to return the policy within at least twenty (20) days of its delivery.

(xviii) 40 P.S. § 510c(b)(2), which states individual variable life insurance policies which are offered as replacements for an existing life insurance policy or annuity contract with the same insurer or insurer group shall not be delivered in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such policy or attached thereto a notice stating in substance that the policyholder shall be permitted to return the policy within at least forty-five (45) days of its delivery.

(xix) 40 P.S. § 510c(b)(3), which states individual variable life insurance policies which are offered as replacements for an existing life insurance policy or annuity contract with an insurer or insurer group other than the one which issued the original policy or contract shall not be delivered in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such policy or attached thereto a notice stating in substance that the policyholder shall be permitted to return the policy within at least twenty (20) days of its delivery.

(xx) 40 P.S. § 510d(a)(2), which states that individual fixed dollar annuity contracts which are offered as replacements for an existing annuity contract or life insurance policy with the same insurer or insurer group shall not be

entered into in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such contract or attached thereto a notice stating in substance that the contract holder shall be permitted to return the contract within at least forty-five (45) days of its delivery.

(xxi) 40 P.S. § 510e (C) (5)(i)&(ii) in regards to policy loan interest rates,

requires the company to:

(i) notify that policyholder at the time a cash loan is made of the initial rate of interest on the loan;

(ii) notify the policyholder with respect to premium loans of the initial rate of interest on the loan as soon as it is reasonably practical to do so after making the initial loan.

(xxii) 40 P.S. § 1171.5(a)(11), which requires a company to maintain a complete record of all the complaints it has received during the preceding four years.

(xxiii) 31, Pennsylvania Code, Section 51.5, requires a company to file an Annual Statement, with 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 the Commonwealth;

- (xxiv) 31, Pennsylvania Code, Section 81.4(b)(1), which states that if replacement is involved, the agent or broker shall present to the applicant, not later than at the time of taking the application, a Notice Regarding Replacement of Life Insurance and Annuities;
- (xxv) 31, Pennsylvania Code, Section 81.6(a)(1), which states that an insurer using an agent or broker in a life insurance or annuity sale shall require with or as part of a completed application for life insurance or annuity, a statement signed by the agent or broker as to whether the broker knows replacement is or may be involved in the transaction;
- (xxvi) 31, Pennsylvania Code, Section 81.6(a)(2)(ii), which states an insurer that uses an agent or broker in a life insurance or annuity sale shall, if replacement is involved: Send to each existing insurer a written communication advising of the replacement or proposed replacement and the identification information obtained under subparagraph (I) and in the case of life insurance, the disclosure statement as required by Section 83.3, or ledger statement containing comparable policy data on the proposed life insurance. This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner;

(xxvii) 31, Pennsylvania Code, Section 82.62(3), which requires that an application for a variable life insurance policy shall contain questions designed to elicit information which enables the insurer to determine the suitability of variable life insurance for the applicant.

(xxviii) 31, Pennsylvania Code, Section 82.72, which states that within 30 days after each anniversary of the policy, a statement of the cash surrender value, death benefit, a partial withdrawal or policy loan and interest charge, under the policy computed as of the policy anniversary date shall be mailed.

(xxix) 31, Pennsylvania Code, Section 83.3(a), which requires that a life insurance agent, broker or insurer shall provide a prospective purchaser with a written disclosure statement clearly labeled as such.

(xxx) 31, Pennsylvania Code, Section 83.4, which requires the written disclosure statement shall be given no later than the time the application form is signed by the applicant;

(xxxi) 31, Pennsylvania Code, Section 83.4(a), which requires the agent to 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;

(xxxii) 31, Pennsylvania Code, Section 90c.2(6), which requires an individual life application list of the full company name and that more than one licensed company name does not appear on the application. If more than one name appears, a provision must be made for identifying the soliciting company, for example, by check-off box.

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

(xxxiv) 31, Pennsylvania Code, Section 146.5(c), which states an appropriate reply shall be made within ten working days on all other pertinent communications from a claimant which reasonably suggest that a response is expected;

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

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

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 Section 40 P.S. § 310.71(a) 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. § 477b, 477b.7(a)(1)(5), 625-4, 625-5(a), 625-6, 625-8(b)(1)(ii), 625-8(b)(2)(ii), 625-8(e)(1)(ii), 625-8(e)(2)(i), 625-8(e)(2)(iii), 625-8(e)(3)(i), 625-8(e)(5), 510c(a)(2), 510c(a)(3), 510c(b)(2), 510c(b)(3), 510d(a)(2), 510e(c)(5)(i)&(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) Respondent's violations of 40 P.S. § 1171.5(a)(11) 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 – 1171.5, 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).

(f) Respondent's violations of 31, Pennsylvania Code, Sections, 51.5, 146.5, 146.5(c), 146.6 and 146.7 are punishable under 40 P.S. §§ 1171.9:

(i) cease and desist from engaging in the prohibited activity;

(ii) suspension or revocation of the license(s) of Respondent.

(g) Respondent's violations of 31, Pennsylvania Code, Chapter 81, are punishable under 31, Pennsylvania Code, Sections 81.3(6), 81.4(b)(1), 81.6(a)(1), 81.6(a)(2)(ii), which states that failure to comply, after a hearing, may subject a company to penalties provided in 40 P.S. § 475. Failure to comply shall be considered a separate violation and may not be considered in lieu of a proceeding against the company for a violation of 40 P.S. §§472, 473 or 474. In addition, failure to make the disclosure may be considered a violation of 40 P.S. §§ 1171.1 to 1171.15;

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

(i) For failing to insure adequate disclosure of basic information, after a hearing, a company may be subject to the penalties provided under

40 P.S. § 475, for violations of 40 P.S. §§ 472 through 474. In addition, failure to make the disclosure outlined in this subchapter may be considered a violation of 40 P.S. §§ 1171.1 through 1171.15.

- (i) 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 Eighty-Five Thousand Dollars (\$85,000) 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.

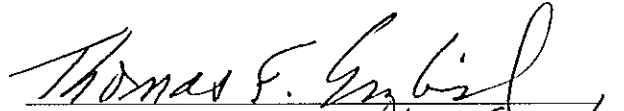
10. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

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: NEW YORK LIFE INSURANCE
AND ANNUITY CORPORATION, Respondent



President / Vice President *Senior* of Chief Legal Officer



Secretary / Treasurer



COMMONWEALTH OF PENNSYLVANIA
Arthur F. McNulty
Deputy Insurance Commissioner

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I. INTRODUCTION

The Market Conduct Examination was conducted on New York Life Insurance and Annuity Corporation; hereafter referred to as "Company," at the Company's office located in New York, New York from June 24, 2013, through March 21, 2013. 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.

Yonise A. Roberts Paige, MCM
Pennsylvania Insurance Department
Market Conduct Division Chief

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

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

Marc Springer, AIE, CPCU, MCM
Risk & Regulatory Consulting LLC
Manager

Teri Harkenrider, MCM
Risk & Regulatory Consulting LLC
Manager

Alan Gutierrez-Arana, QSA, CISA, CRISC
Risk & Regulatory Consulting LLC
Director

Scott Bryson, CISA, CISSP
Risk & Regulatory Consulting LLC
IT Examination Senior Manager

Jo-Anne G. Fameree, AMCM, CIE, FLMI, AIRC, ACS
Risk & Regulatory Consulting LLC
Regulatory Compliance Specialist

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 Day of , 2014

Notary Public

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by Sections 903 and 904 (40 P.S. §323.3 and §323.4) of the Insurance Department Act and covered the experience period of January 1, 2012, through December 31, 2012, 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: Company Operations and Management, Marketing and Sales, Forms, Producer Licensing, Appointments and Terminations, Consumer Complaints, Underwriting Practices and Procedures, Claims Handling Practices and Procedures and Market Conduct Annual Statement (MCAS) Reporting Practices and Procedures.

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

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

III. COMPANY HISTORY AND LICENSING

New York Life Insurance and Annuity Corporation was incorporated on November 3, 1980, under the laws of the State of Delaware. A Certificate of Authority, issued by the Insurance Commissioner on December 26, 1980, and amended on September 12, 1983, authorized the Company to transact the business of life, including annuities, variable annuities, credit life, health, credit health and variable life.

The Company is licensed in all states, District of Columbia, and the U.S. Virgin Islands. Since commencing operations, the Company has engaged in the variable life insurance and annuities business.

In its December 31, 2012 Annual Statement, the Company reported for the Commonwealth of Pennsylvania, direct premiums of \$72,767,750 for ordinary life insurance, \$321,157,204 for annuity considerations, and \$16,402,077 for other considerations.

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. The violations are noted throughout the examination report.

V. MARKETING AND SALES

A. Marketing and Sales

This area was not included in the scope of the review.

B. Advertising Certificate of Compliance

The Company was requested to provide a copy of the Advertising Certificate of Compliance submitted to the Department for the experience period of January 1, 2012 through December 31, 2012. The certification was requested to ensure compliance with Title 31, Pennsylvania Code, Section 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 violation was noted.

1 Violation - Title 31, Pennsylvania Code, Section 51.5

Each 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 Company did not file the required Advertising Certificate of Compliance with the Department with its annual statement. The Company

provided a Certificate of Compliance, dated June 28, 2013; the annual statement was dated February 6, 2013.

VI. 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 of January 1, 2012 through December 31, 2012. The forms provided and forms reviewed in various underwriting sections of the exam were reviewed to ensure compliance with Insurance Company Law, Section 354 and Title 18, Pennsylvania Consolidated Statutes, Section 4117(k), Fraud notice. For initial exam purposes, forms violations found in the other sections of the examination will be addressed in their respective initial summaries. The following violations were noted:

41 Violations – Insurance Company Law, Chapter 2, Section 354 (40 P.S. §477b)

It shall be unlawful for any insurance company, doing business in the Commonwealth of Pennsylvania, to issue, sell, or dispose of any policy, contract, or certificate, covering life insurance, or use application, riders, or endorsements, in connection therewith, until the forms have been submitted to, and formally approved by, the Insurance Commissioner. The noted files either did not contain their respective approval citations or were not provided by the Company. The noted forms were not found to be compliant. The form number, description, frequency of use, and report section number are stated in the table below.

Form Number	Description	Frequency of Use	Report Section Number
209-525	Medical Examiner Report – Part II	1	IX, B, page 30
8886-08	Modification of Monthly Deduction Waiver (MDW) Rider	2	IX, D, page 33
8446-92	Endorsement	38	IX, D, page 33

1 Violation – Title 31, Pennsylvania Code, Section 90c.2, General provisions.

An individual life application filing complying with the following is acceptable:

(6) The company name is as follows:

(i) The full company name appears.

(ii) More than one licensed company name does or does not appear. If more than one name appears, provision is made for identifying the soliciting company, for example, by check-off box. Each company individually files for approval prior to that company's using the application. The noted Amendment Form did not properly identify the Company (by name) at the time of underwriting and or policy delivery. The forms number, description, frequency of use, and report section number are stated in the table below.

Form Number	Description	Frequency of Use	Report Section Number
18030	Amendment Form	5	IX, B, page 30

Departmental Note: The Department identified discrepancies between Company records and Department or SERFF approval dates for the noted forms. As applicable, this subject will be further referenced in the applicable sections of the examination that have violations relating to these discrepancies.

#	Form Type	Form Nbr	Description	Date Approved per Company Records	Date Approved per SERFF
C66	Rider	ICC11-R102	Annual Death Benefit Reset Rider	04/19/2011	06/13/2011

VII. PRODUCER LICENSING, APPOINTMENT AND TERMINATION

The Producer Licensing review consisted of 8 general segments.

A.	Insurance Group (INS) Business Unit – Active Agents
B.	Insurance Group (INS) Business Unit – Terminated Agents
C.	Retirement and Annuity (R&A) Business Unit – Active Agents
D.	Retirement and Annuity (R&A) Business Unit – Terminated Agents
E.	Advanced Market Network (AMN) Business Unit - Commissions
F.	Insurance Group (INS) Business Unit - Commissions
G.	Retirement and Annuity (R&A) Business Unit - Commissions
H.	Company Owned Life Insurance (COLI) and Bank Owned Life Insurance (BOLI) Commissions

A. Insurance Group (INS) Business Unit – Active Agents

The Company was requested to provide a list of all producers that were active during the experience period of January 1, 2012 to December 31, 2012. The Company provided a list of 1,925 active Insurance Group (INS) Business Unit producers. A sample of 25 active producers from the Insurance Group (INS) Business Unit was selected received and reviewed. The records were compared to departmental records of producers to verify appointments, terminations and licensing. In addition, a comparison was made on the producers identified on applications reviewed in the policy issued sections of the exam. The following violation was noted:

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

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

insurer. An insurance producer not acting as a representative of an insurer is not required to be appointed.

- (b) Representative of the consumer. – An insurance producer acting on behalf of or representing an insurance consumer shall execute a written agreement with the insurance consumer prior to representing or acting on their behalf that:
 - (1) Delineates the services to be provided; and
 - (2) Provides full and complete disclosure of the fee to be paid to the insurance producer by the insurance consumer.
- (c) Notification to department. – An insurer that appoints an insurance producer shall file with the department a notice of appointment. The notice shall state for which companies within the insurer’s holding company system or group the appointment is made.
- (d) Termination of appointment. – Once appointed, an insurance producer shall remain appointed by an insurer until such time as the insurer terminates the appointment in writing to the insurance producer or until the insurance producer’s license is suspended, revoked or otherwise terminated.
- (e) Appointment fee. – An appointment fee of \$12.50 will be billed annually to the insurer for each producer appointed by the insurer during the preceding calendar year regardless of the length of time the producer held the appointment with the insurer. The appointment fee may be modified by regulation.
- (f) Reporting. – An insurer shall, upon request, certify to the department the names of all licensees appointed by the insurer.

The following individual was listed as a producer on an application reviewed in the sample. Department records do not identify this individual as being appointed by the company until after the application date:

Last Name	First Name
Weir	Timothy

B. Insurance Group (INS) Business Unit – Terminated Agents

The Company was requested to provide a list of all producers that were terminated during the experience period of January 1, 2012 to December 31, 2012. The Company provided a list of 161 terminated producers Insurance Group (INS) agents. A sample of 25 active producers from the Insurance Group (INS) Business Unit was selected received and reviewed. The records were compared to departmental records of producers to verify appointments, terminations and licensing. In addition, a comparison was made on the producers identified on applications reviewed in the policy issued sections of the exam. No violations were noted.

C. Retirement and Annuity (R&A) Business Unit – Active Agents

The Company was requested to provide a list of all producers active and terminated during the experience period of January 1, 2012 to December 31, 2012. The Company provided a list of 6,384 active Retirement and Annuity (R&A) Business Unit producers. A sample of 25 active Retirement and Annuity (R&A) Business Unit producers was selected received and reviewed. The records were compared to departmental records of producers to verify appointments, terminations and licensing. In addition, a comparison was made on the producers identified on applications reviewed in the policy issued sections of the exam. No violations were noted.

D. Retirement and Annuity (R&A) Business Unit – Terminated Agents

The Company was requested to provide a list of all producers terminated during the experience period of January 1, 2012 to December 31, 2012. The Company provided a list of 161 Retirement and Annuity (R&A) Business Unit terminated producers. A sample of 20 Retirement and Annuity (R&A) Business Unit terminated producers was selected received and reviewed. The records were compared to departmental records of

producers to verify appointments, terminations and licensing. In addition, a comparison was made on the producers identified on applications reviewed in the policy issued sections of the exam. No violations were noted.

E. Advanced Market Network (AMN) Business Unit– Commissions

The Company was requested to provide a list of all active and terminated producers during the experience period of January 1, 2012 to December 31, 2012. In addition, the company was requested to provide a list of all Advanced Market Network (AMN) Business Unit commission payments or credits paid to producers during the period. The company provided a list of 190 Advanced Market Network (AMN) Business Unit records of commission payments and credits paid on the company's individual computing system. A random sample of 20 Advanced Market Network (AMN) Business Unit commission files were requested, received and reviewed. The records were compared to departmental records of producers to verify appointments, terminations and licensing. Also, other commissions were reviewed in the policy issued sections of the exam. No violations were noted.

F. Insurance Group (INS) Business Unit– Commissions

The Company was requested to provide a list of all active and terminated producers during the experience period of January 1, 2012 to December 31, 2012. In addition, the company was requested to provide a list of all Insurance Group (INS) Business Unit producer commission payments or credits paid during the period. The company provided a list of 104,002 Insurance Group (INS) Business Unit records of commission payments and credits paid on the company's individual computing system. A random sample of 40 Insurance Group (INS) Business Unit commission files was selected received and reviewed. The records were compared to departmental records of producers to verify

appointments, terminations and licensing. Also, other commissions were reviewed in the policy issued sections of the exam. No violations were noted.

G. Retirement and Annuity (R&A) Business Unit – Commissions

The Company was requested to provide a list of all active and terminated producers during the experience period of January 1, 2012 to December 31, 2012. In addition, the company was requested to provide a list of all Retirement and Annuity (R&A) Business Unit commission payments or credits paid to producers during the period. The company provided a list of 1,556 Retirement and Annuity (R&A) Business Unit records of commission payments and credits paid on the company's individual computing system. A random sample of 25 Retirement and Annuity (R&A) Business Unit commission files was selected received and reviewed. The records were compared to departmental records of producers to verify appointments, terminations and licensing. Also, other commissions were reviewed in the policy issued sections of the exam. No violations were noted.

H. Company Owned Life Insurance (COLI) and Bank Owned Life Insurance (BOLI) Commissions

The Company was requested to provide a list of all Corporate Owned Life Insurance (COLI) and Bank Owned Life Insurance (BOLI) commissions paid during the experience period of January 1, 2012 to December 31, 2012. The company provided a list of 682 Corporate Owned Life Insurance (COLI) and Bank Owned Life Insurance (BOLI) records of commission payments and credits paid on the Company's individual computing system. A random selection of 20 Corporate Owned Life Insurance (COLI) and Bank Owned Life Insurance (BOLI) first year commissions were selected and reviewed. No violations were noted.

Department Concern: Sample 12 is a BOLI policy issued in the state of Connecticut. Per the data submitted to the Department, the BOLI application was dated 9/19/2012, however the agent's license and appointment with the state of Connecticut expired on 8/31/2012. The Department is concerned that the Company does not have adequate controls established to validate the agent's license and appointment prior to the acceptance of an application or issuance of a policy.

VIII. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period of January 1, 2012 to December 31, 2012 and provide copies of consumer complaint logs for 2008, 2009, 2010, 2011 and 2012. The Company identified 31 consumer complaints received during the experience period. Of the 31 complaints identified 4 were forwarded from the Department. All 31 complaint files were requested, received, and reviewed. The Company also provided complaint logs as requested. The Department's list of written consumer complaints that were forwarded to the Company during the experience period and for years 2008, 2009, 2010, and 2011 were compared to the Company's complaint log. The complaint files and the 4 years of complaint logs were reviewed for compliance with the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171). Section 5 (a)(11) of the Act requires maintenance of a complete record of all complaints received during the preceding four (4) years. The record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of the complaint and the time it took to process each complaint. Written complaint files involving claims were also reviewed for compliance with Title 31, PA Code, Section 146.5(b) and 146.5(c), Unfair Claims Settlement Practices. The following violations were noted:

1 Violation- Unfair Insurance Practices Act, No. 205, Section 5 (a)(11)

Failure of any person (or Company) to maintain a complete record of all the complaints which it has received during the preceding four years. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint. For purposes of this paragraph, "complaint" means any written communication primarily expressing a grievance. Four of the noted complaints were included on the Department's list of complaints, but was not stated in the Company's list.

One of the complaint files reviewed did not contain documentation supporting the Company's disposition in addressing the complaint.

1 Violation – Unfair Insurance Practices Act, No. 205, Section 5 (a)(11)

Failure of any person (or Company) to maintain a complete record of all the complaints which it has received during the preceding four years. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint. For purposes of this paragraph, "complaint" means any written communication primarily expressing a grievance. The noted complaint was included on the Department's list of complaints, but was not stated in the Company's list.

1 Violation – Pennsylvania Insurance Code Chapter 146.5(c)

(c) An appropriate reply shall be made within 10 working days on other pertinent communications from a claimant which reasonably suggest that a response is expected. The noted complaint did not include a timely response to the Department.

Department Concern: Company Non-Claims Complaint Response Time Standards.

The Company does not have detailed complaint handling procedures. The noted 5 Complaint files did not contain documentation indicating the Company's delay in addressing these complaints.

IX. UNDERWRITING

The Underwriting review is comprised of individual and group underwriting areas and consists of 45 general segments.

A.	Underwriting Guidelines
B.	Advanced Market Network (AMN) Business Unit Individual Variable Universal Life Policies Issued
C.	Insurance Group (INS) Business Unit Individual Variable Universal Life Policies Issued
D.	Insurance Group (INS) Business Unit Individual Universal Life Policies Issued
E.	Insurance Group (INS) Business Unit Individual Life Insurance Policies Declined
F.	Insurance Group (INS) Business Unit Individual Life Insurance Policies Rescinded
G.	Individual Variable Life Policies Issued as Replacements
H.	Individual Universal Life Policies Issued as Replacements
I.	Retirement and Annuities (R&A) Business Unit Individual Life Policies Surrendered and Terminated
J.	Insurance Group (INS) Business Unit Individual Universal Life Policies Terminated
K.	Insurance Group (INS) Business Unit Individual Variable Life Policies Terminated
L.	Insurance Group (INS) Business Unit Individual Adjustable Life Policies Terminated
M.	Insurance Group (INS) Business Unit Individual Variable Life Policies Surrendered
N.	Insurance Group (INS) Business Unit Individual Variable Universal Life Policies Surrendered
O.	Insurance Group (INS) Business Unit Universal Individual Life Policies Surrendered
P.	Insurance Group (INS) Business Unit Individual Adjustable Life Policies Surrendered
Q.	Insurance Group (INS) Business Unit Individual Life Policies Surrendered

R.	Retirement and Annuities (R&A) Business Unit Individual Fixed Annuities Issued as Replacements
S.	Retirement and Annuities (R&A) Business Unit Individual Variable Annuities Issued as Replacements
T.	Retirement and Annuities (R&A) Business Unit Individual Annuity Certificates Issued New Business
U.	Retirement and Annuities (R&A) Business Unit Individual Fixed Annuity Contracts Issued
V.	Insurance Group (INS) Business Unit Individual Fixed Annuity Contracts Issued
W.	Insurance Group (INS) Business Unit Individual Immediate Annuity Contracts Issued
X.	Insurance Group (INS) Business Unit Individual Variable Annuity Contracts Issued
Y.	Insurance Group (INS) Business Unit Individual Fixed Annuities Declined
Z.	Insurance Group (INS) Business Unit Individual Variable Annuities Declined
AA.	Insurance Group (INS) Business Unit Individual Fixed Annuities Surrendered
BB.	Insurance Group (INS) Business Unit Individual Variable Annuities Surrendered
CC.	Insurance Group (INS) Business Unit Individual Annuities Surrendered
DD.	Insurance Group (INS) Business Unit Individual Fixed Annuities Terminated
EE.	Insurance Group (INS) Business Unit Individual Variable Annuities Terminated
FF.	Insurance Group (INS) Business Unit Individual Immediate Annuities Terminated
GG.	Insurance Group (INS) Business Unit Individual Universal Life Loans
HH.	Insurance Group (INS) Business Unit Individual Adjustable Life Loans
II.	American Association of Retired Persons (AARP) Business Unit Single Premium Immediate Group Annuity Certificates Issued
JJ.	American Association of Retired Persons (AARP) Business Unit Group Annuity Certificates Issued
KK.	American Association of Retired Persons (AARP) Business Unit Group Annuity Certificates Declined
LL.	American Association of Retired Persons (AARP) Business Unit Annuity Certificates Surrendered
MM.	Insurance Group (INS) Business Unit Variable Life Loans
NN.	Insurance Group (INS) Business Unit Variable Annuity Loans

OO.	Corporate Owned Life Insurance (COLI) and Bank Owned Life Insurance (BOLI) Policies Issued
PP.	Corporate Owned Life Insurance (COLI) and Bank Owned Life Insurance (BOLI) CSC System Policies Issued
QQ.	Corporate Owned Life Insurance (COLI) and Bank Owned Life Insurance (BOLI) Policies Surrendered
RR.	Company Owned Life Insurance (COLI) and Bank Owned Life Insurance (BOLI) Declines
SS.	Company Owned Life Insurance (COLI) and Bank Owned Life Insurance (BOLI) Annual Statements

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

The Company was requested to provide all underwriting guidelines and manuals utilized during the experience period of January 1, 2012 through December 31, 2012. 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, which could be considered discriminatory in nature, or specifically prohibited by statute or regulation. No violations were noted.

The following Guidelines were reviewed:

1. Lifetime Income Program – Suitability Guidelines
2. Suitability Procedures – Suitability Fixed Annuity Parameters
3. Suitability Procedures – Suitability New Business Workbench

4. Suitability Procedures – Suitability Variable Annuity New Business Parameters
5. Suitability Procedures – Suitability Variable Annuity New Business Process
6. Suitability Procedures – Suitability Variable Universal Life New Business Parameters
7. Suitability Procedures – Suitability Variable Universal Life New Business Process
8. Suitability Procedures – FINRA 2330 Procedures for Variable Annuities
9. Agent’s Manual (Revised 1/1/2012)
10. Agent’s Manual (Revised 5/1/2012)
11. Agent’s Manual (Revised 9/1/2012)
12. Agent’s Manual (Revised 1/1/2013; released in 12/2012)
13. Electronic Medical Impairment Manual (EMIM) (Revised 3/20/2013)
14. Insurance Group, Service Organization - Life Insurance Underwriting Manual (Revised 11/23/11, 1/25/12, 3/7/12, 5/2/12, 5/30/12, 6/27/12, 7/11/12, 8/8/12, 9/5/12, 9/19/12, 12/13/12)
 - a. Underwriting Philosophy
 - b. Underwriting Factors
 - c. Underwriting Classifications
 - d. Path of an Application
 - e. Products, Riders and Supplementary Benefits
 - f. Insurance Statement
 - g. Insurable Interest
 - h. Financial Underwriting
 - i. Underwriting Requirements
 - j. Lifestyle Risks

- k. Rating for Multiple Hazardous Activities
- l. Occupational Classifications
- m. Foreign Residence and Foreign Travel
- n. Underwriting the Elderly Ages 70 and Older
- o. Juvenile Underwriting
- p. Medical Underwriting
- q. Suitability Review
- r. Reinsurance
- s. In-Force Reconsideration and Changes
- t. Reinstatements
- u. Best Offer Credit Program
- v. Cover Letters
- w. Informal Inquiries
- x. Legal Issues
- y. Field Underwriting Review
- z. Agency Conflict of Interest
- aa. Unpaid Changes and Appeals
- bb. Advanced Market Network Underwriting
- cc. Additional Offer Program
- dd. Support Staff Training Guidelines
- ee. Communication Opportunities
- ff. The Underwriting Trainee's Vocabulary Guide

**B. Advanced Market Network Business Unit Individual Variable Universal Life
Policies Issued**

The Company was requested to provide a list of all policies issued during the experience period of January 1, 2012 through December 31, 2012. The Company provided a list of 6 individual variable universal life policies issued by the Advanced Market Network (AMN) Business Unit. All 6 individual variable universal life policies issued by the Advanced Market Network (AMN) Business Unit were requested, received and reviewed. The files were reviewed to ensure compliance with Title 18, Pennsylvania Consolidated Statutes, Section 4117(k). The following violations were noted:

4 Violations – Title 31, Pennsylvania Code, Section 82.62(3). Applications.

The application for a variable life insurance policy shall contain:

(3) Questions designed to elicit information which enables the insurer to determine the suitability of variable life insurance for the applicant. The 4 noted files did not include the required suitability questions.

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

Individual variable life insurance policies which are offered as replacements for an existing life insurance policy or annuity contract with an insurer or insurer group other than the one which issued the original policy or contract shall not be delivered in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such policy or attached thereto a notice stating in substance that the policyholder shall be permitted to return the policy within at least twenty (20) days of its delivery. The noted 1 policy file did not contain the required 20 day “free look” statement.

**C. Insurance Group Business Unit Individual Variable Universal Life Policies
Issued**

The Company was requested to provide a list of all policies issued during the experience period of January 1, 2012 through December 31, 2012. The Company provided a list of 41 individual universal variable life policies issued by the Insurance Group (INS) Business Unit. A sample of 10 individual universal variable life policies issued by the Insurance Group (INS) Business Unit were requested, received and reviewed. The files were reviewed to ensure compliance with Title 18, Pennsylvania Consolidated Statutes, Section 4117(k). The following violations were noted:

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

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

2 Violations – Title 31, Pennsylvania Code, Section 81.3(6)

Registered contracts shall be exempt from the requirements of § 81.6(a)(2)(ii) and (b) (relating to duties of insurers that use agents or brokers) requiring provision of policy summary or ledger statement information. Premium or contract contribution amounts and identification of the appropriate prospectus or offering circular are required in lieu thereof. The noted 2 policy files did not contain evidence that the premium or contract contribution amount was provided.

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

Any person other than the applicant without the applicant's written consent shall make no alteration of any written application for a life insurance policy or annuity. The 4 noted files contained alterations without consent.

1 Violation – Insurance Company Law, Section 408A (e)(2)(i)

The producer shall certify in writing on a form provided by the insurer that no illustration was used in the sale of the life insurance policy. On the same form the applicant shall acknowledge an understanding that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery. There was no evidence of the required certification and acknowledgement in the 1 noted file.

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

Individual variable life insurance policies which are offered as replacements for an existing life insurance policy or annuity contract with the same insurer or insurer group shall not be delivered in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such policy or attached thereto a notice stating in substance that the policyholder shall be permitted to return the policy within at least forty-five (45) days of its delivery. The 1 noted policy file did not contain the required 45 day "free look" statement.

Department Concern: The Department is concerned that for two of the 10 files reviewed the policies were not delivered timely to the applicant in accordance with Company policy. The Policy Billing Statement included in both files included the following statement: "The policy may be delivered without further requirements during the lifetime of the person or persons proposed for coverage. Such delivery should be made as soon as possible, but in any event no later than 30 days after the Billing Date. In both instances the policy was delivered more than 30 days after the Billing Date.

Department Concern: The Department is concerned with incomplete applications. The noted files contained applications that were incomplete.

D. Insurance Group Business Unit Individual Universal Life Policies Issued

The Company was requested to provide a list of all policies issued during the experience period of January 1, 2012 through December 31, 2012. The Company provided a list of 828 individual universal life policies issued. There were 40 policies selected for review. The individual universal life policy files were requested, received and reviewed to ensure compliance with Title 18, Pennsylvania Consolidated Statutes, Section 4117(k). The following violations were noted:

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

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

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

An insurer that uses an agent or broker in a life insurance or annuity sale shall: Require with or as part of a completed application for life insurance or annuity a statement signed by the agent or broker as to whether the broker knows replacement is or may be involved in the transaction. The producer's question on replacement was not answered in the 1 noted file.

21 Violations – Title 31, Pennsylvania Code, Section 83.3(a) Disclosure Statement

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. In the 21 noted files, the Company failed to provide a prospective purchaser with a written disclosure statement.

21 Violations – Title 31, Pennsylvania Code, Section 83.4a

The (producer) 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 agent certification statement was not provided in the 21 noted files.

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

Any person other than the applicant without the applicant's written consent shall make no alteration of any written application for a life insurance policy or annuity. The 2 noted files contained alterations without consent.

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

An Illustration used in the sale of a life insurance policy shall satisfy the applicable requirements of this section, be clearly labeled "life insurance illustration" and contain the following basic information: Name and business address of producer, if any. The 1

noted file contained an initial illustration presented to the applicant at policy application that did not include the business address of the producer.

23 Violations – Company Law, Section 408-A(c)(2)(ii) (40 P.S. §625-8)

A basic illustration shall include the following: A brief description of the premium outlay or contract premium, as applicable for the policy. For a policy that does not require payment of a specific contract premium, the illustration shall show the premium outlay that must be paid to guarantee coverage for the term of the contract, subject to maximum premiums allowable to qualify as a life insurance policy under the applicable provisions of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.). During the pre-exit conference the Company indicated that they illustrate all policies to life expectancy. However the statute requires that policies be illustrated for the term of the contract. The illustrations in the 23 noted files did not show the premium outlay that must be paid to guarantee coverage for the term of the contract or the illustrations showed the premium outlay beyond the term of the contract.

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

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

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

The following applies if no illustration is used by a producer in the sale of a life insurance policy or if a computer screen illustration is displayed. If a policy is issued, a basic illustration conforming to the policy as issued shall be sent with the policy and signed by the policy owner no later than the time the policy is delivered. A copy shall be provided to the policy owner at the time the policy is delivered and to the insurer as soon as practical after the policy is delivered. Where no illustration was used in the sale of a life insurance policy or if a computer screen was displayed, a basic illustration conforming to the policy as issued was not provided to the policy owner at the time the policy was delivered for the 23 noted files.

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

The following applies if an illustration is used by a producer in the sale of a life insurance policy but the policy applied for is other than illustrated. If the policy is issued, a basic illustration conforming to the policy as issued shall be sent with the policy and signed by the policy owner no later than the time the policy is delivered. A copy shall be provided to the policy owner and to the insurer as soon as practical after the policy is delivered. Where an illustration is used in the sale of a life insurance policy but the policy applied for is other than illustrated, a basic illustration conforming to the policy as issued was not provided to the policy owner at the time the policy was delivered for the 6 noted files.

6 Violations – Insurance Company Law, Section 408-A(e)(5) (40 P.S. §625-8)

A copy of the basic illustration and a revised basic illustration, if any, signed as applicable, along with any certification that either no illustration was used or that the policy was applied for other than as illustrated, shall be retained by the insurer until three (3) years after the policy is no longer in force. The application indicated that a nonconforming illustration was provided. The 6 noted files were missing a copy of the illustration.

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

Individual fixed dollar life insurance or endowment policies which are offered as replacements for an existing life insurance policy or annuity contract with the same insurer or insurer group shall not be delivered in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such policy or attached thereto a notice stating in substance that the policyholder shall be permitted to return the policy within at least forty-five (45) days of its delivery. The 2 noted policy files did not contain the required 45 day "free look" statement.

Department Concern: The Department is concerned with incomplete applications or forms. The 12 files contained applications that were incomplete. The Department is also concerned with the Company's underwriting files and policy contracts because sample number 17 did not include the correct policy contract. The Company advised the Department that copies of the original contracts were not maintained but are re-produced. As such, it appears that the Company may not be able to re-produce the actual contracts delivered to consumers.

E. Insurance Group Business Unit Individual Life Insurance Policies Declined

The Company was requested to provide a list of all policies declined during the experience period of January 1, 2012 through December 31, 2012. The Company identified 161 individual life policies declined by the Insurance Group (INS) Business Unit. A random sample of 20 files declined by the Insurance Group (INS) Business Unit 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.

F. Insurance Group Business Unit Individual Life Insurance Policies Rescinded

The Company was requested to provide a list of all policies rescinded during the experience period of January 1, 2012 to December 31, 2012. The Company identified a universe of 1 life insurance policy rescinded by the Insurance Group (INS) Business Unit. A rescinded policy is a policy that was issued and the company terminates the contract and returns all premium paid from the policy effective date to the insured. The 1 life insurance policy rescinded by the Insurance Group (INS) Business Unit was requested received and reviewed. The policy was reviewed to ensure compliance with contract provisions, termination laws and regulations, proper return of premium and a valid reason for rescission. No violations were noted.

G. Individual Variable Life Policies Issued as Replacements

The Company was requested to provide a list of all policies issued during the experience period of January 1, 2012 through December 31, 2012. The Company provided a list of 7 individual variable universal life policies issued as replacements, of which one policy was listed twice. All 6 individual variable universal life policies were requested, received and reviewed. The files were reviewed were reviewed to determine compliance with issuance and replacement statutes and regulations. The following violations were noted:

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

Any person other than the applicant without the applicant's written consent shall make no alteration of any written application for a life insurance policy or annuity. The 1 noted file contained alterations without consent.

Department Concern: Upon review of the underwriting files, the Department is concerned with incomplete applications or forms. The noted file contained an application with no response to the replacement question.

H. Corporate Compliance Department Universal Life Policies Issued as Replacements

The Company was requested to provide a list of all policies issued during the experience period of January 1, 2012 through December 31, 2012. The Company provided a list of 152 individual universal life policies issued as replacements. A random sample of 10 individual universal life policies issued as replacements policies were requested, received and reviewed. The files were reviewed were reviewed to determine compliance with issuance and replacement statutes and regulations. The following violations were noted.

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

(a) Required *written disclosure*. A life insurance agent, broker or insurer soliciting the type of business to which this subchapter applies shall provide a prospective purchaser with a written disclosure statement clearly labeled as such. An acceptable disclosure statement is attached as Appendix A. 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 that shall describe the purpose and importance of the disclosure and describe the significant elements of the policy and riders being offered. The Company failed to provide a prospective purchaser with a compliant written disclosure statement in the 4 noted files.

4 Violations – Title 31, Pennsylvania Code, Section 83.4a

The (producer) 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 agent certification statement was not provided in the 4 noted files.

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

Any person other than the applicant without the applicant's written consent shall make no alteration of any written application for a life insurance policy or annuity. The 1 noted file contained alterations without consent.

1 Violation – Insurance Company Law, Section 408-A(e)(5) (40 P.S. §625-8)

A copy of the basic illustration and a revised basic illustration, if any, signed as applicable, along with any certification that either no illustration was used or that the policy was applied for other than as illustrated, shall be retained by the insurer until three (3) years after the policy is no longer in force. The 1 noted file was missing a copy of the illustration.

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

Individual fixed dollar life insurance or endowment policies which are offered as replacements for an existing life insurance policy or annuity contract with the same insurer or insurer group shall not be delivered in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such policy or attached thereto a notice stating in substance that the policyholder shall be permitted to return the policy within at least forty-five (45) days of its delivery. The 2 noted policy files did not contain the required 45 day "free look" statement.

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

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

Department Concern: Upon review of the underwriting files, the Department is concerned with incomplete applications or forms. The noted files contained applications or forms that were incomplete.

Department Concern: The Department is concerned with the Company’s recordkeeping relevant to forms available and used during the experience period and the appropriate assembling of a policy based on the form approved to be used with a specific policy form. The Examiners note that in relation to the insured’s record for two samples, the instructions sheet indicated the 45 day free look form # 8540-97 would be used, which was not approved for use with policy form # 306-130.16. However, because the Company also provided at the same time a printed copy of the policy which included a 45 day free look provision with form # 8820-06, which was the approved 45 free look provision form to use with policy form # 306-130.16, the Company was not cited a violation. The Department strongly recommends that the Company should review its inventory of all forms (policy, certificate, rider, amendments, endorsements, etc.) and withdraw any forms that may be duplicative or not used to maintain reasonable control of their forms to avoid recordkeeping problems and errors.

I. Retirement and Annuities Business Unit Individual Life Policies Surrendered and Terminated

The Company was requested to provide a list of all policies/contracts surrendered during the experience period of January 1, 2012 through December 31, 2012. The Company provided a list of 326 surrendered fixed annuity contracts that were processed by the Retirement and Annuity (R&A) Business Unit. A random sample of 10 surrendered fixed annuity contracts processed by the Retirement and Annuity (R&A) Business Unit were requested, received and reviewed. Annuity surrenders were reviewed to determine compliance with statutes and regulations. No violations were noted.

J. Insurance Group Business Unit Individual Universal Life Policies Terminated

The Company was requested to provide a list of all policies surrendered during the experience period of January 1, 2012 through December 31, 2012. The Company identified a universe of 304 universal life terminations processed by the Insurance Group (INS) Business Unit. A random sample of 10 universal life terminations processed by the Insurance Group (INS) Business Unit were requested, received and reviewed. 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.

K. Insurance Group Business Unit Individual Variable Life Policies Terminated

The Company was requested to provide a list of all policies terminated during the experience period of January 1, 2012 through December 31, 2012. The Company identified a universe of one variable life insurance policy terminated by the Insurance Group (INS) Business Unit. The 1 variable life insurance policy terminated by the

Insurance Group (INS) Business Unit was requested, received and reviewed. The policy was reviewed to ensure compliance with contract provisions, termination laws and regulations, and proper return of any unearned premium. No violations were noted.

L. Insurance Group Adjustable Life Policies Terminated

The Company was requested to provide a list of all policies terminated during the experience period of January 1, 2012 through December 31, 2012. The Company identified a universe of 10 adjustable life insurance policies terminated Insurance Group (INS). A sample of five (5) adjustable life insurance policies terminated (INS) files were requested, received and reviewed. The policies were reviewed to ensure compliance with contract provisions, termination laws and regulations, and proper return of any unearned premium. The following violations were noted:

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

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

4 Violations – Insurance Company Law, Section 40 P.S. §510(b), Required policy provisions

No policy of life or endowment insurance, except policies of industrial insurance where the premiums are payable monthly or oftener, shall hereafter be delivered in this Commonwealth unless it contains, in substance, the following provisions or provisions

which, in the opinion of the Insurance Commissioner, are more favorable to the policyholder:

(b) A provision that the insured is entitled to a grace, either of thirty days or one month, within which the payment of any premium after the first year may be made, subject, at the option of the company, to an interest charge not in excess of eight percentum per annum for the number of days of grace elapsing before the payment of the premium, during which period of grace the policy shall continue in full force; but in case the policy becomes a claim during the said period of grace, before the overdue premium, or the deferred premiums of the current policy year, if any, are paid, the amount of such premiums, with interest on any overdue premiums, may be deducted in any settlement under the policy. The company did not provide evidence of the required 31 day grace period for payment of the premium in compliance with the policy contract provision in the 4 noted files.

3 Violations – Insurance Company Law, 40 P.S. §510.1(a)(1), standard non-forfeiture law.

(a) In the case of policies issued on or after the operative date of this section, as defined in subsection (j) no policy of life insurance, except as stated in subsection (i), shall be delivered or issued for delivery in this Commonwealth unless it shall contain in substance the following provisions or corresponding provisions which, in the opinion of the Insurance Commissioner are at least as favorable to the defaulting or surrendering policyholder as are the minimum requirements hereinafter specified and are essentially in compliance with subsection (h):

(1) That, in the event of default in any premium payment, the company will grant, upon proper request not later than sixty days after the due date of the premium in default, a paid-up nonforfeiture benefit on a plan stipulated in the policy, effective as of such due date, of such amount as may be hereinafter specified. In lieu of such stipulated paid-up nonforfeiture benefit, the company may substitute, upon proper request not later than sixty days after the due date of the premium in default, an actuarially equivalent

alternative paid-up nonforfeiture benefit which provides a greater amount or longer period of death benefits or, if applicable, a greater amount or earlier payment of endowment benefits. The notice was not mailed at least 31 days prior to the policy lapse and/or the policy did not continue for a late period of 62 days after the Monthly Deduction Day in compliance with the policy contract provisions in the 3 noted files.

M. Insurance Group Business Unit Individual Variable Life Policies Surrendered

The Company was requested to provide a list of all policies surrendered during the experience period of January 1, 2012 through December 31, 2012. The Company identified a universe of 4 surrendered variable life insurance policies processed by the Insurance Group (INS) Business Unit. All 4 surrendered variable life insurance policies processed by the Insurance Group (INS) Business Unit were requested received and reviewed. 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.

N. Insurance Group Business Unit Individual Variable Universal Life Policies Surrendered

The Company was requested to provide a list of all policies surrendered during the experience period of January 1, 2012 through December 31, 2012. The Company identified a universe of 203 surrendered variable universal life policies processed by the Insurance Group (INS) Business Unit. A random sample of 10 surrendered variable universal life policies processed by the Insurance Group (INS) Business Unit were requested, received and reviewed. The policies were reviewed to ensure compliance with

contract provisions, termination laws and regulations, and proper return of any unearned premium. The following violations were noted:

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

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

Department Concern: The Department is concerned that the Company did not process the noted surrender in a timely manner pursuant to company policy and procedure.

O. Insurance Group Business Unit Individual Universal Life Policies Surrendered

The Company was requested to provide a list of all policies surrendered during the experience period of January 1, 2012 through December 31, 2012. The Company identified a universe of 519 surrendered universal life policies processed by the Insurance Group (INS) Business Unit. A random sample of 10 Surrendered universal life policies processed by the Insurance Group (INS) Business Unit were requested, received and reviewed. 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.

Department Concern: The Department is concerned that the Company did not process the noted surrenders in a timely manner pursuant to company policy and procedure.

P. Insurance Group Business Unit Individual Adjustable Life Policies Surrendered

The Company was requested to provide a list of all policies surrendered during the experience period of January 1, 2012 through December 31, 2012. The Company identified a universe of 17 surrendered adjustable life insurance policies processed by the Insurance Group (INS) Business Unit. A random sample of 6 surrendered adjustable life insurance policies processed by the Insurance Group (INS) Business Unit was requested received and reviewed. 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.

Department Concern: The Department is concerned that the Company did not process the noted surrenders in a timely manner pursuant to company policy and procedure.

Q. Insurance Group Business Unit Individual Life Policies Surrendered

The Company was requested to provide a list of all policies surrendered during the experience period of January 1, 2012 through December 31, 2012. The Company identified a universe of 3 surrendered universal life insurance policies processed by the Insurance Group (INS) Business Unit. All 3 surrendered universal life policies processed by the Insurance Group (INS) Business Unit were requested, received and reviewed. 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.

R. Retirement and Annuity Business Unit Individual Fixed Annuities Issued as Replacements

The Company was requested to provide a list of all policies/contracts issued during the experience period of January 1, 2012 through December 31, 2012. The Company provided a list of 390 Fixed Annuity Issued Contracts issued by the Retirement and Annuity (R&A) Business Unit as Internal/External Replacements. A random sample of 20 Fixed Annuity Issued Contracts issued by the Retirement and Annuity (R&A) Business Unit as Internal/External Replacements were requested received and reviewed. Of the 20 annuity contracts reviewed, 8 were externally replaced and 12 were internally replaced annuity contracts. The annuity contracts were reviewed to determine compliance with issuance, and replacement statutes and regulations. The following violations were noted:

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

An insurer that uses an agent or broker in a life insurance or annuity sale shall, if replacement is involved: Send to each existing insurer a written communication advising of the replacement or proposed replacement and the identification information obtained under subparagraph (I) and in the case of life insurance, the disclosure statement as required by §83.3 (relating to disclosure statement) or ledger statement containing comparable policy data on the proposed life insurance. This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner. The replacement letter to the replaced company was not documented in the 1 noted file.

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

When the individual policy or annuity is delivered to the policyholder by the producer by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set and

state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery receipt, and such date shall commence any applicable policy or annuity examination period. Copies of the delivery receipt must be provided to the policyholder on the date of policy or annuity delivery and to the issuing insurer. When the individual policy or annuity is delivered by a means other than by hand delivery by the producer, the insurer shall establish appropriate means of verifying delivery by the producer of the policy or annuity and of establishing the date from which any applicable policy or examination period shall commence. The date of policy delivery could not be verified in the 1 noted file.

S. Retirement and Annuity Business Unit Individual Variable Annuities Issued as Replacements

The Company was requested to provide a list of all annuity policies/contracts issued as replacements during the experience period of January 1, 2012 through December 31, 2012. The Company provided a list of 142 Variable Annuity contracts issued as replacements by the Retirement and Annuity (R&A) Business Unit. A random sample of 10 Variable Annuity contract files issued by the Retirement and Annuity (R&A) Business Unit was requested, received and reviewed. The annuity contracts were reviewed to determine compliance with issuance, and replacement statutes and regulations. No violations were noted.

T. Retirement and Annuities Business Unit Individual Annuity Certificates Issued New Business

The Company was requested to provide a list of all fixed annuity contracts issued during the experience period of January 1, 2012 through December 31, 2012. The Company

provided a list of 1,394 Fixed Annuity Contracts issued by the Retirement and Annuity (R&A) Business Unit. A random sample of 30 Retirement and Annuity (R&A) Business Unit contract files was requested received and reviewed. The annuity contracts were reviewed to determine compliance with issuance, and replacement statutes and regulations. The following violations were noted:

8 Violations – Title 31, Pennsylvania Code, Section 81.4(b)(1)

If replacement is involved, the agent or broker shall: present to the applicant, not later than at the time of taking the application, a Notice Regarding Replacement of Life Insurance and Annuities in the form as described in Appendix A, or other substantially similar form filed. The Notice used did not contain a date field needed to determine compliance in the 8 noted files.

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

An insurer that uses an agent or broker in a life insurance or annuity sale shall, if replacement is involved: Send to each existing insurer a written communication advising of the replacement or proposed replacement and the identification information obtained under subparagraph (I) and in the case of life insurance, the disclosure statement as required by § 83.3 (relating to disclosure statement) or ledger statement containing comparable policy data on the proposed life insurance. In the case of an annuity, a ledger statement containing comparable data shall be provided. This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner. The replacement letter to the replaced company did not contain the required documentation in the 2 noted files.

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

Individual fixed dollar life insurance policies or endowment insurance policies which are offered as replacements for an existing life insurance policy or annuity contract with an

insurer or insurer group other than the one which issued the original policy or contract shall not be delivered in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such policy or attached thereto a notice stating in substance that the policyholder shall be permitted to return the policy within at least twenty (20) days of its delivery. The 1 noted policy file did not contain the required 20 day "free look" statement.

U. Corporate Compliance Department Fixed Annuity Contracts Issued

The Company was requested to provide a list of all policies/contracts issued during the experience period of January 1, 2012 through December 31, 2012. The Company provided a list of 273 Fixed Annuity Contracts Issued by the Retirement and Annuity (R&A) Business Unit -Third Party Distribution (TPD). A random sample of 10 Fixed Annuity Contracts Issued by the Retirement and Annuity (R&A) Business Unit - Third Party Distribution (TPD) was requested, received and reviewed. The sample included 9 annuities that involved a replacement of which 1 involved an internal replacement, and 8 involved an external replacement. Annuity contracts were reviewed to determine compliance with issuance and replacement statutes and regulations. The following violations were noted:

9 Violations – Title 31, Pennsylvania Code, Section 81.4(b)(1)

If replacement is involved, the agent or broker shall: present to the applicant, not later than at the time of taking the application, a Notice Regarding Replacement of Life Insurance and Annuities in the form as described in Appendix A, or other substantially similar form filed. The Notice used did not contain a date field needed to determine compliance in the 9 noted files.

1 Violation – Title 31, Pennsylvania Code, Section 81.4(b)(1) in reference to providing the applicant with the Replacement Notice

If replacement is involved, the agent or broker shall: present to the applicant, not later than at the time of taking the application, a Notice Regarding Replacement of Life Insurance and Annuities in the form as described in Appendix A, or other substantially similar form filed. The replacement form was dated after the application date in the 1 noted file.

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

An insurer that uses an agent or broker in a life insurance or annuity sale shall, if replacement is involved: Send to each existing insurer a written communication advising of the replacement or proposed replacement and the identification information obtained under subparagraph (I) and in the case of life insurance, the disclosure statement as required by § 83.3 (relating to disclosure statement) or ledger statement containing comparable policy data on the proposed life insurance. In the case of an annuity, a ledger statement containing comparable data shall be provided. This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner. The replacement letter to the replaced company was not documented in the 3 noted files.

1 Violation – Insurance Company Law, Section 410E (a)(2) (40 P.S. §510d)

Individual fixed dollar annuity contracts which are offered as replacements for an existing annuity contract or life insurance policy with the same insurer or insurer group shall not be entered into in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such contract or attached thereto a notice stating in substance that the contract holder shall be permitted to return the contract within at least forty-five (45) days of its delivery. The 1 noted contract file did not contain the required 45 day "free look" statement.

V. Insurance Group Business Unit Individual Fixed Annuity Contracts Issued

The Company was requested to provide a list of all policies/contracts issued during the experience period of January 1, 2012 through December 31, 2012. The Company provided a list of 264 Fixed Annuity Contracts issued by the Insurance Group (INS) Business Unit. A random sample of 15 Fixed Annuity Contracts issued by the Insurance Group (INS) Business Unit was requested, received and reviewed. Annuity contracts were reviewed to determine compliance with issuance and replacement statutes and regulations. The following violations were noted:

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

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

Department Concern: The Company provided illustrations to three applicants in the sample that were not filed as an illustrated product. The Company should develop procedures regarding the level of detail to be provided to all applicants such as the use of an illustration or not. The Company should file such illustrations with the Pennsylvania Insurance Department prior to use.

W. Insurance Group Business Unit Individual Immediate Annuity Contracts Issued

The Company was requested to provide a list of all policies/contracts issued during the experience period of January 1, 2012 through December 31, 2012. The Company provided a list of 840 Immediate Annuity Contracts issued by the Insurance Group (INS) Business Unit. A random sample of 30 Immediate Annuity Contracts issued by the Insurance Group (INS) Business Unit was requested, received and reviewed. Of the 30

annuity contracts reviewed, 10 were deferred paid up fixed annuities and 20 were single premium (or payment) immediate fixed annuities. Annuity contracts were reviewed to determine compliance with issuance, and replacement statutes and regulations. The following violations were noted:

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

No alteration of any written application for a life insurance policy or annuity shall be made by any person other than the applicant without the applicant's written consent. The applications in the 4 noted files contained alterations without the applicant consent.

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

Individual fixed dollar annuity contracts which are offered as replacements for an existing annuity contract or life insurance policy with the same insurer or insurer group shall not be entered into in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such contract or attached thereto a notice stating in substance that the contract holder shall be permitted to return the contract within at least forty-five (45) days of its delivery. The 2 noted contract files did not contain the required 45 day "free look" statement.

Department Concern: The Company provided illustrations to seventeen applicants in the samples that were not filed as an illustrated product. The Company should develop procedures regarding the level of detail to be provided to all applicants such as the use of an illustration or not. The Company should file such illustrations with the Pennsylvania Insurance Department prior to use.

X. Insurance Group Business Unit Individual Variable Annuity Contracts Issued

The Company was requested to provide a list of all policies/contracts issued during the experience period of January 1, 2012 through December 31, 2012. The Company provided a list of 1,014 Variable Annuity Contracts issued by the Insurance Group (INS) Business Unit. A random sample of 40 Variable Annuity Contracts Insurance Group (INS) Business Unit was requested, received and reviewed. Annuity contracts were reviewed to determine compliance with issuance, and replacement statutes and regulations. The following violations were noted:

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

When the individual policy or annuity is delivered to the policyholder by the producer by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set and state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery receipt, and such date shall commence any applicable policy or annuity examination period. Copies of the delivery receipt must be provided to the policyholder on the date of policy or annuity delivery and to the issuing insurer. When the individual policy or annuity is delivered by a means other than by hand delivery by the producer, the insurer shall establish appropriate means of verifying delivery by the producer of the policy or annuity and of establishing the date from which any applicable policy or examination period shall commence. Verification of the date of annuity contract delivery could not be established in the 2 noted files.

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

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

Y. Insurance Group Business Unit Individual Fixed Annuities Declined

The Company was requested to provide a list of all policies/contracts declined during the experience period of January 1, 2012 through December 31, 2012. The Company provided a list of 9 Insurance Group (INS) Business Unit Fixed Annuity Contracts declined. A random sample of 5 Insurance Group (INS) Business Unit Fixed Annuity Contracts declined was requested, received and reviewed. Annuity declinations were reviewed to determine compliance with statutes and regulations. The following violations were noted:

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

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

Z. Insurance Group Business Unit Individual Variable Annuity Declines

The Company was requested to provide a list of all policies/contracts declined during the experience period of January 1, 2012 through December 31, 2012. The Company provided a list of 72 Variable Annuity Contracts declined by the Insurance Group (INS) Business Unit. A random sample of 14 Insurance Group (INS) Business Unit Variable Annuity Contracts declined files were requested, received and reviewed. Annuity declinations were reviewed to determine compliance with statutes and regulations. The following violations were noted:

5 Violations – Insurance Company Law (40 P.S. §627–5), Recordkeeping

An insurer, general agent, independent agency and insurance producer shall maintain or be able to make available to the commissioner records of the information collected from the consumer and other information used in making the recommendations that were the basis for insurance transactions for five years after the insurance transaction is completed by the insurer. An insurer is permitted but shall not be required to maintain documentation on behalf of an insurance producer. The Company failed to retain a copy of the Declination Notice, applicant request, and/or refund check in the 5 noted files

AA. Insurance Group Business Unit Individual Fixed Annuities Surrendered

The Company was requested to provide a list of all annuity contracts surrendered during the experience period of January 1, 2012 through December 31, 2012. The Company provided a list of 2,186 Fixed Annuity Contracts surrendered through the Insurance Group (INS) Business Unit. A random sample of 15 Fixed Annuity Contracts surrendered through the Insurance Group (INS) Business Unit were requested, received and reviewed. Annuity surrenders were reviewed to determine compliance with statutes and regulations. The following violations were noted:

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

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

BB. Insurance Group Business Unit Individual Variable Annuities Surrendered

The Company was requested to provide a list of all annuity contracts surrendered during the experience period of January 1, 2012 through December 31, 2012. The Company provided a list of 3,361 Variable Annuity Contracts surrendered through the Insurance Group (INS) Business Unit. A random sample of 15 Variable Annuity Contracts surrendered through the Insurance Group (INS) Business Unit were requested, received and reviewed. Annuity surrenders were reviewed to determine compliance with statutes and regulations. No violations were noted.

CC. Insurance Group Business Unit Individual Annuities Surrendered

The Company was requested to provide a list of all policies/contracts surrendered during the experience period of January 1, 2012 through December 31, 2012. The Company provided a list of 123 Annuity Contracts surrendered through the Insurance Group (INS) Business Unit. A random sample of 5 Annuity Contracts surrendered through the Insurance Group (INS) Business Unit was requested received and reviewed. Annuity surrenders were reviewed to determine compliance with statutes and regulations. No violations were noted.

DD. Insurance Group Business Unit Individual Fixed Annuities Terminated

The Company was requested to provide a list of all policies/contracts terminated during the experience period of January 1, 2012 through December 31, 2012. The Company provided a list of 15 Fixed Annuity Contracts terminated through the Insurance Group (INS) Business Unit. A random sample of 5 Fixed Annuity Contracts terminated through the Insurance Group (INS) Business Unit were requested, received and reviewed.

Annuity terminations were reviewed to determine compliance with statutes and regulations. No violations were noted.

EE. Insurance Group Business Unit Individual Variable Annuities Terminated

The Company was requested to provide a list of all policies/contracts terminated during the experience period of January 1, 2012 through December 31, 2012. The Company provided a list of 14 Variable Annuity Contract terminated through the Insurance Group (INS) Business Unit. A random sample of 5 Variable Annuity Contracts terminated through the Insurance Group (INS) Business Unit were requested, received and reviewed. Annuity terminations were reviewed to determine compliance with statutes and regulations. The following violations were noted:

1 Violation – Insurance Company Law, 40 P.S. 627-5 Recordkeeping

An insurer, general agent, independent agency and insurance producer shall maintain or be able to make available to the commissioner records of the information collected from the consumer and other information used in making the recommendations that were the basis for insurance transactions for *five years* after the insurance transaction is completed by the insurer. An insurer is permitted but shall not be required to maintain documentation on behalf of an insurance producer. The Company was unable to provide an issued contract for the 1 noted file.

FF. Insurance Group Business Unit Individual Immediate Annuities Terminated

The Company was requested to provide a list of all annuity contracts terminated during the experience period of January 1, 2012 through December 31, 2012. The Company

provided a list of 86 Immediate Annuity Contracts terminated through the Insurance Group (INS) Business Unit. A random sample of 10 Immediate Annuity Contracts terminated through the Insurance Group (INS) Business Unit were requested, received and reviewed. Annuity terminations were reviewed to determine compliance with statutes and regulations. The following violations were noted:

4 Violations – Insurance Company Law, (40 P.S. §627-5), Recordkeeping

An insurer, general agent, independent agency and insurance producer shall maintain or be able to make available to the commissioner records of the information collected from the consumer and other information used in making the recommendations that were the basis for insurance transactions for *five years* after the insurance transaction is completed by the insurer. An insurer is permitted but shall not be required to maintain documentation on behalf of an insurance producer. The Company did not provide the pertinent information in the 4 noted files.

GG. Insurance Group Business Unit Individual Universal Life Policy Loans

The Company was requested to provide a list of all life insurance policy loans, issued during the experience period of January 1, 2012 through December 31, 2012. The Company identified a universe of 186 Universal Life Loans processed by the Insurance Group (INS) Business Unit. A random sample of 15 Universal Life Loans processed by the Insurance Group (INS) Business Unit were requested, received and reviewed. The policies were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violations were noted:

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

(a) Every Company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other

recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, at its discretion, may require in order that its authorized representatives may readily ascertain whether the Company or person has complied with the laws of this Commonwealth. The 14 noted files were missing pertinent information.

9 Violations – Insurance Department Act, 40 P.S. §510e (C) (5)(i)(ii) Policy Loan

Interest Rates

(i) notify that policyholder at the time a cash loan is made of the initial rate of interest on the loan;

(ii) notify the policyholder with respect to premium loans of the initial rate of interest on the loan as soon as it is reasonably practical to do so after making the initial loan. Notice need not be given to the policyholder when a further premium loan is added, except as provided in subsection (c)(5)(iii). The Company failed to notify the policyholder of the initial interest rate at the time the loan was made in the 9 noted files.

HH. Insurance Group Business Unit Individual Universal Adjustable Life Policy Loans

The Company was requested to provide a list of all life insurance policy loans, issued during the experience period of January 1, 2012 through December 31, 2012. The Company identified a universe of 32 Universal Adjustable Life Policy Loans processed by the Insurance Group (INS) Business Unit. A random sample of 5 Universal Adjustable Life Policy Loans processed by the Insurance Group (INS) Business Unit was requested received and reviewed. The policies were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violations were noted:

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

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

5 Violations – Insurance Company Law, 40 P.S. §477b.7 (a)(1)(5) Electronic delivery of information.

(a)(1). With regard to any law or regulation of this Commonwealth requiring an insurer to provide, send or deliver information, notices or documents in writing to an insured or applicant as part of an insurance transaction if the insurer and the insured or applicant have agreed to conduct a transaction by electronic means, the requirement is satisfied if the information is provided, sent or delivered, as the case may be, in an electronic record capable of retention by the recipient at the time of receipt. An electronic record is not capable of retention by the recipient if the sender or its information processing system inhibits the ability of the recipient to print or store the electronic record. The provisions of the act of December 16, 1999 (P.L. 971, No. 69), known as the “Electronic Transactions Act,” shall otherwise apply to the insurer and the insured or applicant with respect to the providing, sending or delivering of the information, notices or documents.

(5) After expiration of the policy or endorsement, the insurer archives the expired policies or endorsements in accordance with the Insurance Department's general record retention requirements and makes them available upon request. Verification of the caller's identity prior to processing the telephonic request was not established for the 5 noted files.

**II. American Association of Retired Persons Business Unit Group Single Premium
Immediate Group Annuity Certificates Issued**

The Company was requested to provide a list of all certificate holders enrolled during the experience period of January 1, 2012 through December 31, 2012. The Company provided a list of 105 Group Annuity Single Premium Immediate Certificates issued by the American Association of Retired Persons (AARP) Business Unit. A random sample of 20 Group Annuity Single Premium Immediate Certificates issued by the American Association of Retired Persons (AARP) Business Unit were requested, received and reviewed. The files were reviewed to ensure compliance with Pennsylvania Consolidated Statutes. No violations were noted.

**JJ. American Association of Retired Persons Business Unit Group Annuity
Certificates Issued**

The Company was requested to provide a list of all certificate holders enrolled during the experience period. The Company provided a list of 17 Group Annuity Certificates issued by the American Association of Retired Persons (AARP) Business Unit. All 17 Group Annuity Certificates issued by the American Association of Retired Persons (AARP) Business Unit were requested, received and reviewed. The files were reviewed to ensure compliance with Pennsylvania Consolidated Statutes. No violations were noted.

**KK. American Association of Retired Persons Group Annuity Certificates
Declined**

The Company was requested to provide a list of all group annuity contracts declined during the experience period of January 1, 2012 through December 31, 2012. The

Company identified a universe of 15 Group Annuity Certificate Contracts declined by the American Association of Retired Persons (AARP) Business Unit. All 15 Group Annuity Certificate Contracts declined by the American Association of Retired Persons (AARP) Business Unit were requested, received and reviewed. The policy files were reviewed to determine compliance to issuance statutes and regulations and to ensure declinations were not the result of any discriminatory underwriting practice. The following violations were noted:

14 Violations – 40 P.S. 627-5 Recordkeeping

An insurer, general agent, independent agency and insurance producer shall maintain or be able to make available to the commissioner records of the information collected from the consumer and other information used in making the recommendations that were the basis for insurance transactions for five years after the insurance transaction is completed by the insurer. An insurer is permitted but shall not be required to maintain documentation on behalf of an insurance producer. The 14 noted files did not contain the declination information.

LL. American Association of Retired Persons Business Unit Group Annuity Certificates Surrendered

The Company was requested to provide a list of all policies/contracts issued during the experience period of January 1, 2012 through December 31, 2012. The Company provided a list of 3 Annuity Certificates Surrendered during the Free Look period and subsequently processed by the American Association of Retired Persons (AARP) Business Unit. All 3 Annuity Certificates Surrendered during the Free Look period and subsequently processed by the American Association of Retired Persons (AARP) Business Unit were requested, received and reviewed. Annuity contracts were reviewed

to determine compliance with issuance, and replacement statutes and regulations. No violations were noted.

Department Concern: The Department is concerned with the number of working days to respond to the insured's request for refunds. Per the Company's data, the screen shots indicated that the Company authorized the release of the checks for samples 2 and 3 in 21 and 13 working days respectively.

MM. Insurance Group Business Unit Individual Variable Life Loans

The Company was requested to provide a list of all life insurance policy loans, issued during the experience period of January 1, 2012 through December 31, 2012. The Company identified a universe of 87 Variable Universal Life Insurance Policy Loans processed by the Insurance Group (INS) Business Unit. A random sample of 5 Variable Universal Life Insurance Policy Loans processed by the Insurance Group (INS) Business Unit was requested received and reviewed. The policies were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violations were noted:

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

(a) Every Company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, at its discretion, may require in order that its authorized representatives may readily ascertain whether the Company or person has complied with the laws of this Commonwealth. The 5 noted files were missing pertinent information.

5 Violations – 40 P.S. §510e (C) (5)(i)(ii) Policy Loan Interest Rates

(i) notify that policyholder at the time a cash loan is made of the initial rate of interest on the loan;

(ii) notify the policyholder with respect to premium loans of the initial rate of interest on the loan as soon as it is reasonably practical to do so after making the initial loan. Notice need not be given to the policyholder when a further premium loan is added, except as provided in subsection (c)(5)(iii). The Company failed to notify the policyholder of the initial interest rate at the time the loan was made in the 5 noted files.

1 Violation – Title 31, Pennsylvania Code, Section 82.72, Policy Statement

Within 30 days after each anniversary of the policy, a statement of the cash surrender value, death benefit, a partial withdrawal or policy loan and interest charge, under the policy computed as of the policy anniversary date shall be mailed. The statement may be furnished within 30 days after a specified date in each policy year if the information contained therein is computed as of a date not more than 60 days prior to the mailing of the notice.

(1) This statement shall state that, in accordance with the investment experience of the separate account, the cash values and the variable death benefit may increase or decrease, and this statement shall prominently identify value described therein which may be recomputed prior to the next statement required by this section. If the policy guarantees that the variable death benefit on the next policy anniversary date will not be less than the variable death benefit specified in the statement, the statement shall be modified to so indicate.

(2) For flexible premium policies, the report shall contain a reconciliation of the change since the previous report in cash value and cash surrender value, if different, because of payments made—less deductions for expense charges—withdrawals, investment experience, insurance charges and other charges made against the cash value.

(i) The report shall show the projected cash value and cash surrender value, if different, as of 1 year from the end of the period covered by the report assuming that:

(A) Planned periodic premiums, if any, are paid as scheduled.

(B) Guaranteed costs of insurance are deducted.

(C) The net investment return is equal to the guaranteed rate or, in the absence of a guaranteed rate, is not greater than zero.

(ii) If the projected value is less than zero, a warning message shall be included that states that the policy may be in danger of terminating without value in the next 12 months unless additional premium is paid. The Company failed to demonstrate the timely delivery of a policy statement containing the policy loan and interest rates in the 1 noted file.

NN. Insurance Group Business Unit Individual Variable Annuity Loans

The Company was requested to provide a list of all annuity policy loans issued during the experience period of January 1, 2012 through December 31, 2012. The Company identified a universe of 4 Variable Annuity Loans processed by the Insurance Services (INS) Business Unit. All 4 Variable Annuity Loans processed by the Insurance Group (INS) Business Unit were requested, received and reviewed. The policies were reviewed to ensure compliance with the Commonwealth of Pennsylvania's statutes and regulations. No violations were noted.

OO. Corporate Owned Life Insurance and Bank Owned Life Insurance Business Unit Andesa System Group Policies Issued

The Company was requested to provide a list of all Corporate Owned Life Insurance (COLI) and Bank Owned Life Insurance (BOLI) issued policies during the experience period of January 1, 2012 through December 31, 2012. The Company identified a universe of 26 Corporate Owned Life Insurance (COLI) and Bank Owned Life Insurance

(BOLI) PA Andesa System issued policies during the experience period. All 26 files were requested, received and reviewed. The files were reviewed to determine compliance with Pennsylvania statutes and regulations. No violations were noted.

**PP. Corporate Owned Life Insurance and Bank Owned Life Insurance Business
Unit Group CSC System Policies Issued**

The Company was requested to provide a list of all Corporate Owned Life Insurance (COLI) and Bank Owned Life Insurance (BOLI) issued policies during the experience period of January 1, 2012 through December 31, 2012. The Company identified a universe of 142 Corporate Owned Life Insurance (COLI) and Bank Owned Life Insurance (BOLI) PA issued CSC System policies during the experience period. A random sample of 20 Corporate Owned Life Insurance (COLI) and Bank Owned Life Insurance (BOLI) files were requested, received and reviewed. The files were reviewed to determine compliance with Pennsylvania statutes and regulations. The following violations were noted:

7 Violations – Title 31, Pennsylvania Code, Section § 81.6 (a)(2)(ii)

An insurer that uses an agent or broker in a life insurance or annuity sale shall, if replacement is involved: Send to each existing insurer a written communication advising of the replacement or proposed replacement and the identification information obtained under subparagraph (I) and in the case of life insurance, the disclosure statement as required by § 83.3 (relating to disclosure statement) or ledger statement containing comparable policy data on the proposed life insurance. This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner. The replacement letter to the replaced company was not sent to the replaced company within 5 days in the 7 noted files.

**QQ. Corporate Owned Life Insurance and Bank Owned Life Insurance Business
Unit Group Policies Surrendered**

The Company was requested to provide a list of all Corporate Owned Life Insurance (COLI) and Bank Owned Life Insurance (BOLI) policies surrendered during the experience period of January 1, 2012 through December 31, 2012. The Company identified a universe of 163 COLI BOLI. A random sample of 20 COLI BOLI surrendered life policy files were requested, received and reviewed. The policies were reviewed to ensure compliance with, termination laws, regulations, and timely response or payment to the surrender request. No violations were noted.

**RR. Company Owned Life Insurance and Bank Owned Life Insurance (BOLI)
Business Unit Group Declines**

The Company was requested to provide a list of Corporate Owned Life Insurance (COLI) and Bank Owned Life Insurance (BOLI) applications declined during the experience period of January 1, 2012 through December 31, 2012. The Company identified 4 new business Corporate Owned Life Insurance (COLI) and Bank Owned Life Insurance (BOLI) declined policies. All 4 new business Corporate Owned Life Insurance (COLI) and Bank Owned Life Insurance (BOLI) declined policies were requested, received and reviewed. The declines 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.

**SS. Company Owned Life Insurance and Bank Owned Life Insurance Business Unit
Group Annual Statements**

The Company was requested to provide a list of all Company Owned Life Insurance (COLI) and Bank Owned Life Insurance (BOLI) inforce policies as of the end of the experience period of January 1, 2012 through December 31, 2012. The Company identified 4,955 Company Owned Life Insurance (COLI) and Bank Owned Life Insurance (BOLI) policies inforce. A random sample of 20 Company Owned Life Insurance (COLI) and Bank Owned Life Insurance (BOLI) inforce policy files were requested received and reviewed. The inforce policy files were reviewed to ensure that the appropriate policy or annual statements were mailed to the policy owner. No violations were noted.

Department Concern: The Department is concerned that no policy statements were mailed to the policyowners after each policy anniversary in 2012. The fixed life policy files did not contain a copy of the annual policy statement for 2012.

X. CLAIMS & CLAIMS MANUALS

The Claim review consisted of 9 general segments.

A.	Claims Manual
B.	Retirement and Annuities (R&A) Business Unit Individual Life Insurance Claims
C.	Insurance Group (INS) Business Unit Individual Life Claims
D.	Insurance Group (INS) Business Unit Individual Life Waiver of Premium Claims
E.	American Association of Retired Persons (AARP) Business Unit Group Lifetime Income
F.	Insurance Group (INS) Business Unit Individual Annuity Death Claims
G.	Insurance Group (INS) Business Unit Individual Variable Annuity Paid Death Claims
H.	Insurance Group (INS) Business Unit Individual Annuity Paid Death Claims
I.	Corporate Owned Life Insurance (COLI) and Bank Owned Life Insurance (BOLI) Claims

All claim files sampled were reviewed for compliance with requirements of the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171) and Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices.

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 of January 1, 2012 through December 31, 2012. The Company provided the following claim manuals:

1. Lifetime Income Claims Manual (AARP)

- a. Assignments
- b. Beneficiary Designations
- c. Death Claim Payments
- d. Death Claim Payments, 1/10/2011
- e. Death Claim Proofs
- f. Drums
- g. Death Claims - First Notice
- h. Fraud
- i. Miscellaneous
- j. First Notice of Death
- k. Reversing a Claim and Claim Payment Procedures
- l. Reversing a Claim and Reversing a Claim Payment Procedures
- m. Unusual Beneficiary Situations

2. Insurance Group Manual (INS)

- a. Compliance
- b. Product Information
- c. Introduction
- d. Understanding Beneficiary Designations
- e. Title
- f. Requirements
- g. The First Report
- h. Report Setup
- i. Report Setup – Express Claims
- j. Drums
- k. Contestable Life Insurance Fraud Reporting
- l. Adjudicating Claims
- m. Calculating Liability (Interest Rates (Life/Annuity) - Need
- n. Settlement Options

- o. Processing Claims
- p. Variances
- q. After Payment Actions
- r. Processing NDA, Fixed Annuities, Immediate Annuities and Supplementary Contracts
- s. Variable Annuities
- t. Escheatment's

3. Retirement & Annuity Claims Manual (R&A)

- a. Notification of Death
- b. CIS Checks
- c. Pend Death Status – OAS/VAS
- d. Pend Death Status – RPAY
- e. Beneficiary Search in Accurint
- f. Create Death Claim Follow up Work Item
- g. Determine Beneficiary Designation
- h. Process a Death Claim (Drum)
- i. Death Claim Procedures
- j. Special Death Claims
- k. NIGO Death Claim
- l. 48 Hour Call Back
- m. Free Look
- n. Consents, Notices and Notifications
- o. IRS Transfer Certificate
- p. Escheatment
- q. Death Claim FAQs
- r. Death Claim Charts and Table
- s. Death Claim Forms, Options and Checklists

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.

Department Concern: The Company's INS and R&A Claim Manuals do not contain any reference to the time standard for acknowledging the notification of death and or notifying the claimant of any requirements needed to process the claim and the AARP and R&A Claim Manuals do not contain any reference to the documentation standard for recording the date the materials were provided to the claimant. The Company should revise their claim manuals to ensure compliance with Title 31, Pennsylvania Code, Chapter 146.

B. Retirement and Annuities Business Unit Individual Life Insurance Claims

The Company was requested to provide a list of claims received during the experience period of January 1, 2012 through December 31, 2012. The Company identified 759 individual life claims processed by the Retirement and Annuity (R&A) Business Unit. A random sample of 30 individual life claims processed by the Retirement and Annuity (R&A) Business Unit were requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b). The following violations were noted:

1 Violation – Title 31, Pennsylvania Code, Section 146.5

Every insurer, upon receiving notification of a claim, shall within ten working days, acknowledge the receipt of such notice unless payment is made within such period of time. If an acknowledgement is made by means other than writing, an appropriate

notation of such acknowledgment shall be made in the claim file of the insurer and dated. The Company failed to acknowledge the 1 noted claim within 10 working days.

3 Violations – Title 31, Pennsylvania Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of a claim, unless the investigation cannot reasonably be completed within the time. If the investigation cannot be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company failed to provide a timely status letter for the 3 noted claims.

C. Insurance Group Business Unit Individual Life Claims

The Company was requested to provide a list of claims received during the experience period of January 1, 2012 through December 31, 2012. The Company identified 232 life death claims processed by the Insurance Group (INS) Business Unit. A random sample of 15 claims life death claims processed by the Insurance Group (INS) Business Unit was requested received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b). No violations were noted.

D. Insurance Group Business Unit Individual Life Waiver of Premium Claims

The Company was requested to provide a list of all claims received during the experience period of January 1, 2012 through December 31, 2012. The Company provided a list of 9 life claims of waiver of premium processed by the Insurance Group (INS) Business Unit. All 9 life claims of waiver of premium processed by the Insurance Group (INS) Business

Unit files were requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b). No violations were noted.

E. American Association of Retired Persons Business Unit Group Lifetime Income Claims

The Company was requested to provide a list of claims received during the experience period of January 1, 2012 through December 31, 2012. The Company identified a universe of 22 Lifetime Income claims processed by the American Association of Retired Persons (AARP) Business Unit. All 22 Lifetime Income claims processed by the American Association of Retired Persons (AARP) Business Unit were requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. No violations were noted.

F. Insurance Group Business Unit Individual Annuity Death Claims

The Company was requested to provide a list of claims received during the experience period of January 1, 2012 through December 31, 2012. The Company identified a universe of 552 Annuity Death Claims processed by the Insurance Group (INS) Business Unit. A random sample of 20 Annuity Death Claims processed by the Insurance Group (INS) Business Unit were requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. No violations noted.

G. Insurance Group Business Unit Individual Variable Annuity Paid Death Claims

The Company was requested to provide a list of claims received during the experience period of January 1, 2012 through December 31, 2012. The Company identified a universe of 112 variable annuity paid death claims processed by the Insurance Group (INS) Business Unit. A random sample of 10 variable annuity paid death claims processed by the Insurance Group (INS) Business Unit were requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. No violations were noted.

H. Insurance Group Business Unit Individual Annuity Paid Death Claims

The Company was requested to provide a list of claims received during the experience period of January 1, 2012 through December 31, 2012. The Company identified a universe of 80 annuity paid death claims processed by the Insurance Services (INS) Business Unit. A random sample of 10 annuity paid death claims processed by the Insurance Services (INS) Business Unit were requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. No violations were noted.

I. Corporate Owned Life Insurance and Bank Owned Life Insurance Business Unit Group Claims

The Company was requested to provide a list of claims received during the experience period of January 1, 2012 through December 31, 2012. The Company identified 20 Corporate Owned Life Insurance (COLI) and Bank Owned Life Insurance (BOLI) claims received. All 20 Corporate Owned Life Insurance (COLI) and Bank Owned Life Insurance (BOLI) claims were requested, received and reviewed. The claim files were

reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b). The following violations were noted:

9 Violations – Title 31, Pennsylvania Code, Section 146.5

Every insurer, upon receiving notification of a claim, shall within ten working days, acknowledge the receipt of such notice unless payment is made within such period of time. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated. The Company failed to acknowledge the 9 noted claim within 10 working days.

2 Violations – Title 31, Pennsylvania Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of a claim, unless the investigation cannot reasonably be completed within the time. If the investigation cannot be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company failed to provide a timely status letter for the 2 noted claims.

4 Violations – Title 31, Pennsylvania Code, Section 146.7 - Standards for prompt, fair and equitable settlements applicable to insurers

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 a timely status letter for the 4 noted claims.

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 Insurance Company Law, Section 405-A (40 P.S. §625-5).

The Company provided the following:

1. Narrative statements explaining internal control methods or systems used to control and assure compliance with underwriting guidelines and proper rating
2. Life New Business and Underwriting process internal audit report, dated 10/3/2012.
3. Copies of market conduct reports completed in the previous four years for six other states.
4. List of internal audits performed during the experience period.
5. External Auditor Notes to Statutory Financial Statements – December 2012 and 2011

The following violation was noted.

1 Violation – Insurance Company Law, Section 405-A (40 P.S. §625-5),

Establishment of Internal Audit and Compliance Procedures

(a) Every insurer shall institute and maintain internal audit and compliance procedures which provide for the evaluation of compliance with all statutes and regulations dealing with sales methods, advertising and filing and approval requirements for life insurance and annuities. These procedures shall also provide for the following:

- (1) Periodic reviews of consumer complaints in order to identify patterns of improper practices.
 - (2) Regular reporting to senior officers and the board of directors or an appropriate committee thereof with respect to any significant findings.
 - (3) *The establishment of line of communication, control and responsibility over the dissemination of advertising and promotional materials, including illustrations and illustration explanations*, with the requirements that such materials shall not be used without the approval by company employees whose compensation, other than generally applicable company bonus or incentive plans, is not directly linked to marketing and sales:
- (b) Each insurer shall make available for department inspection upon request its internal audit and compliance procedures which are instituted as required by this section.

The Company does have procedures in place to comply with this requirement; however, based on the violations described in the Report Sections IX, B and IX, H, controls over the dissemination of life insurance illustrations need to be strengthened.

XII. MCAS REPORTING

In Pennsylvania, insurers are required annually to submit a Market Conduct Annual Statement (MCAS) to the National Association of Insurance Commissioners (NAIC). The MCAS data is submitted in compliance with Pennsylvania Insurance Department Act, Section 903(a) [40 P.S. §323.3] which states in part, "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 MCAS data is submitted, protected and analyzed under the referenced Pennsylvania examination law as a means to validate the continued solvency of an insurer.

The Market Conduct Data Integrity Examination was conducted pursuant to the authority granted by Section 903 and 904 (40 P.S. §323.3 and 323.4) of the Insurance Department Act and covered the Market Conduct Annual Statement (MCAS) reporting for 2011 and 2012. The review included the evaluation of the Company's activities surrounding the accuracy and completeness of the mandatory filing of data for the MCAS report, which is used by regulators to collect claims and underwriting data.

The Examination team reviewed the Company's 2011 and 2012 MCAS Life and MCAS Annuity submissions in conjunction with the Company's policies, procedures, system controls and source data used in compiling those submissions. In addition, the Company was requested to provide procedures for data extraction and the report generation process to support the creation of the MCAS report.

The review of the MCAS information was twofold: first, to determine if the Company had IT and data integrity controls in place along with policies and procedures, to ensure the validity of the MCAS data submission; and second, to determine if the 2011 and 2012 MCAS data reported was accurate and complete.

The following MCAS reporting sections were reviewed during the course of the examination.

SECTION TITLES

- A. 2011 Annuity Report (MCAS)
- B. 2012 Annuity Report (MCAS)
- C. 2011 Life Report (MCAS)
- D. 2012 Life Report (MCAS)
- E. Policies and Procedures; Data Extraction and Report Generation
(MCAS)

Pennsylvania Insurance Department Insurance Department Act, Section 904(b) (40 P.S. §323.4(b)) – Every company or person from whom information is sought, its officers, directors and agents must provide to the examiners appointed under subsection (a) timely convenient and free access at all reasonable hours at its offices to all books, records accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The officers, directors, employees and agents of the company or person must facilitate such examination and aid in such examination so far as it is in their power to do so. The refusal of any company by its officers, directors, employees or agents to submit to examination or to comply with any reasonable written request of the examiners shall be grounds for suspension or refusal of or nonrenewal of any license or authority held by the company to engage in an insurance or other business subject to the department's

jurisdiction. Any such proceedings for suspension, revocation or refusal of any license or authority shall be conducted pursuant to 2 Pa. C.S. (relating to administrative law and procedure).

MCAS Reference: The Market Conduct Annual Statement General Filing Information - Company Attestation, all companies that submit an MCAS filing must attest to the completeness and accuracy of their submission. The attestation is required once per filing period and applies to all submissions for a specific Company code. No submissions will be accepted until an attestation is completed for the Company.

Summary of MCAS Findings:

- A. 2011 Annuity: 7 Violations
- B. 2012 Annuity: 8 Violations
- C. 2011 Life: 5 Violations
- D. 2012 Life: 1 Violation
- E. Policies and Procedures - Data Extraction and Report Generation: 1 Violation

A. 2011 MCAS Annuity Report

The examination team reviewed the Company's 2011 MCAS Annuity Submission, the supporting source documents and randomly selected files corresponding to the MCAS data call in order to determine completeness and accuracy of the information attested to by the Company in the MCAS submission. All companies that submit an MCAS filing must attest to the completeness and accuracy of their submission. The attestation is required once per filing period and applies to all submissions for a specific company code. No submissions will be accepted until an attestation is completed for the company.

Below are the interrogatories that every Pennsylvania insurer was required to complete for the 2011 MCAS Annuity Report.

Line	INTERROGATORIES
01	Individual Fixed Annuities - Does the company have data to report for this product type?
02	Individual Variable Annuities - Does the company have data to report for this product type?
03/04	Is there a reason that the reported Individual Fixed Annuities information may identify the company as an outlier or be substantially different from previously reported data (such as assuming blocks of business; shifting market strategies; underwriting changes, etc)?
05/06	Is there a reason that the reported Individual Variable Annuities information may identify the company as an outlier or be substantially different from previously reported data (such as assuming blocks of business; shifting market strategies; underwriting changes, etc)?
07	Additional state specific Individual Fixed Annuities comments (optional):
08	Additional state specific Individual Variable Annuities comments (optional):
09	Number of replacement contracts issued during the period.
10	Number of internal replacement contracts issued during the period.
11	Number of external replacement contracts issued during the period.
12	Number of contracts replaced where age of annuitant at replacement was < 65.
13	Number of contracts replaced where age of annuitant at replacement was 65 to 80.
14	Number of contracts replaced where age of annuitant at replacement was > 80.
15	Number of new immediate contracts issued during the period.
16	Number of new deferred contracts issued during the period where age of annuitant was < 65.
17	Number of new deferred contracts issued during the period where age of annuitant was 65 to 80.
18	Number of new deferred contracts issued during the period where age of annuitant was > 80.
19	Number of new deferred contracts issued during the period.
20	Number of contracts surrendered under 2 years from policy issue.
21	Number of contracts surrendered between 2 years and 5 years from policy issue.
22	Number of contracts surrendered between 6 years and 10 years from policy issue.
23	Number of contracts surrendered during the period.
24	Number of contracts in force at the end of the period.
25	Dollar amount of annuity considerations during the period.
26	Number of complaints received directly from consumers.

The examination team selected and reviewed a judgmental sample of files for each of the 2011 MCAS Annuity Interrogatory responses in order to determine if the data was properly classified under the respective MCAS reporting elements. The Company's use of the terminology, "Policy Date", "Issue Date", "Start Date", and "Effective Date", varied based on the business unit and/or supporting documentation provided for the sample files and is noted below accordingly. The following 7 violations were noted:

NUMBER OF REPLACEMENT CONTRACTS ISSUED

DURING THE PERIOD – LINE #9

MCAS Definition – Replacement Policy - A policy and/or annuity contract application received by your Company that is intended to replace an existing policy and/or annuity contract. This would include both external and internal replacements.

The Company was requested to provide a complete data set for MCAS annuity report line #9. The Company identified a universe of replacement contracts issued during the experience period for MCAS annuity report line #9. A random sample of 6 individual fixed and 5 variable replacement contract files were requested, received and reviewed. The data and files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations.

1.1 Violation – Pennsylvania Insurance Department Insurance Department Act, Section 904(b) (40 P.S. §323.4(b)) – The data provided by the Company in response the 2011 MCAS Annuity question 9 was inaccurate.

NUMBER OF INTERNAL REPLACEMENT CONTRACTS ISSUED

DURING THE PERIOD – LINE #10

MCAS Definition – Replacement Policy - A policy and/or annuity contract application received by your Company that is intended to replace an existing policy and/or annuity contract. This would include both external and internal replacements.

The Company was requested to provide a complete data set for MCAS annuity report line #10. The Company identified a universe of replacement contracts issued during the experience period for MCAS annuity report line #10. The data and files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violation was noted:

1.2 Violation – Pennsylvania Insurance Department Insurance Department Act, Section 904(b) (40 P.S. §323.4(b)) – The data provided by the Company in response the 2011 MCAS Annuity question 10 was inaccurate.

NUMBER OF EXTERNAL REPLACEMENT CONTRACTS ISSUED
DURING THE PERIOD -- LINE #11

MCAS Definition - External Replacement - An external replacement is when the policy and/or annuity to be replaced that was issued by another company.

The Company was requested to provide a complete data set for MCAS annuity report line #11. The Company identified a universe of external replacement contracts issued during the experience period for MCAS annuity report line #11. The data and files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violation was noted:

1.3 Violation – Pennsylvania Insurance Department Insurance Department Act, Section 904(b) (40 P.S. §323.4(b)) – The data provided by the Company in response the 2011 MCAS Annuity question 11 was inaccurate.

**NUMBER OF CONTRACTS REPLACED WHERE AGE OF ANNUITANT AT
REPLACEMENT WAS < 65 – LINE #12**

The Company was requested to provide a complete data set for MCAS annuity report line #12. The Company identified a universe of new contracts issued involving a replacement where the age of the annuitant at replacement was <65 for MCAS annuity report line #12. A random sample of 6 individual fixed and 5 individual variable new contracts issued involving a replacement where the age of the annuitant at replacement was <65 were requested, received and reviewed. The data and files were reviewed to ensure compliance with the Commonwealth of Pennsylvania’s Statutes and Regulations. The following violation was noted:

1.4 Violation – Pennsylvania Insurance Department Insurance Department Act, Section 904(b) (40 P.S. §323.4(b)) – The data provided by the Company in response the 2011 MCAS Annuity question 12 was inaccurate.

**NUMBER OF CONTRACTS REPLACED WHERE AGE OF ANNUITANT AT
REPLACEMENT WAS 65 to 80. – LINE #13**

The Company was requested to provide a complete data set for MCAS annuity report line #13. The data and files were reviewed to ensure compliance with the Commonwealth of Pennsylvania’s Statutes and Regulations. The following violation was noted:

1.5 Violation – Pennsylvania Insurance Department Insurance Department Act, Section 904(b) (40 P.S. §323.4(b)) – The data provided by the Company in response the 2011 MCAS Annuity question 13 was inaccurate.

NUMBER OF CONTRACTS REPLACED WHERE AGE OF ANNUITANT WAS
> 80. – LINE #14

The Company was requested to provide a complete data set for MCAS annuity report line #14. The data and files were reviewed to ensure compliance with the Commonwealth of Pennsylvania’s Statutes and Regulations. The following violation was noted:

1.6 Violation – Pennsylvania Insurance Department Insurance Department Act, Section 904(b) (40 P.S. §323.4(b)) – The data provided by the Company in response the 2011 MCAS Annuity question 14 was inaccurate.

DOLLAR AMOUNT OF ANNUITY CONSIDERATIONS DURING THE
PERIOD. – LINE #25

The Company was requested to provide a complete data set for MCAS annuity report line #25. The data and files were reviewed to ensure compliance with the Commonwealth of Pennsylvania’s Statutes and Regulations. The following violation was noted:

1.7 Violation – Pennsylvania Insurance Department Insurance Department Act, Section 904(b) (40 P.S. §323.4(b)) – The data provided by the Company in response the 2011 MCAS Annuity question 25 was inaccurate.

B. 2012 MCAS Annuity Report

The examination team reviewed the Company's 2012 MCAS Annuity Submission, the supporting source documents and randomly selected files corresponding to the MCAS data call in order to determine completeness and accuracy of the information attested to by the Company in the MCAS submission. All companies that submit an MCAS filing must attest to the completeness and accuracy of their submission. The attestation is required once per filing period and applies to all submissions for a specific company code. No submissions will be accepted until an attestation is completed for the company. Below are the interrogatories that every Pennsylvania insurer was required to complete for the 2012 MCAS Annuity Report.

Line	INTERROGATORIES
01	Individual Fixed Annuities - Does the company have data to report for this product type?
02	Individual Variable Annuities - Does the company have data to report for this product type?
03/04	Is there a reason that the reported Individual Fixed Annuities information may identify the company as an outlier or be substantially different from previously reported data (such as assuming blocks of business; shifting market strategies; underwriting changes, etc)?
05/06	Is there a reason that the reported Individual Variable Annuities information may identify the company as an outlier or be substantially different from previously reported data (such as assuming blocks of business; shifting market strategies; underwriting changes, etc)?
07	Additional state specific Individual Fixed Annuities comments (optional):
08	Additional state specific Individual Variable Annuities comments (optional):
09	Number of replacement contracts issued during the period.
10	Number of internal replacement contracts issued during the period.
11	Number of external replacement contracts issued during the period.
12	Number of contracts replaced where age of annuitant at replacement was < 65.
13	Number of contracts replaced where age of annuitant at replacement was 65 to 80.
14	Number of contracts replaced where age of annuitant at replacement was > 80.
15	Number of new immediate contracts issued during the period.

16	Number of new deferred contracts issued during the period where age of annuitant was < 65.
17	Number of new deferred contracts issued during the period where age of annuitant was 65 to 80.
18	Number of new deferred contracts issued during the period where age of annuitant was > 80.
19	Number of new deferred contracts issued during the period.
20	Number of contracts surrendered under 2 years from policy issue.
21	Number of contracts surrendered between 2 years and 5 years from policy issue.
22	Number of contracts surrendered between 6 years and 10 years from policy issue.
23	Number of contracts surrendered during the period.
24	Number of contracts applied for during the period.
25	Number of free looks during the period.
26	Number of contracts in force at the end of the period.
27	Dollar amount of annuity considerations during the period.
28	Number of complaints received directly from consumers.

The following 8 violations were noted.

NUMBER OF REPLACEMENT CONTRACTS ISSUED
DURING THE PERIOD – LINE #9

MCAS Definition – Replacement Policy - A policy and/or annuity contract application received by your Company that is intended to replace an existing policy and/or annuity contract. This would include both external and internal replacements.

The Company was requested to provide a complete data set for MCAS annuity report line #9. The Company identified a universe of replacement contracts issued during the experience period for MCAS annuity report line #9. A random sample of 5 individual fixed and 5 variable replacement contract files were requested, received and reviewed. The data and files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations.

1.1 Violation – Pennsylvania Insurance Department Insurance Department Act, Section 904(b) (40 P.S. §323.4(b)) – The data provided by the Company in response the 2012 MCAS Annuity question 9 was inaccurate.

NUMBER OF INTERNAL REPLACEMENT CONTRACTS
ISSUED DURING THE PERIOD – LINE #10

MCAS Definition – Replacement Policy - A policy and/or annuity contract application received by your Company that is intended to replace an existing policy and/or annuity contract. This would include both external and internal replacements.

The Company was requested to provide a complete data set for MCAS annuity report line #10. The data was reviewed to ensure compliance with the Commonwealth of Pennsylvania’s Statutes and Regulations. The following violation was noted:

1.2 Violation – Pennsylvania Insurance Department Insurance Department Act, Section 904(b) (40 P.S. §323.4(b)) – The data provided by the Company in response the 2012 MCAS Annuity question 10 was inaccurate.

NUMBER OF EXTERNAL REPLACEMENT CONTRACTS
ISSUED DURING THE PERIOD – LINE #11

MCAS Definition – Replacement Policy - A policy and/or annuity contract application received by your Company that is intended to replace an existing policy and/or annuity contract. This would include both external and internal replacements.

The Company was requested to provide a complete data set for MCAS annuity report line #11. The Company identified a universe of external replacement contracts issued during the experience period for MCAS annuity report line #11. A random sample of 5

individual fixed and 5 variable External replacement contract files were requested, received and reviewed. The data was reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violations were noted:

1.3 Violation – Pennsylvania Insurance Department Insurance Department Act, Section 904(b) (40 P.S. §323.4(b)) – The data provided by the Company in response the 2012 MCAS Annuity question 11 was inaccurate.

**NUMBER OF CONTRACTS REPLACED WHERE AGE OF ANNUITANT AT
REPLACEMENT WAS < 65. – LINE #12**

MCAS Definition – Replacement Policy - A policy and/or annuity contract application received by your Company that is intended to replace an existing policy and/or annuity contract. This would include both external and internal replacements.

The Company was requested to provide a complete data set for MCAS annuity report line #12. The data was reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violation was noted:

1.4 Violation – Pennsylvania Insurance Department Insurance Department Act, Section 904(b) (40 P.S. §323.4(b)) – The data provided by the Company in response the 2012 MCAS Annuity question 12 was inaccurate.

**NUMBER OF CONTRACTS REPLACED WHERE AGE OF ANNUITANT AT
REPLACEMENT WAS 65 TO 80. – LINE #13**

MCAS Definition – Replacement Policy - A policy and/or annuity contract application received by your Company that is intended to replace an existing policy and/or annuity contract. This would include both external and internal replacements.

The Company was requested to provide a complete data set for MCAS annuity report line #13. The data was reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violation was noted:

1.5 Violation – Pennsylvania Insurance Department Insurance Department Act, Section 904(b) (40 P.S. §323.4(b)) – The data provided by the Company in response the 2012 MCAS Annuity question 13 was inaccurate.

NUMBER OF CONTRACTS REPLACED WHERE AGE OF ANNUITANT AT REPLACEMENT WAS > 80 – LINE #14

MCAS Definition – Replacement Policy - A policy and/or annuity contract application received by your Company that is intended to replace an existing policy and/or annuity contract. This would include both external and internal replacements.

The Company was requested to provide a complete data set for MCAS annuity report line #14. The data was reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violation was noted:

1.6 Violation – Pennsylvania Insurance Department Insurance Department Act, Section 904(b) (40 P.S. §323.4(b)) – The data provided by the Company in response the 2012 MCAS Annuity question 14 was inaccurate.

NUMBER OF CONTRACTS SURRENDERED DURING THE PERIOD – LINE

#23

MCAS Definition – Replacement Policy - A policy and/or annuity contract application received by your Company that is intended to replace an existing policy and/or annuity contract. This would include both external and internal replacements.

The Company was requested to provide a complete data set for MCAS annuity report line #23. The data was reviewed to ensure compliance with the Commonwealth of Pennsylvania’s Statutes and Regulations. The following violation was noted:

1.7 Violation – Pennsylvania Insurance Department Insurance Department Act, Section 904(b) (40 P.S. §323.4(b)) – The data provided by the Company in response the 2012 MCAS Annuity question 23 was inaccurate.

DOLLAR AMOUNT OF ANNUITY CONSIDERATIONS DURING THE PERIOD

– LINE #27

MCAS Definition – Replacement Policy - A policy and/or annuity contract application received by your Company that is intended to replace an existing policy and/or annuity contract. This would include both external and internal replacements.

The Company was requested to provide a complete data set for MCAS annuity report line #27. The data was reviewed to ensure compliance with the Commonwealth of Pennsylvania’s Statutes and Regulations. The following violation was noted:

1.8 Violation – Pennsylvania Insurance Department Insurance Department Act, Section 904(b) (40 P.S. §323.4(b)) – The data provided by the Company in response the 2012 MCAS Annuity question 27 was inaccurate.

C. 2011 MCAS Life Report

The examination team reviewed the Company's 2011 MCAS Life Submission, the supporting source documents and randomly selected files corresponding to the MCAS data call in order to determine completeness and accuracy of the information attested to by the Company in the MCAS submission. All companies that submit an MCAS filing must attest to the completeness and accuracy of their submission. The attestation is required once per filing period and applies to all submissions for a specific company code. No submissions will be accepted until an attestation is completed for the company. Below are the interrogatories that every Pennsylvania insurer was required to complete for the 2011 MCAS Life Report.

Line	INTERROGATORIES
01	Individual Life Cash Value - Does the company have data to report for this product type?
02	Individual Life Non-Cash Value - Does the company have data to report for this product type?
03/04	Is there a reason that the reported Individual Life Cash Value information may identify the company as an outlier or be substantially different from previously reported data (such as assuming blocks of business; shifting market strategies; underwriting changes, etc)?
05/06	Is there a reason that the reported Individual Life Non-Cash Value information may identify the company as an outlier or be substantially different from previously reported data (such as assuming blocks of business; shifting market strategies; underwriting changes, etc)?
07	Additional state specific Individual Life Cash Value comments (optional):
08	Additional state specific Individual Life Non-Cash Value comments (optional):
09	Number of replacement policies issued during the period.
10	Number of internal replacements issued during the period.
11	Number of external replacements issued during the period.
12	Number of policies replaced where age of insured at replacement was < 65.
13	Number of policies replaced where age of insured at replacement was age 65 and over.
14	Number of policies surrendered under 2 years from policy issue.
15	Number of policies surrendered between 2 years and 5 years from policy issue.
16	Number of policies surrendered between 6 years and 10 years from policy issue.
17	Number of policies surrendered during the period.

18	Number of new policies issued during the period where age of insured at issue was < 65.
19	Number of new policies issued during the period where age of insured at issue was age 65 and over.
20	Number of new policies issued during the period.
21	Number of policies in force at the end of the period.
22	Dollar amount of direct written premium during the period.
23	Face amount of insurance issued during the period.
24	Face amount of insurance in force at the end of the period.
25	Number of complaints received directly from consumers.
26	Number of death claims closed with payment, during the period, within 60 days from the date of due proof of loss (include only claims where the final decision was payment in full.)
27	Number of death claims closed with payment, during the period, beyond 60 days from the date of due proof of loss (include only claims where the final decision was payment in full.)
28	Number of death claims denied, resisted or compromised during the period.
29	Number of death claims received during the period.

The examination team selected and reviewed a judgmental sample of files for each of the 2011 MCAS Life Interrogatory responses in order to determine if the data was properly classified under the respective MCAS reporting elements. The Company's use of the terminology, "Policy Date", "Issue Date", "Start Date", and "Effective Date", varied based on the business unit and/or supporting documentation provided for the sample files and is noted below accordingly. There were 5 violations noted.

THE NUMBER OF NEW CONTRACTS ISSUED DURING THE PERIOD

WHERE AGE OF INSURED AT ISSUE WAS < 65. – LINE #18

MCAS Definition of External Replacement - An external replacement is when the policy and/or annuity to be replaced that was issued by another company.

The Company was requested to provide a complete data set for MCAS life report line #18. The data and files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violations were noted:

1.1 Violation – Pennsylvania Insurance Department Insurance Department Act, Section 904(b) (40 P.S. §323.4(b)) – The data provided by the Company in response the 2011 MCAS Life Line 18 was inaccurate.

THE NUMBER OF NEW POLICIES ISSUED DURING THE PERIOD WHERE AGE OF INSURED AT ISSUE WAS 65 AND OVER. – LINE #19

MCAS Definition of External Replacement - An external replacement is when the policy and/or annuity to be replaced that was issued by another company.

The Company was requested to provide a complete data set for MCAS life report line #19. The data and files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violations were noted:

1.2 Violation – Pennsylvania Insurance Department Insurance Department Act, Section 904(b) (40 P.S. §323.4(b)) – The data provided by the Company in response the 2011 MCAS Life Line 19 was inaccurate.

THE NUMBER OF NEW POLICIES ISSUED DURING THE PERIOD – LINE #20

MCAS Definition of External Replacement - An external replacement is when the policy and/or annuity to be replaced that was issued by another company.

The Company was requested to provide a complete data set for MCAS life report line #20. The data and files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violations were noted:

1.3 Violation – Pennsylvania Insurance Department Insurance Department Act, Section 904(b) (40 P.S. §323.4(b)) – The data provided by the Company in response the 2011 MCAS Life Line 20 was inaccurate.

THE NUMBER OF POLICIES IN FORCE AT THE END OF THE PERIOD –

LINE #21

MCAS Definition of External Replacement - An external replacement is when the policy and/or annuity to be replaced that was issued by another company.

The Company was requested to provide a complete data set for MCAS life report line #21. The data and files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violations were noted:

1.4 Violation – Pennsylvania Insurance Department Insurance Department Act, Section 904(b) (40 P.S. §323.4(b)) – The data provided by the Company in response the 2011 MCAS Life Line 21 was inaccurate.

THE NUMBER OF DEATH CLAIMS RECEIVED DURING THE PERIOD –

LINE #29

MCAS Definition of External Replacement - An external replacement is when the policy and/or annuity to be replaced that was issued by another company.

The Company was requested to provide a complete data set for MCAS life report line #29. The data and files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations.. The following violations were noted:

1.5 Violation – Pennsylvania Insurance Department Insurance Department Act, Section 904(b) (40 P.S. §323.4(b)) – The data provided by the Company in response the 2011 MCAS Life Line 29 was inaccurate.

D. 2012 MCAS Life Report

The examination team reviewed the Company's 2012 MCAS Life Submission, the supporting source documents and randomly selected files corresponding to the MCAS data call in order to determine completeness and accuracy of the information attested to by the Company in the MCAS submission. All companies that submit an MCAS filing must attest to the completeness and accuracy of their submission. The attestation is required once per filing period and applies to all submissions for a specific company code. No submissions will be accepted until an attestation is completed for the company. Below are the interrogatories that every Pennsylvania insurer was required to complete for the 2012 MCAS Life Report. 1 violation was noted.

Line	INTERROGATORIES
01	Individual Life Cash Value - Does the company have data to report for this product type?
02	Individual Life Non-Cash Value - Does the company have data to report for this product type?
03/04	Is there a reason that the reported Individual Life Cash Value information may identify the company as an outlier or be substantially different from previously reported data (such as assuming blocks of business; shifting market strategies; underwriting changes, etc)?
05/06	Is there a reason that the reported Individual Life Non-Cash Value information may identify the company as an outlier or be substantially different from previously reported data (such as assuming blocks of business; shifting market strategies; underwriting changes, etc)?
07	Additional state specific Individual Life Cash Value comments (optional):
08	Additional state specific Individual Life Non-Cash Value comments (optional):
09	Number of replacement policies issued during the period.
10	Number of internal replacements issued during the period.
11	Number of external replacements issued during the period.
12	Number of policies replaced where age of insured at replacement was < 65.
13	Number of policies replaced where age of insured at replacement was age 65 and over.
14	Number of policies surrendered under 2 years from policy issue.
15	Number of policies surrendered between 2 years and 5 years from policy issue.
16	Number of policies surrendered between 6 years and 10 years from policy issue.

17	Number of policies surrendered during the period.
18	Number of new policies issued during the period where age of insured at issue was < 65.
19	Number of new policies issued during the period where age of insured at issue was age 65 and over.
20	Number of new policies issued during the period.
21	Number of new policies applied for during the period.
22	Number of free looks during the period.
23	Number of policies in force at the end of the period.
24	Dollar amount of direct written premium during the period.
25	Face amount of insurance issued during the period.
26	Face amount of insurance in force at the end of the period.
27	Number of complaints received directly from consumers.
28	Number of death claims closed with payment, during the period, within 60 days from the date of due proof of loss (include only claims where the final decision was payment in full.)
29	Number of death claims closed with payment, during the period, beyond 60 days from the date of due proof of loss (include only claims where the final decision was payment in full.)
30	Number of death claims denied, resisted or compromised during the period.
31	Number of death claims received during the period.

The examination team selected and reviewed a judgmental sample of files for each of the 2012 MCAS Life Interrogatory responses in order to determine if the data was properly classified under the respective MCAS reporting elements. The initial summary violations regarding the 2012 Life Interrogatory responses to Lines #14–17 were cleared by the Company.

NUMBER OF NEW POLICIES APPLIED FOR DURING THE PERIOD – LINE

#21

MCAS Definition – Replacement Policy - A policy and/or annuity contract application received by your Company that is intended to replace an existing policy and/or annuity contract. This would include both external and internal replacements.

The Company was requested to provide a complete data set for MCAS annuity report line #21. The data was reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violation was noted:

1.1 Violation – Pennsylvania Insurance Department Insurance Department Act, Section 904(b) (40 P.S. §323.4(b)) – The data provided by the Company in response the 2012 MCAS Annuity question 21 was inaccurate.

E. Policies and Procedures – Data Extraction and Report Generation

The examination team reviewed the Company's 2011 and 2012 MCAS IT and data integrity controls, source documents and its general MCAS policies and procedures to determine if the Company had policies and procedures in place to ensure its compliance with the MCAS reporting requirements. 1 violation was noted.

The Company has a comprehensive process in place to gather and analyze the data for completeness and anomalies; they have informal and incomplete policies and procedures in place for validating the accuracy of the data reported.

Each of business unit providing data relied upon for the MCAS reporting has its own process. All units except for IT, submits a Departmental Certification along with their data submission. The Department Certification includes: 1) A list of the information provided; 2) The products covered by the submission; 3) The systems from which the data was pulled; 4) The steps taken to verify the reasonableness and accuracy of the data; and 5) Any sub-certifications relied upon. Each unit performs a very high-level analysis of data to ensure completeness and to identify anomalies. The analysis performed consist of verifying that the data being provided includes: 1) from all appropriate states, 2) that includes dates that span the entire reporting period, 3) that does

not contain duplicative files, 4) that includes all required product codes, 5) the Company code for all files is NYLIAC, 6) the data reconciles with the financial annual statement/state compliant registers, if applicable; and 7) the data is comparable to the previous year's data.

The Company provided the Department Certifications but did not provide any of the supporting documentation associated with those Department Certifications.

Only two business units validate the accuracy of data by performing random samples of "policies applied for", "full surrenders", and "free look provisions", for life and annuity products. The Company provided documentation identifying the number of files that were randomly reviewed but did not provide documentation of the actual reviews performed. The impact of the Company's lack of validation procedures is evidenced by the individual reporting errors uncovered by the Company during the examination process and summarized below.

The following violation was noted:

1 Violation – Pennsylvania Insurance Department Act, Section 904(b) (40 P.S. §323.4(b)) – Therefore, the Company did not have the ability to ensure the accuracy of the data reported in the 2011 and 2012 MCAS submissions.

XIII. 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 all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the Company are maintained in such manner and for such period of time to ensure compliance with Section 903 of the Insurance Department Act of 1921 (40 P.S. §323.3).
2. The Company must review and revise procedures to ensure compliance with Section 904 of the Insurance Department Act of 1921 (40 P.S. §323.4).
3. The Company must review and revise Licensing procedures to ensure compliance with Section 671-A of the Insurance Department Act of 1921 (40 P.S. § 310.71).
4. The Company must review and revise procedures to ensure compliance with Section 354 of the Insurance Company Law (40 P.S. § 477b), which prohibits issuing, selling, or disposing of any policy, contract or certificate until the forms have been submitted to, and formally approved by, the Insurance Commissioner.
5. The Company must review and revise procedures to ensure compliance with the policy delivery receipt requirements of Section 404-A of the Insurance Company Law (40 P.S. §625-4).
6. The Company must review and revise procedures to ensure compliance with the establishment of internal audit and compliance procedures requirements of Section 405-A of the Insurance Company Law (40 P.S. §625-5).

7. The Company must review and revise procedures to ensure compliance with Section 406-A of the Insurance Company Law, No. 284 (40 P.S. §625-6), prohibits alteration of any written application for a life insurance policy or annuity without the applicant's written consent.
8. The Company must review and revise procedures to ensure compliance with Illustration requirements of Section 408-A of the Insurance Company Law (40 P.S. §625-8).
9. The Company must review and revise procedures to ensure compliance with the requirements of Section 410A, Insurance Department Law, (40 P.S. § 510.1 (a) (1)) standard non-forfeiture law.
10. The Company must review and revise procedures to ensure compliance with the "free look" requirements of Section 410-D of the Insurance Company Law (40 P.S. §510c).
11. The Company must review and revise procedures to ensure compliance with the requirements of Section 410C, Insurance Department Law, (40 P.S. § 510 (b)) required policy provisions.
12. The Company must review and revise procedures to ensure compliance with the "free look" requirements of Section 410-E of the Insurance Company Law (40 P.S. §510c).
13. The Company must review and revise procedures to ensure compliance with the policy loan interest rate notification requirements of Section 410-F of the Insurance Company Law (40 P.S. §510e).

14. The Company must review and revise procedures to maintain or be able to make available records of consumer transactions and other information used to ensure compliance of the Insurance Company Law, (40 P.S. §627-5), Recordkeeping.
15. The Company must review and revise procedures to ensure compliance with the requirements of Insurance Department Law, Section 40 P.S. § 477b.7 (a) (1) (5) electronic delivery of information.
16. The Company must review and revise procedures to ensure compliance with the requirements of Title 31, Pennsylvania Code, Section 51.5 Annual Statement Certificate of Compliance filing.
17. The Company must review and revise procedures to ensure compliance with the replacement requirements of Title 31, Pennsylvania Code, Chapter 81.
18. The Company must review and revise procedures to ensure compliance with the application variable life requirements of Title 31, Pennsylvania Code, Chapter 82.
19. The Company must review and revise procedures to ensure compliance with the disclosure requirements of Title 31, Pennsylvania Code, Chapter 83.
20. The Company must review and revise procedures individual life application filing that comply to ensuring compliance with the use of the company's name requirements of Title 31, Pennsylvania Code, Section 90.c.2.
21. The Company must review and revise procedures to ensure compliance with the unfair claims settlement practices of Title 31, Pennsylvania Code, Chapter 146.
22. The Company must review and revise procedures to ensure compliance with the requirements of Insurance Department Act of 1921 "Unfair Methods of

Competition” and “Unfair or Deceptive Acts or Practices” in the business of insurance, Act 205, Section 5 (40 P.S. §1171.5).

XIV. COMPANY RESPONSE



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Randi J. Bader
Associate General Counsel

July 15, 2014

VIA OVERNIGHT CARRIER AND EMAIL

Yonise Roberts Paige, Chief
Pennsylvania Insurance Department
Life, Accident and Health Division
Bureau of Market Actions
1321 Strawberry Square
Harrisburg, Pennsylvania 17120

Re: Response to Report on Market Conduct Examination of New York Life Insurance
and Annuity Corporation

Dear Ms. Paige,

On behalf of New York Life New York Life Insurance and Annuity Corporation (hereinafter referred to as "NYLIAC" or "the Company"), we respectfully submit the following response to the Pennsylvania Insurance Department's Market Conduct Examination Report ("the Report"). We appreciate the opportunity to review and to respond to the Report findings and recommendations, as well as the opportunities that were previously provided to discuss a number of issues with the Department.

NYLIAC takes its obligations to comply with its regulatory and statutory requirements in all states very seriously. Along those lines, the Company is committed to continued improvement in its processes, procedures and controls to ensure compliance with all Pennsylvania regulatory and statutory requirements. The findings identified during this examination will help the Company to better achieve this objective.

The Report notes deficiencies and concerns in certain areas. We take the Department's recommendations with respect to these matters seriously, and we are working with the appropriate business and compliance personnel to enhance

compliance with existing established procedures and to implement appropriate corrective action where needed.

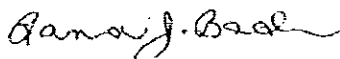
As discussed with the Pennsylvania Insurance Department ("the Department"), there are a number of findings and concerns in the Report, particularly with regard to Consumer Complaints and illustrations, where the Company respectfully disagrees with the Department and believes that the findings do not support the alleged violations. The Company also disagrees that the isolated findings in the Consumer Complaint section rise to the level of an Unfair Insurance Practices Act violation. Regardless, the Company respects the authority of the Department as the final determinant in these matters and is committed to implementing appropriate corrective action.

There were many instances during the examination where the Company was compliant with applicable Pennsylvania requirements, but could not provide the documentation to demonstrate our compliance to the examiners. In these cases, the Company will take appropriate steps to ensure that this documentation will be available for review in any future examinations.

The Company consistently reviews and modifies its procedures to accurately report information through the Market Conduct Annual Statement ("MCAS"). The NAIC has publicly acknowledged that the very nature of market conduct data makes its collection difficult. Additionally, information required to be reported (and how it is to be reported) can be complex and the requirements have changed from year to year. Our errors on the MCAS filings were not intentional or material. As part of our process to improve our controls over reporting, we are updating our written guidance. These enhancements will include: 1) the need for documented procedures, 2) strong validation techniques to ensure the data is accurate and 3) the development of record retention guidelines.

Thank you once again for the Department's willingness to discuss items of concern to the Company. We are available to further discuss any questions or comments the Department may have regarding our examination.

Very truly yours,



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