pennsylvania
INSURANCE DEPARTMENT

COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT

MARKET CONDUCT
EXAMINATION REPORT

OF

PROTECTIVE LIFE
INSURANCE COMPANY
BIRMINGHAM, AL

As of: March 6, 2013
Issued: May 3, 2013

MARKET ACTIONS BUREAU
LIFE AND HEALTH DIVISION

PROTECTIVE LIFE INSURANCE COMPANY

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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 27th day of April, 2011, 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 Ronald A. Gallagher, 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:
	:	
PROTECTIVE LIFE INSURANCE COMPANY 2801 Highway 280 South Birmingham, AL 35223	:	Section 671-A of Act 147 of 2002 (40 P.S. § 310.71)
	:	Section 672-A of Act 147 of 2002 (40 P.S. § 310.72)
	:	Sections 903 and 904(b) of the Insurance Department Act, Act of May 17, 1921, P.L. 789, No. 285 (40 P.S. §§323.3 and 323.4)
	:	Sections 404-A, 410E(a)(3), 410E(c)(5)(i)(ii) of the Insurance Company Law, Act of May 17, 1921, P.L. 682, No. 284 (40 P.S. §§510(c), 510E(c)(5)(i)(ii) and 625-4
	:	Title 31, Pennsylvania Code, Sections 81.6(a)(1), 81.6(a)(2)(ii), 83.3(a)(1)(2)(3)(4)(5)(6)(7), 85.32, 146.6 and 146.7
	:	Section 5 (a)(10)(i)(ii)(iii) of the Act of July 22, 1974 (P.L.) 589, No 205)) (40 P.S. §1171.5(a)(10)(i)(ii)(iii))
Respondent.	:	Docket No. MC13-04-023

CONSENT ORDER

AND NOW, this 3rd day of May, 2013, 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.

FINDINGS OF FACT

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

(a) Respondent is Protective Life Insurance Company, and maintains its address at 2801 Highway 280 South, Birmingham, AL 35223.

(b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from January 1, 2010 to December 31, 2010.

(c) On March 6, 2013, the Insurance Department issued a Market Conduct

Examination Report to Respondent.

(d) A response to the Examination Report was provided by Respondent on April 5, 2013.

(e) The Examination Report notes violations of the following:

(i) Section 671-A of Act 147 of 2002 (40 P.S. § 310.71), which prohibits producers from transacting business within this Commonwealth without written appointment as required by the Act;

(ii) Section 672-A of Act 147 of 2002 (40 P.S. § 310.72), which states an insurance entity may pay a commission, brokerage fee, service fee or other compensation to a licensee for selling, soliciting or negotiating a contract of insurance. A licensee may pay a commission, brokerage fee, service fee or other compensation to a licensee for selling, soliciting or negotiating a contract of insurance. Except as provided in subsection (b), an insurance entity or licensee may not pay a commission, brokerage fee, service fee or other compensation to a person that is not a licensee for activities related to the sale, solicitation or negotiation of a contract of insurance.

(b) Exception. — An insurance entity or licensee may pay:

(1) a renewal or other deferred commission to a person

that is not a licensee for selling, soliciting or negotiating a contract of insurance if the person was a licensee at the time of the sale, solicitation or negotiation; or (2) a fee to a person that is not a licensee for referring to a licensee persons that are interested in purchasing insurance if the referring person does not discuss specific terms and conditions of a contract of insurance and, in the case of referrals for insurance that is primarily for personal, family or household use, the referring person receives no more than a one-time, nominal fee of a fixed dollar amount for each referral that does not depend on whether the referral results in a sale. An insurance entity or licensee shall not pay a commission or fee to a person under this subsection if the person is a licensee under suspension or a former licensee whose insurance producer license was revoked;

(iii) Section 903 of the Insurance Department Act, Act of May 17, 1921 (40 P.S. §323.3), which requires every company subject to examination keep all records and documents relating to its business in such manner as may be required in order that the Department may verify whether the company has complied with the laws of this Commonwealth;

(iv) Section 904(b) of the Insurance Department Act, Act of May 17, 1921 (40 P.S. §323.4), 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. 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 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);

(v) Section 404-A of the Insurance Company Law, No. 284 (40 P.S. §625-4), which requires when the individual policy or annuity is delivered to the policyholder by the producer by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set and state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery receipt, and such date shall commence any applicable policy or annuity examination period. Copies of the delivery receipt must be

provided to the policyholder on the date of policy or annuity delivery and to the issuing insurer. When the individual policy or annuity is delivered by a means other than by hand-delivery by the producer, the insurer shall establish appropriate means of verifying delivery by the producer of the policy or annuity and of establishing the date from which any applicable policy or examination period shall commence;

(vi) Section 410E(a)(3) of the Insurance Company Law, No. 284 (40 P.S. §510c), which state individual fixed dollar annuity contracts which are offered as replacements for an existing annuity contract or life insurance policy with an insurer or insurer group other than the one which issued the original contract or policy 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 twenty (20) days of its delivery;

(vii) Section 410E(c)(5)(i)(ii) of the Insurance Company Law, No. 284 (40 P.S. §510e(c)(5)(i)(ii), states the company shall notify that policyholder at the time a cash loan is made of the initial rate of interest on the loan and 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;

(viii) Title 31, Pennsylvania Code, Section 81.6(a)(1), which requires an insurer that uses an agent or broker in a life insurance or annuity sale shall require with or as part of a completed application for life insurance or annuity, a statement signed by the agent or broker regarding whether the broker knows replacement is or may be involved in the transaction;

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

(x) Title 31, Pennsylvania Code, Sections 83.3(a)(1), (2), (3), (4), (5), (6) and (7), which requires a disclosure statement to 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;

(xi) Title 31, Pennsylvania Code, Section 85.32, which states each application form for an individual variable annuity contract shall contain a clear statement, prominently set forth immediate preceding the signature line, denoting that the contractual payments or values under the variable annuity provisions of the contract being applied for are variable and not guaranteed as to fixed dollar amounts;

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

(xiii) Title 31, Pennsylvania Code, Section 146.7, which states within fifteen (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;

(xiv) Section 5(a)(10)(i) of the Unfair Insurance Practices Act, (40 P.S. §1171.5(a)(10)), which prohibits misrepresenting pertinent facts or policy or contract provisions relating to coverages at issue;

(xv) Section 5(a)(10)(ii) of the Unfair Insurance Practices Act, (40 P.S. §1171.5(a)(10)), which prohibits failing to acknowledge and act promptly upon written or oral communications with respect to claims arising under insurance policies;

(xvi) Section 5(a)(10)(iii) of the Unfair Insurance Practices Act, (40 P.S.§1171.5(a)(10)), which prohibits failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies;

CONCLUSIONS OF LAW

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

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

(b) Respondent's violations of Sections 671-A and 672-A of Act 147 of 2002 are Punishable by the following, under Section 691-A of Act 147 of 2002 (40 P.S. § 310.91):

(i) suspension, revocation or refusal to issue the certificate of qualification

or license;

(ii) imposition of a civil penalty not to exceed five thousand dollars ($5,000.00) for every violation of the Act;

(iii) An order to cease and desist; and

(iv) Any other conditions as the commissioner deems appropriate.

(c) Respondent's violations of Sections 404-A, 410E(a)(3) and 410E(c)(5)(i)(ii) of the Insurance Company Law, No. 284 (40 P.S. §§625-4, and 510) are punishable by the following, under 40 P.S. § 625-10: Upon determination by hearing that this act has been violated, the commissioner may issue a cease and desist order, suspend, revoke or refuse to renew the license, or impose a civil penalty of not more than $5,000 per violation.

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

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

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

(f) Respondent's violations of Title 31, Pennsylvania Code, Sections 146.6 and 146.7 are punishable under Section 9 of the Unfair Insurance Practices Act (40 P.S. §§ 1171.9):

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

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

(g) In addition to any penalties imposed by the Commissioner for Respondent's violations of the Unfair Insurance Practices Act (40 P.S. §§ 1171.1 – 1171.5), the Commissioner may, under Sections 10 and 11 of the Unfair Insurance Practices Act (40 P.S. §§ 1171.10,.1171.11) file an action in which the Commonwealth Court may impose the following civil penalties:

(i) for each method of competition, act or practice which the company knew or should have known was in violation of the law, a penalty of not more than five thousand dollars ($5,000.00);

(ii) for each method of competition, act or practice which the company did not know nor reasonably should have known was in violation of the law, a penalty of not more than one thousand dollars ($1,000.00).

ORDER

5. In accord with the above Findings of Fact and Conclusions of Law, the Pennsylvania 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 pay Fifty Thousand Dollars ($50,000.00) to the Pennsylvania Insurance Department in settlement of all violations contained in the Report.

(d) Payment of this matter shall be made by check payable to the Pennsylvania Insurance Department. Payment should be directed to Cherie L. Leese, Bureau of Market Actions, 1321 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.

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

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

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

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

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

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

BY: PROTECTIVE LIFE INSURANCE COMPANY, Respondent

~~President~~ Vice President
Executive

Secretary / ~~Treasurer~~

COMMONWEALTH OF PENNSYLVANIA
By: Ronald A. Gallagher, Jr.
Deputy Insurance Commissioner

I. INTRODUCTION

The Market Conduct Examination was conducted on Protective Life Insurance Company; hereafter referred to as "Company," at the Company's office located in Birmingham Alabama from July 23, 2012, through December 7, 2012. 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

Lonnie L. Suggs, MCM
Pennsylvania Insurance Department
Market Conduct Examiner

Roshanak Fekrat, MCM, CPA, CFE, CIA
Global Insurance Enterprises, Inc.
Firm Supervisory Partner

George Brown, MCM, CFE, CIE
Global Insurance Enterprises, Inc.
Market Conduct Examiner

Aram Morvari, MCM, MBA
Global Insurance Enterprises, Inc.
Market Conduct Examiner

Samuel BowerCraft, MSIS, CISA
Global Insurance Enterprises, Inc.
Senior IT Examiner

Verification

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

Lonnie L. Suggs, MCM

[Examiner in Charge]

Sworn to and Subscribed Before me

This Day of , 2013

Notary Public

NOTARIAL SEAL
CYNTHIA J. HALL
Commission Number 743058
My Commission Expires
September 28, 2015

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, 2010, through December 31, 2010, 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, Marketing, Sales and Advertising, Forms, Producer Licensing and Appointments, Consumer Complaints, Underwriting Practices and Procedures, Claims Handling Practices and Procedures and Market Conduct Annual Statement (MCAS) Data Integrity 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

Protective Life Insurance Company, a stock life insurance company, was incorporated in the State of Alabama on July 24, 1907, and commenced business on September 1, 1907. The Company is a wholly owned subsidiary of Protective Life Corporation ("PLC"), an insurance holding company whose common stock is traded on the New York Stock Exchange (Symbol: PL). Protective re-domesticated to the State of Tennessee on December 29, 1992.

The Company received its certificate of authority to operate in the State of Pennsylvania on April 9, 1981. The Company is authorized to do business in all states except New York and is licensed in the District of Columbia, American Samoa, Guam, Puerto Rico, the Commonwealth of the Northern Mariana Islands and the U.S. Virgin Islands.

Protective markets fixed and variable life and annuity products through networks of independent insurance agents and brokers, stockbrokers, financial institutions and independent marketing organizations.

In July, 2006 Protective and affiliated companies acquired five insurance companies from J P Morgan Chase & Company. Through various transactions, the business of three of those companies was merged into Protective effective January 1, 2007. Also on January 1, 2007, Empire General Life Assurance Corporation was merged into Protective. On December 31, 2010, Protective acquired United Investors Life Insurance Company from Torchmark Corporation and its wholly owned subsidiary Liberty National Life Insurance Company.

As of the Annual Statement for the year ending 2010 for Pennsylvania, Protective Life Insurance Company reported direct premiums for ordinary life insurance and annuity

consideration in the amount of $105,980,784.00 and direct premiums earned for accident and health insurance in the amount of $590,538.00.

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
- Auditing Programs and Procedures
- Controls of Computer Information
- Outsourcing and Monitoring of management Services
- Retention of Records
- Licensed for Lines of Business

These areas were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulation. The following violations were noted:

9 Violations - Insurance Department Act, Section 903 (40 P.S. §323.3) (a) requires entities subject to the Department's examination to keep records in such manner as the Department may require to readily verify the examinee's financial condition and compliance with laws and to provide timely, convenient and free access to all records. Therefore, insurers are not prohibited from using paperless filing technology as long as their records are readily accessible and useable for examination purposes. The retention periods stated in the company's record retention policy were not in accordance with the retention requirements outlined in the Pennsylvania's Record Retention Guidelines No. 2009-07 in the noted records:

Category	Company's Retention Requirement (Years)	Department's Retention Requirement (Years)
Advertising	5	7
Policy Records/Business Records: Underwriting	6	7
Policy Records/Business Records: Applications	6	7
Documents w/policyholder signature	6	7
Books of Records	6	7
Records of cost obligations	6	7
Claims Records	6	7
Complaint Records	5	7
Agent Information	6	7

V. MARKETING, SALES AND ADVERTISING

A. Marketing, Sales and Advertising Material

The Company was requested to provide a list of all marketing, sales and advertising material utilized during the experience period. The Company provided CD's of 2,575 pieces of marketing, sales and advertising material utilized in the Commonwealth during the experience period. The files consisted of: Internet (Web and Advertising), Print (Magazine, Letter, Flyer, Newspaper, Brochure, Postcard and or Mailer), E-Mail, Visual (PowerPoint Presentation, Software, Video and or CD) and the Company's web page.

A sample of 30 pieces of marketing, sales and advertising material was requested, received and reviewed. The marketing, sales and advertising material and the Company's web site was reviewed to ensure compliance with Act 205, Section 5 (40 P.S. §1171.5), Unfair Methods of Competition and Unfair or Deceptive Acts or Practices and Title 31, Pennsylvania Code, Chapter 51. No violations were noted.

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. The certification was received and reviewed 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." No violations were noted.

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. 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. No violations were noted.

VII. PRODUCER LICENSING AND COMMISSIONS

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

The Company identified 7,172 active and 288 terminated producers during the experience period. A random sample of 50 active and 25 terminated producer files was requested, received and reviewed. The sample was compared to departmental records of producers to verify appointments, terminations, licensing and commissions. The Company also provided a list of 151,164 LifeComm files of commissions paid during the experience period. A random sample of 50 LifeComm commission files was requested, received and reviewed. A comparison was made from the underwriting sections of the examination of the producers identified on applications to determine eligibility to collect commission payments. The following violations were noted:

1 Violation - Insurance Department Act, No. 147, Section 672-A (40 P.S. §310.72)

(a) Limitation. — An insurance entity may pay a commission, brokerage fee, service fee or other compensation to a licensee for selling, soliciting or negotiating a contract of insurance. A licensee may pay a commission, brokerage fee, service fee or other compensation to a licensee for selling, soliciting or negotiating a contract of insurance. Except as provided in subsection (b), an insurance entity or licensee may not pay a commission, brokerage fee, service fee or other compensation to a person that is not a

licensee for activities related to the sale, solicitation or negotiation of a contract of insurance.

(b) Exception. — An insurance entity or licensee may pay:

(1) a renewal or other deferred commission to a person that is not a licensee for selling, soliciting or negotiating a contract of insurance if the person was a licensee at the time of the sale, solicitation or negotiation; or

(2) a fee to a person that is not a licensee for referring to a licensee persons that are interested in purchasing insurance if the referring person does not discuss specific terms and conditions of a contract of insurance and, in the case of referrals for insurance that is primarily for personal, family or household use, the referring person receives no more than a one-time, nominal fee of a fixed dollar amount for each referral that does not depend on whether the referral results in a sale.

An insurance entity or licensee shall not pay a commission or fee to a person under this subsection if the person is a licensee under suspension or a former licensee whose insurance producer license was revoked. The Company failed to file a notice of appointment and submit appointment fees to the Insurance Department for the following producer. The Company listed the producer as active and commissions were paid to them; however, Department records did not indicate the appointment.

Last Name	First Name
Shellenberger, II	Leo

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

(a) Representative of the insurer. — An insurance producer shall not act on behalf of or as a representative of the insurer unless the insurance producer is appointed by the insurer. An insurance producer not acting as a representative of an insurer is not required to be appointed. (b) Representative of the consumer. — An insurance producer acting on behalf of or representing an insurance consumer shall execute a written agreement with the insurance consumer prior to representing or acting on their behalf that:

(1) Delineates the services to be provided; and

(2) provides full and complete disclosure of the fee to be paid to the insurance producer by the insurance consumer.

(c) Notification to department. — An insurer that appoints an insurance producer shall file with the department a notice of appointment. The notice shall state for which companies within the insurer's holding company system or group the appointment is made. Upon receipt of the notice, the department shall verify if the insurance producer is eligible for appointment. If the insurance producer is determined to be ineligible for appointment, the department shall notify the insurer of the determination.

(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 $15.00 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. The fee shall be paid in full within 30 days.

(f) Reporting. — An insurer shall, upon request, certify to the department the names of all licensees appointed by the insurer. The Company failed to file a notice of appointment and submit appointment fees to the Insurance Department for the following producers. The Company listed the producers as active; however, Department records did not indicate they were appointed.

Last Name	**First Name**
Shellenberger, II	Leo
Watson	John
Burke	Frank

VIII. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of consumer complaint logs for 2006, 2007, 2008, and 2009. The Company identified 24 consumer complaints received during the experience period. Of the 24 complaints identified, 9 were forwarded from the Department. All 24 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 was compared to the Company's complaint log.

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

XI. UNDERWRITING

The Underwriting review consisted of 30 general segments.

A.	**Underwriting Guidelines**
B.	**Group Fixed Annuity Certificates Issued**
C.	**Group Variable Annuity Certificates Issued**
D.	**Individual Fixed Annuity Contracts Issued**
E.	**Individual Immediate Annuity Contracts Issued**
F.	**Individual Cash Value Whole Life Policies Issued**
G.	**Individual Non Cash Value Term Life Policies Issued**
H.	**Individual Cash Value Universal Life Policies Issued**
I.	**Group Fixed Annuity Surrenders**
J.	**Group Variable Annuity Surrenders**
K.	**Individual Fixed Annuity Surrenders**
L.	**Individual Immediate Annuity Surrenders**
M.	**Individual Variable Annuity Surrenders**
N.	**Individual Variable Annuity Surrenders (ACQ)**
O.	**Individual Variable Annuity Surrenders Commonwealth/se2 (TPA)**
P.	**Individual Cash Value Universal Life Surrenders**
Q.	**Individual Cash Value Whole Life Surrenders**
R.	**Individual Non-Cash Value Term Life Surrenders**
S.	**Individual Cash Value Interest Sensitive WL Surrendered (CSC)**
T.	**Individual Cash Value Universal Life Surrenders (CSC)**
U.	**Individual Cash Value Whole Life Surrenders (CSC)**
V.	**Individual Non-Cash Value Term Life Surrenders (CSC)**
W.	**Individual Fixed Annuity Partial Surrenders**
X.	**Individual Life Partial Surrenders**

Y.	**Individual Life Partial Surrenders (CSC)**
Z.	**Variable Universal Life Terminations**
AA.	**Individual Fixed Annuity Surrenders**
BB.	**Individual Life Insurance Policy Loans**
CC.	**Individual Life Insurance Policy Loans Issued (CSC)**
DD.	**Individual Variable Annuity Loans Issued (TPA)**

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 copies of all underwriting guidelines and manuals utilized during the experience period. The documents provided were reviewed to ensure that underwriting guidelines were in place and being followed in a uniform and consistent manner and that no underwriting practices or procedures were in place that could be considered discriminatory in nature, or specifically prohibited by the Commonwealth of Pennsylvania's Statutes and Regulations. No violations were noted.

The following guidelines and procedures were provided and reviewed:

- Underwriting Guide – Independent Agent Distribution (IAD): Underwriting Requirements & Criteria and Financial Underwriting
- Specimen copy of Compliance Audit – State – New Business Application Processing

- A narrative statement explaining internal control method to assure compliance with underwriting guidelines
- Third-Party Administrator (TPA) Agreements outlining the extent of the TPAs underwriting responsibility

B. Group Fixed Annuity Certificates Issued

The Company was requested to provide a list of all group policies/certificates/contracts issued during the experience period. The Company provided a list of 12 group fixed annuity certificates issued during the experience period. The 12 group fixed annuity certificate files issued were requested, received and reviewed. One file received and reviewed was not one of the original sampled files requested from the Company. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violations were noted:

3 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 policy delivery could not be established in the files noted.

C. Group Variable Annuity Certificates Issued

The Company was requested to provide a list of all group policies/certificates/contracts issued during the experience period. The Company provided a list of 512 group variable annuity certificates issued during the experience period. A random sample of 30 group variable annuity certificate files issued were requested, received and reviewed. The files were reviewed to ensure compliance with 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 annuitant's signature was missing in the noted files.

3 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 policy delivery could not be established in the noted files.

D. Individual Fixed Annuity Contracts Issued

The Company was requested to provide a list of all insurance policies/ certificates/contracts issued during the experience period. The Company identified a universe of 278 individual fixed annuity contracts issued during the experience period. A random sampling of 20 individual fixed annuity contracts were requested, received and reviewed. Annuity contracts were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violations were noted:

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

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

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. Verification of the policy delivery could not be established in the noted file.

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

Individual fixed dollar annuity contracts which are offered as replacements for an existing annuity contract or life insurance policy with an insurer or insurer group other than the one which issued the original contract or policy 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 twenty (20) days of its delivery. The required 20-day "free look" statement was not printed or attached to the issued contract in the noted file.

E. Individual Immediate Annuity Contracts Issued

The company was requested to provide a list of all insurance policies/ certificates/contracts issued during the experience period. The Company identified a universe of 12 individual immediate annuity contracts issued during the experience period. All 12 individual immediate annuity contracts issued were requested, received and reviewed. The individual immediate annuity contracts were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violations were noted:

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. This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner. The replacement letter was not sent within 5 working days for the noted files.

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 contract delivery could not be established in the noted files.

F. Individual Cash Value Whole Life Policies Issued

The Company was requested to provide a list of all insurance policies/ certificates/contracts issued during the experience period. The Company identified a universe of 6 individual cash value whole life insurance policies issued during the experience period. All 6 individual cash value whole life insurance policies issued were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's 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 was not sent within 5 working days for the noted file.

6 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 policy delivery could not be established in the noted files.

G. Individual Non-Cash Value Term Life Policies Issued

The Company was requested to provide a list of all insurance policies/ certificates/contracts issued during the experience period. The Company identified a universe of 408 individual non-cash value term life insurance policies issued during the experience period. A sample of 30 individual non-cash value term life insurance policies issued were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violations were noted:

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

An insurer that uses an agent or broker in a life insurance or annuity sale shall require, with or as part of a completed application for life insurance or annuity, a statement signed by the agent or broker as to whether the broker knows replacement is or may be involved in the transaction. The agents question on replacement was unanswered in the noted applications.

1 Violation - Title 31, Pennsylvania Code, Section §83.3 (a)(1)(2)(3)(4)(5)(6)(7)

A disclosure statement shall be a document, which shall describe the purpose and importance of the disclosure and describe the significant elements of the policy and riders being offered. The disclosure statement included in the noted file was incomplete.

H. Individual Cash Value Universal Life Policies Issued

The Company was requested to provide a list of all insurance policies/certificates/contracts issued during the experience period. The Company identified a universe of 98 individual cash value universal life insurance policies issued during the experience period. A sample of 21 individual cash value universal life insurance policies issued were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violations were noted:

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. This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner. The replacement letter was not sent within 5 working days for the noted files.

I. Group Fixed Annuity Surrenders

The Company was requested to provide a list of all policies/certificates/contracts surrendered during the experience period. The Company identified a universe of 59 group fixed annuity contracts surrendered during the experience period. A random sample of 15 group fixed annuity contracts surrendered were requested, received and

reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. No violations were noted.

J. Group Variable Annuity Surrenders

The Company was requested to provide a list of all annuity contracts surrendered during the experience period. The Company identified a universe of 840 group variable annuity contracts surrendered during the experience period. A random sample of 30 group variable annuity contracts surrendered files were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's issuance, underwriting, and replacement 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 noted files were missing pertinent information.

K. Individual Fixed Annuity Surrenders

The Company was requested to provide a list of all policies/certificates/contracts surrendered during the experience period. The Company identified a universe of 80 individual fixed annuity contracts surrendered during the period. A random sample of 20

individual fixed annuity contracts surrendered were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. No violations were noted.

L. Individual Immediate Annuity Surrenders

The Company was requested to provide a list of all policies/certificates/contracts surrendered during the experience period. The Company identified a universe of 7 individual immediate annuity contracts surrendered during the experience period. All 7 individual immediate annuities contracts surrendered were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. No violations were noted.

M. Individual Variable Annuity Surrenders

The Company was requested to provide a list of all policies/certificates/contracts surrendered during the experience period. The Company identified a universe of 530 individual variable annuity contracts surrendered during the experience period. A random sample of 30 individual variable annuity contracts surrendered during the period were requested, received and reviewed. Of the 30 files received and reviewed 5 contracts surrendered were identified as duplicate files/partial surrenders. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. No violations were noted.

N. Individual Variable Annuity Surrenders (ACQ)

The Company was requested to provide a list of all policies/certificates/contracts surrendered during the experience period. The Company identified a universe of 9 individual variable annuity contracts surrendered (ACQ) during the experience period. All 9 variable annuity contract surrendered were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violations were noted:

2 Violations – Pennsylvania Insurance Law, Unfair Insurance Practices Act, No. 205, Section 5 (40 P.S. §1171.5)

(a) **"**Unfair Methods of Competition" and "Unfair or Deceptive Acts or Practices" in the business of insurance means:

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

(i) Misrepresenting pertinent facts or policy or contract provisions relating to coverage's at issue. The Company failed to notify the noted policyholders in a timely manner that their vista variable annuity contract had matured at age 85, the contract maturity date.

O. Individual Variable Annuity Surrenders Commonwealth/se2 (TPA)

The Company was requested to provide a list of all individual annuity policies/ certificates/ contracts surrendered during the experience period. The Company identified a universe of 61 individual variable annuity contracts surrendered during the experience period and administered by Commonwealth/se2 (TPA). A random sample of 14 variable annuity contract surrendered files were requested, 3 files were duplicates. The remaining

11contract files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violation was noted:

1 Violation – Title 31, Pennsylvania Code, Section §85.32 Statement indicating variability of payments

(a) Each application form for an individual variable annuity contract shall contain a clear statement, prominently set forth immediate preceding the signature line, denoting that the contractual payments or values under the variable annuity provisions of the contract being applied for are variable and not guaranteed as to fixed dollar amounts. The company failed to provide an application form for the noted contract.

P. Individual Cash Value Universal Life Surrenders

The Company was requested to provide a list of all policies/certificates/contracts surrendered during the experience period. The Company identified a universe of 125 individual cash value universal life policies surrendered during the experience period. A random sample of 20 individual cash value universal life policies surrendered were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth Pennsylvania's Statutes Regulations**.** No violations were noted.

Q. Individual Cash Value Whole Life Surrenders

The Company was requested to provide a list of all policies/certificates/contracts surrendered during the experience period. The Company identified a universe of 202 individual cash value whole life policies surrendered during the experience period. A random sample of 25 individual cash value whole life policies surrendered were

requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. No violations were noted.

R. Individual Non-Cash Value Term Life Surrenders

The Company was requested to provide a list of all policies/certificates/contracts surrendered during the experience period. The Company identified a universe of 826 individual non-cash value term life policies surrendered during the experience period. A random sample of 30 individual non-cash value term life policies surrendered were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. No violations were noted.

S. Individual Cash Value Interest Sensitive WL Surrendered (CSC)

The Company was requested to provide a list of all policies/certificates/contracts surrendered during the experience period. The Company identified a universe of 15 individual cash value interest sensitive whole life policies, administered by Computer Science Corporation (CSC), surrendered during the experience period, 2 of the 15 were duplicate files. All 13 individual cash value interest sensitive whole life policies surrendered were requested, received and reviewed. The files were reviewed to ensure compliance with Commonwealth Statutes and Regulations. No violations were noted.

T. Individual Cash Value Universal Life Surrenders (CSC)

The Company was requested to provide a list of all individual cash value universal life insurance policies/certificates/contracts surrendered during the experience period. The

Company identified 161 individual cash value universal life policies, administered by Computer Science Corporation (CSC), surrendered during the experience period. A random sample of 25 individual cash value universal life policies surrendered were requested, received and reviewed. The policy files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violation was noted:

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

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

U. Individual Cash Value Whole Life Surrenders (CSC)

The Company was requested to provide a list of all individual life insurance policies/ certificates/contracts surrendered during the experience period. The Company identified 44 individual cash value whole life policies, administered by Computer Science Corporation (CSC), surrendered during the experience period. A random sample of 15 individual cash value whole life policies surrendered were requested, received and reviewed. The policy files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violations were noted:

4 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 noted files were missing the actual surrender calculation that includes all involved figures and calculation steps.

V. Individual Non-Cash Value Term Life Surrenders (CSC)

The Company was requested to provide a list of all policies/certificates/contracts surrendered during the experience period. The Company identified a universe of 2,644 individual non-cash value term life policies, administered by Computer Science Corporation (CSC), surrendered during the experience period. A random sample of 40 individual non-cash value term life policies surrendered were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth Pennsylvania's Statute and Regulations. No violations were noted.

W. Individual Fixed Annuity Partial Surrenders

The Company was requested to provide a list of all policies/certificates/contracts surrendered during the experience period. The Company identified a universe of 10 individual fixed partial annuity contracts surrendered during the experience period. All 10 individual fixed partial annuity contracts surrendered were requested received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. No violations were noted.

X. Individual Life Partial Surrenders

The Company was requested to provide a list of all policies/certificates/contracts surrendered during the experience period. The Company identified a universe of 11 individual life partial policies surrendered during the experience period. All 11 individual life partial policies surrendered were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. No violations were noted.

Y. Individual Life Partial Surrenders (CSC)

The Company was requested to provide a list of all policies/certificates/contracts surrendered during the experience period. Initially, the Company identified a universe of 4 individual life partial policies surrendered during the experience period. It was later determined that 3 of the 4 files should not have not been identified as partial surrenders. Due to limited system coding, and not having an actual partial indicator on the system, there was a manual review which resulted in a few policies showing financial transaction processed in 2010, and where the polices remained in force. These financial transactions were reversed off the policies in 2010. The one (1) individual life partial policy surrendered was requested, received and reviewed. The file was reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. No violations were noted.

Z. Variable Universal Life Terminations

The Company was requested to provide a list of all policies/certificates/contracts terminated during the experience period. The Company identified a universe of 9

variable universal life policies terminated during the experience period. All 9 variable universal life policies terminated were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. No violations were noted.

AA. Individual Fixed Annuity Surrenders

The Company was requested to provide a list of all policies/certificates/contracts surrendered during the experience period. The Company identified a universe of 2 individual fixed annuity contracts surrendered during the experience period. Both individual fixed annuity contract files were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. No violations were noted.

BB. Individual Life Insurance Policy Loans

The Company was requested to provide a list of all life insurance policy loans issued during the experience period. The Company identified a universe of 78 individual life insurance policy loans issued during the experience period. A random sample of 20 individual life insurance policy loan files issued were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. No violations were noted.

CC. Individual Life Insurance Policy Loans Issued (CSC)

The Company was requested to provide a list of all life insurance policy loans, administered by Computer Science Corporation (CSC), issued during the experience period. The Company identified a universe of 12 individual life insurance policy loans issued (TPA) during the experience period. All 12 individual life insurance policy loan files issued were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violations were noted:

7 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 noted files.

DD. Individual Variable Annuity Loans Issued (TPA)

The Company was requested to provide a list of all annuity contract loans issued and administered by Alliance-One Services (TPA) during the experience period. The Company identified a universe of 5 individual variable annuity contract loans issued during the experience period. All 5 individual variable annuity contract loans issued files were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. No violations were noted.

X. CLAIMS & CLAIMS MANUALS

The Claim review consisted of 14 general segments.

A.	**Claims Manual**
B.	**Group Life Claims Paid**
C.	**Individual Cash Value Life Claims Paid**
D.	**Individual Non-Cash Value Life Claims Paid**
E.	**Individual Cash Value Life Claims Paid (CSC)**
F.	**Individual Non-Cash Value Life Claims Paid (CSC)**
G.	**Individual Cash Value Life Claims Pending (CSC)**
H.	**Individual Non-Cash Value Life Claims Pending (CSC)**
I.	**Individual Non-Cash Value Life Claims Pending**
J.	**Annuity Claims Paid (Elgin)**
K.	**Annuity Claims Paid**
L.	**Annuity Claims Pending (Elgin)**
M.	**Annuity Claims Pending**
N.	**Variable Annuity Claims Paid**

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. The Company provided the following claim manuals:

- Elgin FA Death Claims Lump Sum
- Elgin FA Death Claim Set-up
- Elgin Claim Processing
- Elgin FA Partial Death Claim Payoffs
- Elgin FA Spousal Continuation
- PLICO Life – CSC Claims
- Life Claims Guideline - CSC
- Life Claims PLICO Narrative
- CSC Life Claim Form 2
- PLICO Life Claim Form
- PLICO Key Claims Paying Areas
- Annuity Claim Procedures – Birmingham – FVL
- Annuity Claim Procedures Birmingham
- Annuity Claim Procedure – Birmingham – Acquired Books

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

B. Group Life Claims Paid

The Company was requested to provide a list of all claims received during the experience period. The Company identified 5 group life claims paid during the experience period. All 5 group life claims paid files were requested, received and reviewed. The claim files were reviewed to ensure compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b). No violations were noted.

C. Individual Cash Value Life Claims Paid

The Company was requested to provide a list of all claims received during the experience period. The Company identified 67 individual cash value life claims paid during the experience period. A random sample of 20 individual cash value life claims paid files were requested, received and reviewed. The claim files were reviewed to ensure compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b). The following violation was noted:

1 Violation - Title 31, Pennsylvania Code, Section 146.6

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

D. Individual Non-Cash Value Life Claims Paid

The Company was requested to provide a list of all claims received during the experience period. The Company identified 51 individual non-cash value life claims paid during the experience period. A random sample of 20 individual non-cash value life claims paid files were requested, received and reviewed. The claim files were reviewed to ensure 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. Individual Cash Value Life Claims Paid (CSC)

The Company was requested to provide a list of all claims received during the experience period. The Company identified 45 individual cash value life claims paid (CSC) during the experience period. A random sample of 15 individual cash value life claims paid (CSC) files were requested, received and reviewed. The claim files were reviewed to ensure compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b). No violations were noted.

F. Individual Non-Cash Value Life Claims Paid (CSC)

The Company was requested to provide a list of all claims received during the experience period. The Company identified 80 individual non-cash value life claims paid (CSC) during the experience period. A random sample of 20 individual non-cash value life claims paid (CSC) files were requested, received and reviewed. The claim files were reviewed to ensure 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.

G. Individual Cash Value Life Claims Pending (CSC)

The Company was requested to provide a list of all claims received during the experience period. The Company identified 7 individual cash value life claims pending (CSC) during the experience period. All 7 individual cash value life claims pending (CSC) files were requested, received and reviewed. The claim files were reviewed to ensure 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.

H. Individual Non-Cash Value Life Claims Pending (CSC)

The Company was requested to provide a list of all claims received during the experience period. The Company identified 15 individual non-cash value life claims pending (CSC) during the experience period. All 15 individual non-cash value life claims pending (CSC) files, were requested, received and reviewed. The claim files were reviewed to ensure compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b). The following violation was noted:

1 Violation - Title 31, Pennsylvania Code, Section 146.7

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

I. Individual Non-Cash Value Life Claims Pending

The Company was requested to provide a list of all claims received during the experience period. The Company identified 3 individual non-cash value life claims pended during the experience period. All 3 individual non-cash value life claims pended files were requested, received and reviewed. The claim files were reviewed to ensure 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.

J. Annuity Claims Paid (Elgin)

The Company was requested to provide a list of all claims received during the experience period. The Company identified 68 annuity claims paid (Elgin) during the experience period. A random sample of 20 annuity claims paid (Elgin) files were requested, received and reviewed. The claim files were reviewed to ensure 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:

15 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 noted claims.

15 Violations – Pennsylvania Insurance Law, Unfair Insurance Practices Act, No. 205, Section 5 (40 P.S. §1171.5)

(a) **"**Unfair Methods of Competition" and "Unfair or Deceptive Acts or Practices" in the business of insurance means:

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

(ii) Failing to acknowledge and act promptly upon written or oral communications with respect to claims arising under insurance policies. The noted violations were committed or performed with such frequency to indicate a business practice.

K. Annuity Claims Paid

The Company was requested to provide a list of all claims received during the experience period. The Company identified 42 annuity claims paid during the experience period. A random sample of 15 annuity claims paid files were requested, received and reviewed. The claim files were reviewed to ensure 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:

6 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 noted claims.

6 Violations – Pennsylvania Insurance Law, Unfair Insurance Practices Act, No. 205, Section 5 (40 P.S. §1171.5)

(a) **"**Unfair Methods of Competition" and "Unfair or Deceptive Acts or Practices" in the business of insurance means:

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

(ii) Failing to acknowledge and act promptly upon written or oral communications with respect to claims arising under insurance policies. The noted violations were committed or performed with such frequency to indicate a business practice.

L. Annuity Claims Pending (Elgin)

The Company was requested to provide a list of all claims received during the experience period. The Company identified 18 annuity claims pending (Elgin) during the experience period. All 18 annuity claims pending (Elgin) files were requested, received and reviewed. The claim files were reviewed to ensure 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:

10 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 letters for the noted claims.

1 Violation - Title 31, Pennsylvania Code, Section 146.7

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

10 Violations – Pennsylvania Insurance Law, Unfair Insurance Practices Act, No. 205, Section 5 (40 P.S. §1171.5)

(a) **"**Unfair Methods of Competition" and "Unfair or Deceptive Acts or Practices" in the business of insurance means:

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

(ii) Failing to acknowledge and act promptly upon written or oral communications with respect to claims arising under insurance policies. The noted violations were committed or performed with such frequency to indicate a business practice.

M. Annuity Claims Pending

The Company was requested to provide a list of all claims received during the experience period. The Company identified 3 annuity claims pending during the experience period. All 3 annuity claims pending files were requested, received and reviewed. The claim files were reviewed to ensure 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:

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 letters for the noted claims.

3 Violations – Pennsylvania Insurance Law, Unfair Insurance Practices Act, No. 205, Section 5 (40 P.S. §1171.5)

(a) **"**Unfair Methods of Competition" and "Unfair or Deceptive Acts or Practices" in the business of insurance means:

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

(ii) Failing to acknowledge and act promptly upon written or oral communications with respect to claims arising under insurance policies. The noted violations were committed or performed with such frequency to indicate a business practice.

N. Variable Annuity Claims Paid

The Company was requested to provide a list of claims received during the experience period. The Company identified 1 variable annuity claim paid during the experience period. The variable annuity claims paid file was requested, received and reviewed. The claim file was reviewed to ensure 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 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of a claim, unless the investigation cannot reasonably be completed within the time. If the

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

1 Violation - Title 31, Pennsylvania Code, Section 146.7

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

1 Violation – Pennsylvania Insurance Law, Unfair Insurance Practices Act, No. 205, Section 5 (40 P.S. §1171.5)

(a) **"**Unfair Methods of Competition" and "Unfair or Deceptive Acts or Practices" in the business of insurance means:

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

(ii) Failing to acknowledge and act promptly upon written or oral communications with respect to claims arising under insurance policies.

(iii) Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies. The noted violation was committed or performed with such frequency to indicate a business practice.

XI. INTERNAL AUDIT & COMPLIANCE PROCEDURES

The Company was requested to provide copies of their internal audit and compliance procedures utilized during the experience period. The documents were requested, received and reviewed to ensure compliance with Insurance Company Law, Section 405-A (40 P.S. §625-5). Section 405-A provides for the establishment and maintenance of internal audit and compliance procedures, which provides for the evaluation of compliance with all statutes and regulations dealing with sales methods, advertising, and filing and approval requirements for life insurance and annuities. The procedures shall also provide for the following:

(1) Periodic reviews of consumer complaints in order to determine patterns of improper practices.

(2) Regular reporting to senior officers and the board of directors or an appropriate committee thereof with respect to any significant findings.

(3) The establishment of lines of communication, control and responsibility over the dissemination of advertising and promotional materials, including illustrations and illustration explanations, with the requirement that such materials shall not be used without the approval by company employees whose compensation, other than generally applicable company bonus or incentive plans, is not directly linked to marketing or sales.

No violations were noted.

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 2010 and 2011. 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 2010 and 2011 MCAS Life and MCAS Annuity submissions in conjunction with the Company's procedures and source data used in compiling those submissions. In addition, the Company was requested to provide procedures; data extraction and the report generation process to support the creation of the MCAS report. The review of the information was twofold; first to determine if the Company had policies and procedures in place to ensure the data provided in the MCAS was accurate and second to verify the accuracy of the actual MCAS data submitted.

The following represents the sections reviewed during the course of the examination.

A. 2010 Life Report (MCAS)

B. 2011 Life Report (MCAS)

C. 2010 Annuity Report (MCAS)

D. 2011 Annuity Report (MCAS)

E. Polices and Procedures; Data Extraction and Report Generation (MCAS)

Legal Reference: Pennsylvania 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.

A. 2010 Life Report (MCAS)

The examination team reviewed the Company's 2010 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. 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 2010 Life MCAS Report. A total of 4 violations were noted.

LINE	MCAS DATA CALL
0	Does the company have data to report for this product type?
1	Number of new replacement policies applied for during period (include all replacements regardless of whether an insurance policy was actually issued)
2	Number of new replacement policies issued during period (include only the number of replacement insurance policies issued)
3	Do replacement counts provided include internal replacements?
4	Do replacement counts include policies surrendered?
5	Do replacement counts provided include policies/contracts purchased using loan proceeds from existing life policies and/or annuity contracts?
6	Do replacement counts provided include policies/contracts purchased through 1035 exchanges?
7	Does company maintain replacement register?

8	Number of in force policies with loan balance over 25% of maximum loan value as of end of reporting period
9	Number of policies surrendered during period
10	Number of partial surrenders during period
11	Does count of policies surrendered include partial surrenders?
12	Number of new 1035 exchanges coming into company during period
13	Number of new policies issued by the company during period
14	Number of policies in force at end of period (the number of active policies that the company has outstanding at the end of the reporting period)
15	Dollar amount of direct premium during period
16	Dollar amount of insurance issued during period (face amount)
17	Dollar amount of insurance in force at the end of period (face amount)
18	Number of complaints received directly from consumers
19	Number of complaints received directly from the corresponding department of insurance
20	Does the company maintain complaint register?
21	Number of death claims closed with payment, during period, within 60 days from date of due proof of loss (include claims where final decision was payment in full, and was made within 60 days from when date of due proof of loss occurred)
22	Number of death claims closed with payment, during period, beyond 60 days from date of due proof of loss (include claims where final decision was payment in full, and was NOT made within 60 days from when date of due proof of loss occurred)
23	Number of death claims denied, resisted or compromised during period (a claim is considered resisted when in dispute and not resolved on statement date)
24	Total number of death claims received during period (include any claim received during the period as determined by the first date the claim was opened on the company system)

NUMBER OF POLICIES SURRENDERED DURING THE PERIOD – LINE #9

MCAS Definition - Surrendered Policy/Contract – A life insurance policy or annuity contract terminated at the request of the policy owner. It does not include life insurance policies or annuity contracts not taken or cancelled during the free look period. For annuities, systematic withdrawals and partial withdrawals should not be reported as "surrenders" for this statement.

The Company reported a universe of individual life cash value policies surrendered during the experience period for the 2010 MCAS life report line #9. A random sample of 45 policy surrender files were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statues and Regulations. The following violation was noted:

1 Violation - Failure to exercise sufficient due diligence to ensure compliance with: Pennsylvania 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). The company has provided an inaccurate response on line #9 of the 2010 MCAS life submission regarding the number policies surrendered during the period (cash value).

NUMBER OF PARTIAL SURRENDERS DURING THE PERIOD – LINE #10

MCAS Definition - Partial Surrender – A policy owner's request to obtain a partial amount of the cash value or surrender value, without using a policy loan option. It would include cashing in "paid-up additions."

The Company reported a universe of individual life cash value partial surrenders during the experience period for the 2010 MCAS life report line #10. A sample of 12 partial surrender files were requested, received and reviewed. A review was also performed of the partial surrender files provided in the Market Conduct portion of the exam to ensure that the MCAS data was inclusive of all the policies applicable to this line item. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statues and Regulations. The following violation was noted:

1 Violation - Failure to exercise sufficient due diligence to ensure compliance with: Pennsylvania 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). The company has provided an inaccurate response on line #10 of the 2010 MCAS life submission regarding the number of partial surrendered during the period (cash value).

NUMBER OF DEATH CLAIMS CLOSED WITH PAYMENT DURING THE PERIOD, WITHIN 60 DAYS FROM DATE OF DUE PROOF – LINE #21

MCAS Definition - Claim – A request or demand for payment of a loss that may be included within the terms of coverage of an insurance policy. Claims with multiple beneficiaries should be counted as one claim. If a single insured dies and has multiple policies (for individual life products), a claim should be reported for each of the insured's policies, (for example, if an insured had 3 individual life policies (2 cash value products and one non-cash value product), 3 claims would be reported (2 claims under schedule 1 and 1 claim under schedules 2).

- It does not include events that were reported for "information only" or an inquiry of coverage since a claim has not actually been presented (opened) for payment.

MCAS Definition - Claim Closed with Payment – A claim where the final decision was payment of the claim.

The Company reported a universe of individual life cash value death claims within 60 days and a universe of individual life non-cash value death claims within 60 days during the experience period for the 2010 MCAS life report line #21. The files were requested,

received and reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statues and Regulations. The following violation was noted:

1 Violation - Failure to exercise sufficient due diligence to ensure compliance with: Pennsylvania 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). The company has provided an inaccurate response on line #21 of the 2010 MCAS life submission regarding the number of death claims closed with payments within 60 days during the period for both Cash Value and Non-Cash Value items.

NUMBER OF DEATH CLAIMS CLOSED WITH PAYMENT, DURING THE PERIOD, BEYOND 60 DAYS FROM DATE OF DUE PROOF – LINE # 22

MCAS Definition - Claim – A request or demand for payment of a loss that may be included within the terms of coverage of an insurance policy. Claims with multiple beneficiaries should be counted as one claim. If a single insured dies and has multiple

policies (for individual life products), a claim should be reported for each of the insured's policies, (for example, if an insured had 3 individual life policies (2 cash value products and one non-cash value product), 3 claims would be reported (2 claims under schedule 1 and 1 claim under schedules 2).

It does not include events that were reported for "information only" or an inquiry of coverage since a claim has not actually been presented (opened) for payment.

MCAS Definition - Claim Closed with Payment – A claim where the final decision was payment of the claim.

The Company reported a universe of individual life cash value death claims beyond 60 days and a universe of individual life non-cash value death claims beyond 60 days during the experience period for the 2010 MCAS life report line #22. The files were requested, received and reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statues and Regulations. The following violation was noted:

1 Violation - Failure to exercise sufficient due diligence to ensure compliance with: Pennsylvania 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). The company has provided an inaccurate response on line #22 of the 2010 MCAS life submission regarding the number of death claims closed with payments beyond 60 days during the period.

B. 2011 Life Report (MCAS)

The examination team reviewed the Company's 2011 MCAS Life submissions, the supporting source documents and randomly selected files corresponding to the MCAS data call in order to determine the 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 Life MCAS Report. No violations were noted.

Line	INTERROGATORIES
0	Does the company have data to report for this product type?
1	Number of new replacement policies applied for during the period (include all replacements regardless of whether an insurance policy was actually issued)
2	Number of new replacement policies issued during the period (include only the number of replacement insurance policies issued)
3	Do the replacement counts provided include internal replacements?
4	Do the replacement counts provided include policies surrendered?
5	Do the replacement counts provided include policies/contracts purchased using loan proceeds from existing life insurance policies and/or annuity contracts?
6	Do the replacement counts provided include policies/contracts purchased through 1035 exchanges?
7	Does the company maintain a replacement register?
8	Number of in force policies with a loan balance over 25% of the maximum loan value as of the end of the reporting period

9	Number of replacement policies issued during period
10	Number of internal replacements issued during 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

C. 2010 Annuity Report (MCAS)

The examination team reviewed the Company's 2010 MCAS Annuity submissions, the supporting source documents and randomly selected files corresponding to the MCAS interrogatories 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 2010 Annuity MCAS Report. A total of 2 violations were noted.

Line	INTERROGATORIES
0	Does the company have data to report for this product type?
1	Number of new replacement contracts applied for during the period (include all replacements regardless of whether an annuity contract was actually issued)
2	Number of new replacement contracts issued during the period (include only the number of replacement contracts issued)
3	Do replacement counts include internal replacements?
4	Do replacement counts provided include policies/contracts purchased using loan proceeds from existing life policies and/or annuity contracts?
5	Do replacement counts provided include policies/contracts purchased through 1035 exchanges?
6	Does the company maintain a replacement register?

7	Number of contracts surrendered during the period
8	Number of new 1035 exchanges coming into company during period
9	Number of new contracts issued by the company during period
10	Number of contracts in force at the end of the period (the number of active contracts that the company has outstanding at the end of the reporting period)
11	Dollar amount of annuity considerations during the period
12	Number of complaints received directly from consumers
13	Number of complaints received directly from corresponding department of insurance
14	Does company maintain complaint register?

NUMBER OF CONTRACTS SURRENDERED DURING THE PERIOD – LINE #7

MCAS Definition - Surrendered Policy/Contract – A life insurance policy or annuity contract terminated at the request of the policy owner. It does not include life insurance policies or annuity contracts not taken or cancelled during the free look period. For annuities, systematic withdrawals and partial withdrawals should not be reported as "surrenders" for this statement.

The Company reported a universe of individual fixed annuity contracts surrendered and a universe of individual variable annuity contracts surrendered during the experience period for the 2010 MCAS annuity report line #7. A random sample of 44 fixed and 51 variable annuity contract surrender files were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violation was noted:

1 Violation - Failure to exercise sufficient due diligence to ensure compliance with: Pennsylvania 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). The company has provided an inaccurate response on line #7 of the 2010 MCAS annuities submission regarding the number contracts surrendered during the period.

NUMBER OF NEW CONTRACTS ISSUED BY THE COMPANY DURING THE PERIOD – LINE # 9

MCAS Definition – Annuity – A contract under which an insurance company promises to make a serious of periodic payments to a named individual in exchange for a premium or a series of premiums. Data is being requested for individual annuities only; data for group annuity contracts are not being requested.

The Company reported a universe of individual fixed annuity contracts issued and a universe of individual variable annuity contracts issued during the experience period for the 2010 MCAS annuity report line #9. A random sample of 44 fixed and 30 variable

annuity contract issued files were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violation was noted:

1 Violation - Failure to exercise sufficient due diligence to ensure compliance with: Pennsylvania 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). The company has provided an inaccurate response on line #9 of the 2010 MCAS annuities submission regarding the number of new contracts issued by the Company during the period.

D. 2011 Annuity Report (MCAS)

The examination team reviewed the Company's 2011 MCAS Annuity submissions, the supporting source documents and randomly selected files corresponding to the MCAS interrogatories in order to determine completeness and accuracy of the information

attested to by the Company in the MCAS 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 Annuity MCAS Report. A total of 1 violation was noted.

Line	INTERROGATORIES
1	Individual Fixed Annuities - Does the company have data to report for this product type?
2	Individual Variable Annuities - Does the company have data to report for this product type?
3 /4	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)?
5 /6	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)?
7	Additional state specific Individual Fixed Annuities comments (optional)
8	Additional state specific Individual Variable Annuities comments (optional):
9	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 age 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 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

NUMBER OF CONTRACTS SURRENDERED DURING THE PERIOD – LINE # 23

MCAS Definition - Surrendered Policy/Contract – A life insurance policy or annuity contract terminated at the request of the policy owner. It does not include life insurance policies or annuity contracts not taken or cancelled during the free look period. For annuities, systematic withdrawals (the withdrawal of a certain amount on a predetermined periodic basis for deferred annuities) and partial withdrawals should not be reported as "surrenders" for this statement.

The Company reported a universe of individual fixed annuity contracts surrendered and a universe of individual variable annuity contracts surrendered during the experience period for the 2011 MCAS annuity report line #23. A random sample of 2 annuity contract surrender files were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. The following violation was noted:

1 Violation - Failure to exercise sufficient due diligence to ensure compliance with: Pennsylvania 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). The Company has provided an inaccurate response on Line #23 of the 2011 MCAS Annuities submission regarding the number of contracts surrendered during the period.

E. Polices and Procedures; Data Extraction and Report Generation (MCAS)

The examination team reviewed the Company's 2010 and 2011 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.

MCAS Reporting Process:

A Company personnel is selected to coordinate the overall process of the MCAS reporting. The business analysts work with developers to collect data from the information systems. The data is passed from the developers to the business analysts and then consolidated into a master database for reporting of the individual MCAS line items for Life and Annuity. Different individuals review different areas of the reported information to validate the data items as appropriate. The data comes back to the Compliance team; the team is responsible for reviewing the actual numbers on the spreadsheets as reported and evaluates and where possible, ties numbers back to state pages. The team also checks for changes or oddities and researches any issues. The person, who coordinates the overall process in order to make an evaluation of any significant changes that may have occurred, performs a year over year comparison. The reported MCAS data is extracted from six (6) main systems.

1 Violation - Failure to exercise sufficient due diligence to ensure compliance with: Pennsylvania 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). The Company's informal policies and procedures related to the MCAS reporting process during the examination period did not provide the Company the ability to ensure the accuracy of the data reported in the 2010 and 2011 MCAS submissions.

Department Concerns:

The Company should implement formal standardized policies and procedures for preparing and validating the MCAS submission data. The Company should take the necessary steps to resolve the following issues, which impact its ability to produce complete and accurate MCAS, report submissions:

- The lack of a formal validation process between the data queries and the reporting process.
- The absence of formal documentation, which demonstrates the logic, used for the queries associated with each MCAS reported item from the database.

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 commission procedures to ensure compliance with Section 672-A of the Insurance Department Act of 1921 (40 P.S. § 310.72).

4. 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).

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 right of examination and return on an individual or endowment policy

requirements of Section 410E (a)(3) of the Insurance Company Law (40 P.S. §510c)

7. The Company must review and revise procedures to ensure compliance with the policy loan interest rates notification requirements of the Insurance Company Law (40 P.S. §510e (C)(5)(i)(ii)).

8. The Company must review and revise procedures to ensure compliance with the replacement requirements of Title 31, Pennsylvania Code, Chapter 81.

9. The Company must review and revise procedure to ensure compliance with the disclosure requirements of Title 31, Pennsylvania Code, Chapter 83.

10. The Company must review and revise procedures to ensure compliance with the variable annuity and variable accumulation annuity contract requirements of Title 31, Pennsylvania Code, Chapter 85.

11. The Company must review and revise procedures to ensure compliance with the unfair claims settlement practices of Title 31, Pennsylvania Code, Chapter 146.

12. 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

Protective Life
Insurance Company
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Protective®

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April 5, 2013

VIA E-MAIL and
UPS NEXT DAY DELIVERY
Tracking #: 1Z 331 167 01 9231 0026

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

Re: Protective Life Insurance Company
Examination Warrant Number: 12-M26-008
Experience Period: January 1, 2010 to December 31, 2010
MCAS Reporting Experience Period: 2010 and 2011

Dear Ms. Paige:

We have reviewed the Report of Examination of Protective Life Insurance Company covering the period January 1, 2010 through December 31, 2010. Attached you will find Protective Life Insurance Company's "Response to XIII. Recommendations" which are found on pages 73 and 74 of the Report.

We would like to thank you and examiners for the professional, knowledgeable and cooperative manner in which this exam was conducted. We, too, look forward to working with you to reach an appropriate resolution to the issues raised by the examination.

Yours truly,

(Mrs.) Lynn W. Williams, CLU

LWW/lb/109429-v2
Attachment:

PROTECTIVE LIFE INSURANCE COMPANY

RESPONSE TO

XIII. RECOMMENDATIONS

Protective Life Insurance Company hereby respectfully submits its corrective actions in response to the Pennsylvania Insurance Department's recommendations which are found on pages 73 and 74 of the Report of Examination of Protective Life Insurance Company:

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).

Company Response:
IV. - Company Operations and Management (pg. 11) – Although the Company actually maintained records longer than required, the Company's Corporate Record Management Policy, and its associated Retention Schedule, has been changed to reflect the minimum record retention requirements of the State of Pennsylvania
IX.C - Group Variable Annuity Certificates Issued (p.23) - A plan of action will be put in place to work with the area processors to make sure that we follow up until all signed documents are returned. In addition, the processing area will work with the systems area to see if these contract numbers can be flagged systematically to alert us to the fact that we are to continue our follow up outside of our normal 30, 60, 90 day timeframes.
IX.D - Individual Fixed Annuity Contracts Issued (p.24) - A plan of action will be put in place to work with the area processors to make sure that we follow up until all signed documents are returned. In addition, the processing area will work with the systems area to see if these contract numbers can be flagged systematically to alert us to the fact that we are to continue our follow up outside of our normal 30, 60, 90 day timeframes.
IX.J – Group Variable Annuity Surrenders (p.30) - The processors have been reminded that all pertinent file documentation must be maintained in accordance with Section 903 of the Insurance Department Act of 1921 (40 P.S. §323.3).
IX.T - Individual Cash Value Universal Life Surrenders (CSC) (p.35) - This is acquired business that was administered by a Third Party Administrator. However, the Third Party Administrator is no longer handling this business so there is no corrective action to take.
IX.U - Individual Cash Value Whole Life Surrenders (CSC) (p.36) – This is acquired business that was administered by a Third Party Administrator. However, the Third Party Administrator is no longer handling this used so there is no corrective action to take.

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).

Company Response:
XII – MCAS Reporting (pages 52 – 72) - Please see Attachment A to Protective Life Insurance Company Response to XIII. Recommendations

3. The Company must review and revise commission procedures to ensure compliance with Section 672-A of the Insurance Department Act of 1921 (40 P.S. §310.72).

Company Response:
VII – Producer Licensing and Commissions (p.16) - Procedures are in place to assure that commissions are not paid unless the agent is licensed and appointed in Pennsylvania.

4. 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).

Company Response:
VII – Producer Licensing and Commissions (p.17) - Procedures are in place to assure that an agent cannot act on behalf of or as a representative of Protective Life Insurance Company unless the agent is appointed in Pennsylvania.

5. The Company must review and revise procedures to ensure compliance with the policy delivery requirements of Section 404-A of the Insurance Company Law (40 P.S. §625-4).

Company Response:
IX.B. - Group Fixed Annuity Certificates Issued (p.22) - A plan of action will be put in place to work with the area processors to make sure that follow-ups continue until we obtain the appropriate signatures. In addition, the processing area will work with the systems area to see if these contract numbers can be flagged systematically to alert us to the fact that we are to continue our follow up outside of our normal 30, 60, 90 day timeframes.
IX.C – Group Variable Annuity Certificates Issued (p.23) - A plan of action will be put in place to work with the area processors to make sure that we follow up until all signed documents are returned. In addition, the processing area will work with the systems area to see if these contract numbers can be flagged systematically to alert us to the fact that we are to continue our follow up outside of our normal 30, 60, 90 day timeframes.
IX.D - Individual Fixed Annuity Contracts Issued (p.24) - A plan of action will be put in place to work with the area processors to make sure that follow-ups continue until we obtain the appropriate signatures. In addition, the processing area will work with the systems area to see if these contract numbers can be flagged systematically to alert us to the fact that we are to continue our follow up outside of our normal 30, 60, 90 day timeframes.
IX.E – Individual Immediate Annuity Contracts Issued (p.26) - A plan of action will be put in place to work with the area processors to make sure that we follow up until all signed documents are returned. In addition, the processing area will work with the systems area to see if these contract numbers can be flagged systematically to alert us to the fact that we are to continue our follow up outside of our normal 30, 60, 90 day timeframes.
IX.F - Policies Individual Cash Value Whole Life Issued (p.27) - A system update is being put in place to ensure compliance with the delivery requirements.

6. The Company must review and revise procedures to ensure compliance with the right of examination and return on an individual or endowment policy requirements of Section 410E(a)(3) of the Insurance Company Law (40 P.S. §510c).

Company Response:

IX.D - Individual Fixed Annuity Contracts Issued (p.25) – The Company has taken corrective action to implement the 20-day "free-look" requirement.

7. The Company must review and revise procedures to ensure compliance with the policy loan interest rates notification requirements of the Insurance Company Law (40 P.S. §510e(C)(5)(i)(ii)).

Company Response:
IX.CC - Individual Life Insurance Policy Loans Issued (CSC) (p.39) - This is acquired business that was administered by a Third Party Administrator. However, the Third Party Administrator is no longer handling this used so there is no corrective action to take.

8. The Company must review and revise procedures to ensure compliance with the replacement requirements of Title 31, Pennsylvania Code, Chapter 81.

Company Response:
IX.E - Individual Immediate Annuity Contracts Issued (p.26) – The manager of the processing area has reviewed the replacement guidelines with emphasis on the requirement regarding the 5 day guidelines.
IX.F – Individual Cash Value Whole Life Issued (p.27) - The New Business area has recently updated the correspondence and system process to automatically send an electronic copy of the replacement letter to the policy file when the letter is generated.
IX.G - Individual Non-Cash Value Term Life Policies Issued (p. 28) - The New Business area has revised the replacement process and procedures which include reviewing the replacement forms for proper signatures, dates and to verify that all questions have been answered in order to ensure compliance with the requirements.
IX.H - Individual Cash Value Universal Life Policies Issued (p.29) – The manager of the processing area has reviewed the replacement guidelines with emphasis on the requirement regarding the 5 day guidelines.

9. The Company must review and revise procedures to ensure compliance with the disclosure requirements of Title 31, Pennsylvania Code, Chapter 83.

Company Response:
IX.G - Individual Non Cash Value Term Life Policies Issued (p.28) – The New Business area has revised the replacement process to review the disclosure forms for completeness.

10. The Company must review and revise procedures to ensure compliance with the variable annuity and variable accumulation annuity contract requirements of Title 31, Pennsylvania Code, Chapter 85.

Company Response:
IX.O – Individual Variable Annuity Surrenders Commonwealth/se2 (TPA) (p.33) – The third party administrator has been reminded to continue to maintain all records, accounts, papers and documents related to existing contracts.

11. The Company must review and revise procedures to ensure compliance with the unfair claims settlement practices requirements of Title 31, Pennsylvania Code, Chapter 146.

Company Response:
X.C – Individual Cash Value Life Claims Paid (p.42) – The claims examiners have been reminded that timely claims status letters must be sent until all claimants have been paid.
X.H – Individual Non-Cash Value Life Claims Pending (CSC) (p.44) - This claim was initially serviced by a third party administrator, but these policies now reside in house with Protective. Since the claims have been brought in-house, we do not anticipate this type of error going forward.
X.J – Annuity Claims Paid (Elgin) (p.45) - We have revised our procedures effective January 2013. The Claims team implemented a process for reviewing outstanding death claims which includes a daily report to be generated that identifies claims that are outstanding by 20, 50, 80, 110 and 140 calendar days. A claim will be reviewed and correspondence will be sent to claimant for those outstanding 20, 50, 80, 110 calendar days. Of those attaining 140 calendar days, the claim will be reviewed and if unable to be paid out will move to our Unclaimed Property team.
X.K - Annuity Claims Paid (p.46) - The claims processing areas have been reminded of the requirements outlined in Chapter 146 regarding unfair claims settlement practices, paying special attention to maintain proof of claim notifications in the file.
X.L – Annuity Claims Pending (Elgin) (p. 47 & 48) - We have revised our procedures effective January 2013 to adhere to the 15 working days stated in Title 31, Pennsylvania Code, Section 146.7. The Claims team implemented a process for reviewing outstanding death claims which includes a daily report to be generated that identifies claims that are outstanding by 20, 50, 80, 110 and 140 calendar days. A claim will be reviewed and correspondence will be sent to claimant for those outstanding 20, 50, 80, 110 *calendar* days. Of those attaining 140 calendar days, the claim will be reviewed and if unable to be paid out will move to our Unclaimed Property team.
X.M - Annuity Claims Pending (p.48) - The claims processing areas have been reminded of the requirements outlined in Chapter 146 regarding unfair claims settlement practices, paying special attention to maintain proof of claim notifications, acknowledging receipt of a notice of claim in a timely manner, and providing timely status letters when appropriate.
X.N – Variable Annuity Claims Paid (p.49 & 50) - Due to an administrative error, the required notices were not provided to the first-party claimant. The company has used this case as a training opportunity with the Claims team regarding the adherence to the above Pennsylvania Codes.

12. 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).

Company Response:
IX.N – Individual Variable Annuity Surrenders Acq (FVL) (p.32) – The processing area has been reminded of the requirements of Unfair Methods of Competition and Unfair or Deceptive Acts or Practices in the business of insurance as it relates to Act 205, Section 5 (40 P.S. §1171.5). The processing area has been reminded that we must notify clients of their contract maturity in a timely manner.
X.J – Annuity Claims Paid (Elgin) (p.46) - We have revised our procedures effective January 2013. The Claims team implemented a process for reviewing outstanding death claims which includes a daily report to be generated that identifies claims that are outstanding by 20, 50, 80, 110 and 140 calendar days. A claim will be reviewed and correspondence will be sent to claimant for those outstanding 20, 50, 80, 110 calendar days. Of those attaining 140 calendar days, the claim will be reviewed and if unable to be paid out will move to our Unclaimed Property team.

X.K - Annuity Claims Paid (p.47) – The claims processing areas have been reminded of the requirements outlined in Chapter 146 regarding unfair claims settlement practices, paying special attention to providing timely status letters.

X.L – Annuity Claims Pending (Elgin) (p. 48) - We have revised our procedures effective January 2013 to adhere to the 15 working days stated in Title 31, Pennsylvania Code, Section 146.7. The Claims team implemented a process for reviewing outstanding death claims which includes a daily report to be generated that identifies claims that are outstanding by 20, 50, 80, 110 and 140 calendar days. A claim will be reviewed and correspondence will be sent to claimant for those outstanding 20, 50, 80, 110 calendar days. Of those attaining 140 calendar days, the claim will be reviewed and if unable to be paid out will move to our Unclaimed Property team.

X.M - Annuity Claims Pending (p.49) - The claims processing areas have been reminded of the requirements outlined in Chapter 146 regarding unfair claims settlement practices, paying special attention to maintain proof of claim notifications, acknowledging receipt of a notice of claim in a timely manner, and providing timely status letters when appropriate.

X.N – Variable Annuity Claims Paid (p. 50) – Due to an administrative error, the required notices were not provided to the first-party claimant. The company has used this case as a training opportunity with the Claims team regarding the adherence to the above Pennsylvania Codes.

ATTACHMENT A

To

PROTECTIVE LIFE INSURANCE COMPANY

RESPONSE TO

XIII. RECOMMENDATIONS

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).

Company Response:

A. 2010 Life Report (MCAS) – 4 violations

Violation 1

(Pages 56 & 57) NUMBER OF POLICIES SURRENDERED DURING THE PERIOD – LINE #9

The company has provided an inaccurate response on line # 9 of the 2010 MCAS life submission regarding the number of policies surrendered during the period (cash value).

Response:

Surrenders are coded in the system with a "P" in the 3rd character of the entry code. Maturites are coded with an "M" in the 3rd character of the entry code. Policies that are maturities, but manually surrendered off the system will be coded with an "M" in the 3rd character of the entry code instead of a "P" so that they will not be reported as surrenders in the future.

Violation 2

(Pages 57 & 58) NUMBER PARTIAL SURRENDERS DURING THE PERIOD – LINE # 10

The company has provided an inaccurate response on line # 10 of the 2010 MCAS life submission regarding the number of partial surrendered during the period (cash value).

Response:

There was a discrepancy between the Elgin Data Warehouse and LIFECOMM. All policies are now housed on LIFECOMM, so this will not be an issue in the future.

Violation 3

(Pages 58 & 59) NUMBER OF DEATH CLAIMS CLOSED WITH PAYMENT DURING THE PERIOD, WITHIN 60 DAYS FROM DATE OF DUE PROOF – LINE #21

The company has provided an inaccurate response on line # 21 of the 2010 MCAS life submission regarding the number of death claims closed with payments within 60 days during the period for both Cash Value and Non-Cash Value items.

Response:

Due diligence is insured through the transitioning of the Chase line of business from a TPA to in-house administration incorporating all appropriate processes.

Violation 4

(Pages 59 - 61) NUMBER OF DEATH CLAIMS CLOSED WITH PAYMENT DURING THE PERIOD, BEYOND 60 DAYS FROM DATE OF DUE PROOF – LINE #22

The company has provided an inaccurate response on line # 22 of the 2010 MCAS life submission regarding the number of death claims closed with payments beyond 60 days during the period for both Cash Value and Non-Cash Value items.

Response:

Due diligence is insured through the transitioning of the Chase line of business from a TPA to in-house administration incorporating all appropriate processes.

C. 2010 Annuity Report (MCAS) – 2 violations

Violation 1

(Page 65 & 66) NUMBER OF CONTRACTS SURRENDERED DURING THE PERIOD - LINE # 7

The company has provided an inaccurate response to line # 7 of the 2010 MCAS annuities submission regarding the number of contracts surrendered during the period.

Response:

This issue has been corrected. Going forward (2011 and future) all surrenders will be reported by Issue State.

Violation 2

(Page 66 & 67) NUMBER OF NEW CONTRACTS ISSUED BY THE COMPANY DURING THE PERIOD LINE # 9

The company has provided an inaccurate response on line # 9 of the 2010 MCAS annuities submission regarding the number of new contracts issued by the company during the period.

Response:

Logic has been corrected in queries to the Compass and TLS systems.

D. 2011 Annuity Report (MCAS) – 1 violation

Violation 1

(Pages 69 & 70) NUMBER OF CONTRACTS SURRENDERED DURING THE PERIOD – LINE # 23

The Company has provided an inaccurate response on Line # 23 of the 2011 MCAS Annuities submissions regarding the number of contracts surrendered during the period.

Response:

Logic has been included that will distinguish between Individual and Group on the TLS-VA system.

E. Policies and Procedures; Data Extraction and Report Generation (MCAS) – 1 violation

(Page 72) The lack of a formal validation process between the data queries and the reporting process; the absence of formal documentation, which demonstrates the logic, used for the queries associated with each MCAS reported item from the database.

Response:

The 3 additional attached documents satisfy this violation – they are entitled:

"NAIC Market Conduct Annual Statement – Process Walkthrough"

"MCAS Data Call – Validation Process", and

"NAIC MCAS – Systems Breakdown"

NAIC Market Conduct Annual Statement

Process Walkthrough

Narrative

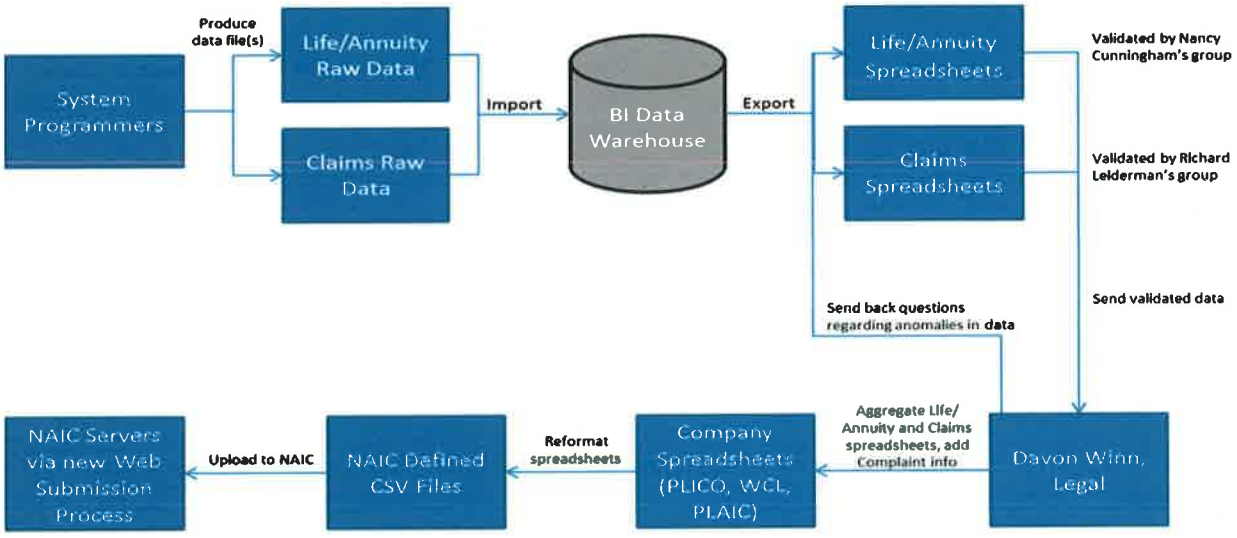
Every year Protective Life participates in a market conduct exam organized by the National Association of Insurance Commissioners (NAIC). The NAIC delivers to each participating company a set of questions that must be answered and sent back within a certain deadline. To answer each of these questions, companies must search their systems for the correct data. Protective has numerous systems that house its data due to its wide array of products, its multiple acquisitions, and various business agreements. In the past, Protective's method for gathering this data has been largely manual and as through the years, as Protective has grown it has become increasingly difficult to keep gathering data manually. In 2011, a project went underway to automate the manual processes to gather data for the yearly exam. The new process and was used for the 2011 data call and will continue to be used for subsequent exams.

The Insurance Administration (IA) team that was previously assigned to the data call was responsible for contacting and instructing each system's programmer, receiving the data, organizing the data, validating the data, and sending the data to the Legal department for final approval. In the new process, the IA team is only responsible for validating the data. A data warehouse, Business Systems Analyst, and Business Intelligence Analyst are now responsible for all other aspects of the data call.

Introduction

This is a step by step guide of how to gather, process, and distribute data for the NAIC's yearly market conduct exam. You should note that while this is more so a set of suggestions and that certain steps could come before others depending on your preference and/or numerous other factors throughout the process. Please update this guide as the exam may change from year to year.

Below is a diagram illustrating the entire data call process at a high level. The technical process includes three overall segments: gathering the data, importing the data, and exporting the data.



System Programmers: Source system developers provide raw data files

Business Analyst: Reviews raw data for completeness, works with BI developer to load data into warehouse, validates data in warehouse, exports data for review, formats spreadsheets to CSV files

BI Developer: Imports data from source system files, builds final data tables

Business Area: Reviews numbers for MCAS report to validate business context (Nancy Cunningham's area, Richard Leiderman's area)

Legal/Compliance: Review final spreadsheets, add complaint information, submit numbers to NAIC

Before the process starts, a few things will need to be done:

- All contacts for all systems, IA, BI, Analytics, and any other teams involved in the data call will need to be determined.
- A deadline will need to be established stating the date that data must be received from each system.
- Report specifications must be written so that each system contact will have a deliverable to work towards.

Data Gathering

1. To start off the process, an email should be sent to all system contacts notifying them of the data call, "briefing" them on how things will work and any changes from the previous iteration, delivering specifications for data needed from them, giving them a deadline to deliver the data, and leaving them with your contact information . Attached to the email should be specifications instructing them on what data will needed be reported from their respective system.
    a. 2012 Example Email

    Hi Christy and David,

    Protective is beginning the exam for the NAIC market conduct annual statement for 2012. We will need the Life, Fixed Annuity, and Claims detail with 2011 data for Protective policies handled by Americo.

    I have attached the Life, Annuity, and Claims specifications for the report(s) that we need from you. The specifications detail which fields we need in order to answer the questions from NAIC. I've also attached the NAIC questions for this year. We ask that you do not filter any data by state. The filters that we would like applied are at the top of each specifications document.

    We would like to have the data delivered by February 1, 2012, but if you feel that it will be difficult to meet this deadline, please let me know. If some of the fields in the specifications are unclear or your system does not include them, please let me know and we can discuss it.

    If this request should be directed to someone else, please let me know.
2. After the emails go out, it will likely take a week or two before you get your first set of data. During the first of the year, the system programmers are already busy with yearly reporting and this just adds on to their list of things to do. While you are waiting, if you haven't already done so, you can begin prepping the data call system for data import, export, and delivery.
    a. Data Warehouse – The data warehouse will be the central data store for all systems' data. There are 3 categories of tables kept in the data warehouse.
        i. Staging Tables – These tables house the raw data that is sent from each system. Generally speaking, each report from a system gets its own staging table. Staging tables have a prefix of "stg".
        ii. Master Tables – These tables house the aggregated stage tables based on type. Since Protective reports on 3 sections of data for the exam (Life, Annuity, Claims), there are 3 master tables.
        iii. Helper Tables – These tables house information that is specific to a system. Not every system's product codes are as clear as "Cash Value" or "Non-Cash Value", so a helper table acts as a translator. For example, the Product helper table has a column of product codes and another column that simply indicates "Cash Value" or "Non-Cash Value". If a system gives us indecipherable product codes, we throw them in the product helper table along with their categorization

based on what the system contact tells us. When we get ready to export the data, helper tables are referenced to correctly identify system specific values.

b. Data Import Code – Once the data is ready to be imported into the data warehouse, the BI analyst will have to create the scripts to map each field. There's not much on this that can be done until the data is received from each system because everyone's data will look a little bit different.
c. Stored Procedure – A stored procedure is called to aggregate the data into final counts. Adjustments to the SP will have to be made each year as the NAIC adds and removes certain questions from the exam, but the general setup of the SP should stay the same. The SP will already format the data by question and state and only takes one parameter: the company that you want data for.
    i. Company Function – The SP will take a company parameter and use this function to determine what data goes with which company. Since all systems use different codes to represent the same company, this function will translate them to specific company name (PLICO, WCL, etc.).
d. Data Export Code – When the data is ready to put into an Excel spreadsheet, the data export code will have to be used. The export code is written in VBA, and works behind the scenes of Excel. At a high level, the code calls the stored procedure, telling it what company to get data for, takes the received data and injects it into the correct Excel cells. This code works dynamically based on what cells are available in the spreadsheets, so it will likely not have to change from year to year; as long as the spreadsheets are consistent with the current year's question format.
e. CSV Format Code – To avoid a contact in Legal having to manually enter the data in the spreadsheet into the NAIC's website, a process was created to reformat the data in the spreadsheets into a comma separated values (CSV) file specified by the NAIC. This mainly consists of Excel functions that are added to the spreadsheet that will get the data and do the formatting itself. Like the stored procedure, these functions will change from year to year as the NAIC adds and removes certain questions from the exam.

Data Import

1. After the data begins to come in it will need to be imported system by system. File locations will need to be sent to the BI contact along with any special instructions for certain files and/or certain fields. The files will need to be split up by data type (Life, Annuity, Claims). Also, if the data contains system specific codes for certain fields, they will need to be put in in separate lookup spreadsheets. These files should be able to be loaded straight into the helper tables (h_Status, h_PlanType, h_Replacement).
2. It is important, after the BI contact has uploaded the data, to check and make sure that everything was uploaded correctly. Data will be both in the staging tables and then the aggregated final tables. It would be a good idea to check both tables. Here are some things to check for:
    a. Row Counts – it's a good idea to do check the row counts in the database against the row counts in the original data files to make sure every row was included
    b. Special Instructions – if you gave the BI contact any special instructions on how to upload certain files or fields, check and make sure that they were uploaded correctly
    c. Check distinct values on certain fields to make sure nothing expected shows up. Make sure all distinct values in the helper fields are accounted for in the corresponding helper tables
    d. Take notice of how "blank" fields are represented in the database whether they are empty fields or have a NULL value. Either way, the stored procedure needs to be able to handle blank fields accordingly. This is mainly an issue for any questions that have a Yes/No answer (there are no Yes/No questions for the 2012 Data Call)

Data Export

1. After the data has been collected from each system and the master tables have been created, you can now begin exporting the data to its respective spreadsheet. Each spreadsheet is for a specific company and all of them should be formatted the same. There should be anywhere between 25-30 spreadsheets that will need to be populated each year. There are two pieces of code that are used to get the data from the data warehouse to the spreadsheet.
    a. Stored Procedure – The SP is a series of "unioned" SELECT queries run on the data warehouse. Generally there is one SELECT query per questions in the entire SP. It takes a parameter of a company code, and outputs a table of data separated by question number and state. The SP will likely change each year as questions and participating states are add/removed by the NAIC, but the changes should not be too dramatic and the BI contact can help with most or all of the coding if needed.
    b. Export Macro – The macro is added to an Excel spreadsheet and run manually as needed. It will call the stored procedure mentioned in bullet "a", loop through the table of data returned, and inject it into the spreadsheet accordingly. The export macro generally will not change from year to year as it is designed to be dynamically calculate how many rows and columns (questions and states) it will need to populate. It is dependent upon some formatting of the excel spreadsheets however.

CSV Formatting

1. After all spreadsheets have been populated and validated, the data must be sent to the NAIC. The data can be sent easily via a file upload system; however, the system requires that the data be in a custom comma-separate value (CSV) format. To accomplish this translation from spreadsheet to CSV, a series of 3 spreadsheets have been created. The spreadsheets simply need to be added to one of the company spreadsheets. One of the spreadsheets added will then contain a group of cells that have formatted the data into CSV. The data in those cells simply needs to be added to a separate file (in Notepad, for example), renamed to "*filename*.csv", then sent to a Legal/Compliance contact for uploading.

MCAS Data Call

Validation Process

Source System Validation

Specifications are provided to the source system developers to denote the data fields required and the parameters to be used to retrieve the data. For example, the subset of Life data requested from source system developers for 2011 was "any **individual** life insurance policy that has an **Issue Date in 2011 or was in an Inforce/Active status at any time in 2011**." The individual data items requested can be found in the Life, Annuity, and Claims specifications. The source system developers are responsible for creating and validating the queries that will generate this subset of data according to how this information is tracked in the specified source system.

Database Validation

The Business Analyst who is responsible for generating the final data for the data call reviews the data from the source system for completeness. This review includes checking that all requested fields are included in the source system file and that there is no obviously incorrect data from a data format perspective. For example: ensuring that all dates are valid dates, verifying that all states are valid states, etc.

After the source data is loaded to the database, the Business Analyst validates the data in the database against the data from the source systems to ensure all data was loaded into the database correctly. This includes checking data completeness and data integrity. To ensure data completeness, the analyst verifies that all rows and columns from the source data were loaded to the database and that data records appear to match the source file. To ensure data integrity, the analyst validates several records from the database to the corresponding records in the source file.

The Business Analyst uses the data call definitions to create the logic used to generate the final counts for the annual statement. This logic is translated from the descriptions for each question that are provided on the "Life & Annuities Data Call & Definitions" document provided by the NAIC. The analyst reviews this logic to ensure it is consistent with the NAIC definitions and with the logic used in previous years. For 2011, the logic was contained in the usp_NaicMarketConduct_2011_AW stored procedure within the BI_NAICMarketConduct_DM database.

Once the logic has been finalized, the analyst populates the data call spreadsheets with the final counts for each question. The analyst compares the spreadsheets to the database to ensure that all data was loaded correctly. This includes pulling policy detail for a sampling of questions to ensure that all policies included in the count were correctly included.

Business-Context Validation

The Business Analyst sends the data call spreadsheets to the business areas for review. The business areas validate the annual statement answers against state pages and previous data calls. They also review the data based on changes in the business model over the year. For example: a larger than usual number of issued policies may be due to the launch of a new product. If any of the numbers do not seem to fit with the business context, the business area requests a policy detail report. This policy detail report lists all of the information for the policies that were included in the calculation for a particular question. The business reviews this detail report to ensure that all policies that were included for a question should be included. If any changes need to be made, the analyst has the database updated and generates a new data call report.

NAIC MCAS – Systems Breakdown

Source Legend

- * = Protective system source
- ^ = Protective individual source
- ~ = Non-protective source

*LifeComm

Contacts

- Michael Power – Programmer
  - Michael.Power@protective.com
  - 302-658-2583

Companies Reported

- Protective Life (PLICO)
  - Company Codes – P00, P0C, P0E, WC4
- Protective Life and Annuity (PLAIC)
  - Company Codes – A00, A01, A02, A0W, WC5
- West Coast Life (WCL)
  - Company Codes – WC1
- Zurich Annuity and Life (ZALICO) – *new for 2012*
  - Company Codes – KI1
- United Investors (UILIC) – *new for 2012*
  - Company Codes – TBD
- Coinsured Companies
  - Company Codes – AE1, AE2, AE3, AE4, AN1, CF1, CN1, CV1, M00, MA1, N01, N02, R01, R02, R03, R04, SI1, SI2, SI3, U00, V00, WN1

Products Reported

- Life
- Annuity (FA)

Data

- Data is sent in 2 files: Inforce and Pending. The Inforce file contains all policies that are/were inforce in the year specified (included terminated policies). The Pending file contains all policies that were applied for but not yet put Inforce as of the end of the specified year. In 2010, the Inforce file was 1,954,256 rows and the Pending file was 45,415 rows.
- The replacement indicator is a LifeComm field "entry code".
- Michael also produces another file for premiums. These are used to populate the premium amounts for the coinsured companies and also, starting this year, ZALICO. Premiums for the other companies will come from a different source.

Special Notes

- The annuities on LifeComm date back to the 1970s. It was determined in 2011 that they should not be included in any Issue counts because, despite some of them having recent Issued Dates, they are not considered "new business". Any use of the LifeComm annuity contracts for Inforce, Surrender, or Consideration counts should be confirmed with a knowledgeable LifeComm contact first.
- While the Pending file may contain policies with current Surrender and Issue dates, they should not be included in the Surrender and Issue counts because these policies have not yet been put Inforce.
- LifeComm has a special field "Reporting State" used specifically for Inforce and Premium counts. This is mentioned in the specifications specifically for LifeComm.

*TLS – VUL and FVL

Contacts

- Jane Harmon – VUL Programmer
  - Jane.Harmon@protective.com
  - 205-268-3026
- Donna Platz – FVL Business Systems Analyst
  - Donna.Platz@protective.com
  - 205-268-3383
- Joe Ellis – FVL Programmer
  - Joe.Ellis@protective.com
  - 205-268-4712

Companies Reported

- Protective Life (PLICO)

Products Reported

- Life (VUL)
- Annuity (VA, FA)

Data

Special Notes

- VUL is Variable Universal Life and is all Cash Value products. FVL is First Variable Life and contains VUL as well as Fixed Annuities and Variable Annuities. The FVL block is closed and will have no new issues. Donna Platz is a BSA and is the main contact for the FVL data; Jane Harmon is a programmer is the main contact for the VUL data.
- There is another block of annuities that come from TLS. This data is acquired from a different contact.

*TLS – Annuity

Contacts

- Laurie Barber – VA Programmer
  - Laurie.Barber@protective.com
  - 205-268-7429
- Joe Tucker – Manager
  - Joe.Tucker@protective.com
  - 205-268-6995

Companies Reported

- Protective Life (PLICO)
- West Coast Life (WCL)

Products Reported

- Annuity (VA, FA)

Data

- In the previous year, the contacts for this block had already produced their report the "old way" before we could get them the report specifications so this will be the first year (2012) that they will report information in the format we are requesting.
- Most of the data is VA, but there are some contracts that are "EI"; these are fixed annuities. This "EI" block is closed and will have no new issues.

Special Notes

- There is another block of annuities that come from TLS. This data is acquired from a different contact.

^Issued/Inforce Counts and Face Amounts

Contacts

- Kevin Powell – Actuary
  - Kevin.Powell@protective.com
  - 205-268-5838
- Stanley Woodall – Actuary
  - Stanley.Woodall@protective.com
  - 205-268-3210

Companies Reported

- Protective Life (PLICO)
- Protective Life and Annuity (PLAIC)
- West Coast Life (WCL)
- Zurich Annuity and Life (ZALICO)
- United Investors (UILIC) – *new for 2012*
- Coinsured Companies

Products Reported

- Life

Data

- Two reports are delivered: Kevin delivers the report for the companies Protective owns (PLICO, WCL, PLAIC, ZALICO, and UILIC) and Stanley delivers the report for the companies that Protective coinsures (22 of them).
- The data does not contain any detail. The reports contain pre-summed Issued and Inforce counts and face amounts broken down by company, state, and product type (ICVP vs. INCVP). These numbers will match what is on the annual state pages that Protective creates.

Special Notes

- Stanley is responsible for creating the coinsured report as well as delivering a LifeComm report to Kevin so that he can create the Protective report. For the 2012 iteration Kevin Powell, or whoever he delegates this work to, will be responsible for Stanley's piece.
- Kevin and Stanley or busiest at the end of the year and the beginning of the year with other reporting responsibilities so it will be important to keep them informed of any MCAS deadlines.
- Data is based on the same state used for the state pages (believe this is issue state)

^CSC – Life

Contacts

- Dave Picek – Business Intelligence
  - David.Picek@protective.com
  - 847-930-8739

Companies Reported

- Protective Life (PLICO)
  - Federal Kemper Life and Annuity, Zurich Life Insurance
- Zurich (ZALICO)
  - Formerly Kemper Investors (KILICO)

Products Reported

- Life

Data

- CSC housed a large portion of the life policies that were collected in the Chase acquisition. This data is a closed block and should have no new issues.

Special Notes

- As of the beginning of 2011, the CSC block has been converted to LifeComm so this data will now be included in the LifeComm reports. For the 2012 iteration, there is no need to retrieve any Life data from CSC.

~Commonwealth

Contacts

- Lisa O'Brien
  - Lisa.Obrien@cwannuity.com
- Andy Byers
  - Andy.Byers@cwannuity.com

Companies Reported

- Protective Life (PLICO)
- Zurich (ZALICO)

Products Reported

- Life (VUL)
- Annuity (VA)

Data

- The life data is only for ZALICO. The annuity data is for both PLICO and ZALICO.
- There were issues in the past with the way the report displayed replacements, partial surrenders, and premiums. Partial surrenders will not be needed for the next iteration, but the format for replacements and premiums will need to be properly communicated.
- This is a closed block of business, but previously there were some ZALICO annuities that had issue dates in 2010. Carol Majewski caught this while validating the data. After a discussion with the Lisa O'Brien, it was determined that these contracts were not true issues.

Special Notes

- Andy reports any ZALICO complaints to Carol Majewski.
- Lisa O'Brien is the main contact from Commonwealth.
- ZALICO premiums will be collected from both LifeComm and Commonwealth.

~Americo

Contacts

- Christy Stephens
  - Christy.Stephens@americo.com
- David Sullivan
  - David.Sullivan@americo.com

Companies Reported

- Protective Life (PLICO)

Products Reported

- Life
- Annuity (FA)
- Claims

Data

- Data includes a Termination Date and Termination Reason. Only count policies with a Termination Reason of "Surrender" in the surrender count.
- Product is determined using the "Plan" column.

Special Notes

- This is a relatively small block of data; less than 1000 for Life and Annuity each.
- Life, Annuity, and Claims data all sent in one spreadsheet. Life/Annuity on one tab, Claims on the other.

*IMS

Contacts

- Mike Hill
  - Mike.Hill@protective.com
- Kala O'Brien
  - Kala.Obrien@protective.com

Companies Reported

- Protective Life (PLICO)
- West Coast Life (WCL)

Products Reported

- Annuity (FA)

Data

- IMS does not have a true "Issue Date". The data was initially sent over with the "Inforce Date" used, but after a discussion with the IMS contacts and Nancy Cunningham, it was determined that the system's "Effective Date" should be used to determine new Issues.

Special Notes

- IMS contains only a type of annuities called Immediate Annuities. They are all FA on this system but Immediate Annuities could be Fixed or Variable. For 2012, two of the totals reported on are Deferred Annuities issued and Immediate Annuities issued so we will need to verify that IMS is all Immediates (the specs call for clarification, but we need to make sure just in case).
- Mike Hill and Kala O'Brien shared the responsibilities for gathering the data. The request should be sent to both of them.

*Compass

Contacts

- Cathy Mattingly – Manager
  - Cathy.Mattingly@protective.com
- Chris Cooper – Programmer
  - Chris.Cooper@protective.com

Companies Reported

- Protective Life (PLICO)
- Protective Life and Annuity (PLAIC)
- West Coast Life (WCL)
- Zurich Annuity and Life (ZALICO)
- United Investors (UILIC) – *new for 2012*

Products Reported

- Annuity (FA)

Data

- Data contains most Fixed Annuities (about 160,000 rows).
- There was an issue in the past dealing with the 1035 indicator from Compass, but since 1035's are no longer reported on as of 2012, this should not be an issue.

Special Notes

^Premiums

Contacts

- Amie Pilato – Accounting
  - Amie.Pilato@protective.com
- TBD (possibly Dave Keeley)

Companies Reported

- Protective Life (PLICO)
- West Coast Life (WCL)
- Protective Life and Annuity (PLIAC)
- United Investors (UILIC)

Products Reported

- Life
- Annuity

Data

- 2 files will be sent for each company; one with Life premiums and one with Annuity considerations.
- The data does not contain any detail. The reports contain pre-summed Life premiums and Annuity considerations broken down by state and product type (ICVP vs. INCVP, FA vs. VA). These numbers will match what is on the annual state pages that Protective creates.

Special Notes

- Amie Pilato will supply premiums for PLICO, WCL, and PLIAC. Dave Keeley is the suggested source for the UILIC premiums, but his status on the project is still up in the air. A contact for UILIC premiums will need to be solidified.
- Data is based on owner/payor state.

*Brentwood

Contacts

- Russell Winn - Programmer
  - Russell.Winn@protective.com
- Richard Leiderman – VP
  - Richard.Leiderman@protective.com

Companies Reported

- Protective Life (PLICO)
  - Company Codes – P00, P0C, P0E, WC4
- Protective Life and Annuity (PLAIC)
  - Company Codes – A00, A01, A02, A0W, WC5
- West Coast Life (WCL)
  - Company Codes – WC1
- Zurich Annuity and Life (ZALICO) – *new for 2012*
  - Company Codes – KI1
- United Investors (UILIC) – *new for 2012*
  - Company Codes – TBD
- Coinsured Companies
  - Company Codes – AE1, AE2, AE3, AE4, AN1, CF1, CN1, CV1, M00, MA1, N01, N02, R01, R02, R03, R04, SI1, SI2, SI3, U00, V00, WN1

Products Reported

- Life

Data

- Two files should be sent. One file will be larger and contains a majority of the claims data. The other file is a subset of claims that do not get included in the main file. These claims are for company code R01 and should be lumped in with that spreadsheet.
- A policy number can have multiple claim rows associated with it if there are multiple beneficiaries. The "SEQ" column identifies the order in which the beneficiaries were paid. We only want to count a claims once as defined by the NAIC's guidelines. We're only counting the first payment of the claim so where SEQ = 1. That way if we a claim has payouts over the course of two separate years, we're only counting that claim in the earlier year.

Special Notes

- Ronnie Muro is currently looking into gathering the UILIC claims.

^CSC – Claims

Contacts

- Brian Screws – Programmer
    - Brian.Screws@protective.com

Companies Reported

- Protective Life (PLICO)
- Zurich Annuity and Life (ZALICO)

Products Reported

- Life

Data

- This data comes from an extract of databases from CSC in MS Access format containing claim information for the Chase block of business.

Special Notes

- This data was effective for 2010 and prior. All 2011 data will now be on Brentwood and can be obtained from that source. These databases are no longer needed for this exam.

^Complaints

Contacts

- Davon Winn – Legal
  - Davon.Winn@protective.com
- Carol Majewski – Compliance
  - Carol.Majewski@protective.com

Companies Reported

- Protective Life (PLICO)
- Protective Life and Annuity (PLAIC)
- West Coast Life (WCL)
- Zurich Annuity and Life (ZALICO)

Products Reported

- N/A

Data

- The complaint info will not be added to the data warehouse.

Special Notes

- Davon and Carol add this data to the spreadsheets manually. Complaint data is not added to the Coinsured spreadsheets.

^Comments

Contacts

- Davon Winn – Legal
  - Davon.Winn@protective.com

Companies Reported

- Protective Life (PLICO)
- Protective Life and Annuity (PLAIC)
- West Coast Life (WCL)
- United Investors (UILIC) – *new for 2012*

Products Reported

- N/A

Data

- The comment info will not be added to the data warehouse. Comments are created after the data has been exported.

Special Notes

- Davon will provide the comments before the data is exported to a CSV file to be uploaded to the NAIC. The comments can be injected at that point.