



**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT**

**MARKET CONDUCT
EXAMINATION REPORT**

OF

**AMERICAN GENERAL LIFE
INSURANCE COMPANY**
Houston, TX

As of: January 28, 2011
Issued: March 11, 2011

**MARKET ACTIONS BUREAU
LIFE AND HEALTH DIVISION**

AMERICAN GENERAL LIFE INSURANCE COMPANY

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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 24 day of January, 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
Acting Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE: : VIOLATIONS:
: :
AMERICAN GENERAL LIFE : Sections 641.1-A and 671-A of Act
INSURANCE COMPANY : 147 of 2002 (40 P.S. §§ 310.41 and
2727-A Allen Parkway : 310.71)
Houston, TX 77019 : :
: Sections 404-A, 408-A(a)(1),
: 408-A(e)(1)(ii), and 408-A(e)(2)(i)
: of the Insurance Company Law,
: Act of May 17, 1921, P.L. 682,
: No. 284 (40 P.S. §§ 625-4 and 625-8)
: :
: Title 31, Pennsylvania Code, Sections
: 81.5(b), 81.6(a)(1), 81.6(a)(2)(ii),
: 83.3, 83.4, 83.4a, 83.4b, 83.55, 83.55a,
: 83.55b, 146.5, 146.6 and 146.7
: :
Respondent. : Docket No. MC11-02-018

CONSENT ORDER

AND NOW, this 11th day of March, 2011, 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 American General Life Insurance Company, and maintains its address at 2727-A Allen Parkway, Houston, TX 77019.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from January 1, 2009 to December 31, 2009.
- (c) On January 28, 2011, the Insurance Department issued a Market Conduct Examination Report to Respondent.
- (d) A response to the Examination Report was provided by Respondent on February 17, 2011.
- (e) The Examination Report notes violations of the following:

- (i) Section 641.1-A of Act 147 of 2002 prohibits any entity or the appointed agent of any entity from transacting the business of insurance through anyone acting without an insurance producer license (40 P.S. § 310.41a);

- (ii) 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;

- (iii) 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;

- (iv) Section 408-A(a)(1) of the Insurance Company Law, No. 284 (40 P.S. §625-8), which states if the insurer identifies a life insurance policy form as one to be marketed without an illustration, any use of an illustration with any policy using that policy form prior to the first policy anniversary is prohibited;
- (v) Section 408-A(e)(1)(ii) of the Insurance Company Law, No. 284 (40 P.S. § 625-8), which states if the policy is issued other than as applied for, a revised basic illustration conforming to the policy as issued shall be mailed or delivered with the policy. The revised illustration shall conform to the requirements for basic illustrations contained in this act and shall be labeled "Revised Illustration." The statement shall be signed and dated by the policy owner and producer no later than the time the policy is delivered. A copy shall be provided to the policy owner no later than the time the policy is delivered and to the insurer as soon as practical after the policy is delivered;
- (vi) Section 408-A(e)(2)(i) of the Insurance Company Law, No. 284 (40 P.S. § 625-8), which states the following applies if no illustration is used by a producer in the sale of a life insurance policy or if a computer screen is displayed. The producer shall certify in writing on a form provided by the insurer that no illustration was used in the sale of the life insurance policy. On the same form, the applicant shall acknowledge an understanding that an

illustration conforming to the policy as issued will be provided no later than at the time of policy delivery;

- (vii) Title 31, Pennsylvania Code, Section 81.5(b), which requires the insurer, as part of a completed application for life insurance or annuity, require a statement signed by the applicant regarding whether the proposed insurance or annuity will replace existing life insurance or annuity;
- (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, Section 83.3, which requires written disclosure. A life insurance agent, broker or insurer soliciting the type of business to which this subchapter applies shall provide a prospective purchaser with a written disclosure statement clearly labeled as such;
- (xi) Title 31, Pennsylvania Code, Section 83.4, which requires the written disclosure statement shall be given no later than the time the application form is signed by the applicant;
- (xii) Title 31, Pennsylvania Code, Section 83.4a, which states the agent shall submit to the insurer with or as a part of the application for life insurance a statement, signed by him, certifying that the written disclosure statement was given no later than the time that the application was signed by the applicant;
- (xiii) Title 31, Pennsylvania Code, Section 83.4b, which requires the insurer to maintain the agent's certification of disclosure statement delivery in its appropriate files for at least three years. The absence of the agent's certification from the appropriate files of the insurer shall constitute prima facie evidence that no disclosure statement was provided to the prospective

purchaser of life insurance;

(xiv) Title 31, Pennsylvania Code, Section 83.55, which states: (a) The Surrender Comparison Index Disclosure shall be given as a separate document upon delivery of the policy or earlier if requested by the life insurance applicant. If requested earlier, the index disclosure shall be provided as soon as reasonably possible; and (b) A disclosure that is minimally satisfactory to the Insurance Department is set forth in Appendix B. If the Appendix B disclosure will be used, a letter to that effect, prior to use, is adequate notification to the Department for review prior to use;

(xv) Title 31, Pennsylvania Code, Sections 83.55a and 83.55b, which (a) require the agent to submit to the insurer a statement, signed by him, certifying that the surrender comparison index disclosure was given upon delivery of the policy or earlier at the request of the life insurance applicant; and (b) the insurer shall maintain the agent's certification of surrender comparison index disclosure delivery in its appropriate files for at least 3 years or until the conclusion of the next succeeding regular examination by the insurance department of its domicile, whichever is later. The absence of the agent's certification from the files of the insurer shall constitute prima facie evidence that no surrender comparison index disclosure was provided to the prospective purchaser of life insurance;

(xvi) Title 31, Pennsylvania Code, Section 146.5, which requires every insurer,

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

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

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 641.1-A and 671-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 and 408-A of the Insurance Company Law, No. 284 (40 P.S. §§625-4 and 625-8) 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 146.5, 146.6 and 146.7 are punishable under Section 9 of the Unfair Insurance Practices Act (40 P.S. §§ 1171.9):

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

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

- (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 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 Ten Thousand Dollars (\$10,000.00) to the Commonwealth of Pennsylvania in settlement of all violations contained in the Report.
- (d) Payment of this matter shall be made by check payable to the Commonwealth of Pennsylvania. Payment should be directed to Sharon L. Fraser, Bureau of Market Actions, 1227 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.

6. In the event the 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.

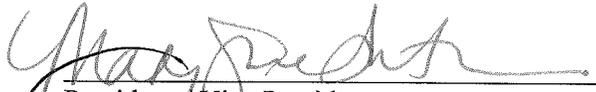
9. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

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.

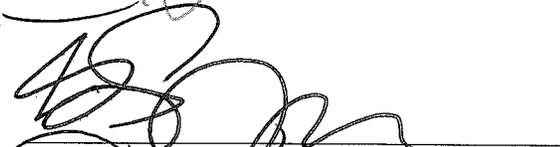
11. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegee is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law

contained herein, and this Consent Order is not effective until executed by the Insurance Commissioner or a duly authorized delegee.

BY: AMERICAN GENERAL LIFE INSURANCE COMPANY, Respondent



President / ~~Vice President~~



Secretary / ~~Treasurer~~



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

I. INTRODUCTION

The Market Conduct Examination was conducted on American General Life Insurance Company; hereafter referred to as “Company,” at the Company’s office located in Springfield, IL, July 12, 2010, through October 9, 2010. 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
Market Conduct Division Chief

Gary L. Boose, LUTC MCM
Market Conduct Examiner

Frank Kyazze
Market Conduct Examiner

Verification

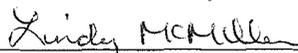
Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).



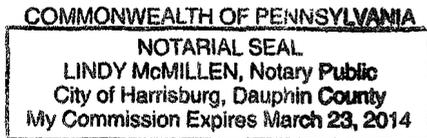
Gary L. Boose, Examiner in Charge

Sworn to and Subscribed Before me

This 13 Day of December , 2010



Notary Public



II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the experience period of January 1, 2009, through December 31, 2009, unless otherwise noted. The purpose of the examination was to ensure compliance with Pennsylvania insurance laws and regulations.

The examination focused on the Company's operation in areas such as: Advertising, Producer Licensing, Consumer Complaints, Forms, Underwriting Practices and Procedures, Rating and Claim Handling Practices and Procedures.

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

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

III COMPANY HISTORY AND LICENSING

American General Life Insurance Company was incorporated in the State of Texas on April 11, 1960, and commenced business on August 1, 1960. American General Life Insurance Company is a life insurance company and is licensed in all states except New York. The Company is also licensed in Guam, Puerto Rico and the Virgin Islands.

American General Life Insurance Company is a successor in interest to Knights Life Insurance Company of America, a Delaware company organized in 1917. In 1991, American General Life Insurance Company and California –Western States Life Insurance Company were merged into American General Life Insurance Company of Delaware. Upon the merger date, the surviving company was re-domesticated to Texas. The name was changed to American General Life Insurance Company.

Mergers: All American Life Insurance Company, Illinois – 2002; The Franklin Life Insurance Company Illinois – 2002; The Old Line Life Insurance Company of America, Wisconsin, - 2003; AIG Life Insurance Company of Puerto Rico, Puerto Rico – 2008; and Pacific Union Assurance Company, California – 2009.

American General Life Insurance Company is authorized to transact the insurance business of:

Term Life Insurance	Accident and Health Insurance
Variable Life Insurance	Variable Annuities
Universal Life Insurance	Structured Settlements
Corporate-owned Life Insurance	

American General Life Insurance Company distributes its products using the services of independent agents. In addition to its independent agents, the Company also distributes its products through mass marketing efforts.

As of the Company's December, 2009, annual statement for Pennsylvania, American General Life Insurance Company reported direct premiums for ordinary life insurance and annuity considerations in the amount of \$109,858,859, and direct premiums for accident and health insurance premiums in the amount of 972,682.

IV. ADVERTISING

The Department, in exercising its discretionary authority requested, received and reviewed the Company's Advertising Certificate of Compliance. The certification was 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.

V. FORMS

The Company was requested to provide a list and copies of all policy and/or member forms, conversion contracts, applications, riders, amendments and endorsements used during the experience period. The forms provided and forms reviewed in various underwriting sections of the exam were reviewed to ensure compliance with Insurance Company Law Section 354 and Title 18, Pennsylvania Consolidated Statutes, Section 4117(k), Fraud Notice. No violations were noted.

VI. PRODUCER LICENSING

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

The Company provided a list of 100 producers. The entire was compared to departmental records of producers to verify appointments, terminations and licensing. In addition, a comparison was made on the individuals identified as producers on applications reviewed in the policy issued sections of the exam. The following violations were noted:

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

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

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

The Company failed to file a notice of appointment and submit appointment fees to the Insurance Department for the following 5 producers. The Company listed the producers as active; however, Department records did not indicate their appointments.

Producer
Brian R. Chirles
Ronald J. Shawley
James Jeanty
Sean A. Harding
Robert Zmirich

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

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

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

The following 3 individuals were listed as producers for the Company; however, Department records do not identify the individual as holding a Pennsylvania insurance license during the experience period.

Producer

Brian R. Chirles
Ronald J. Shawley
James Jeanty

VII. CONSUMER COMPLAINTS

The Company was requested to provide a list of all consumer complaints received from insured's, claimants and the Pennsylvania Insurance Department during the experience period of January 1, 2009 through December 31, 2009. The Company was also requested to provide copies of consumer complaint logs for 2005, 2006, 2007 and 2008. The Company identified a universe of 38 consumer complaints received during the experience period. A random sample of 25 complaint files was requested, received, and reviewed. The company also provided complaint logs as requested. Of the 25 complaints reviewed, 10 were filed by the Department. 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, Chapter 146. Unfair Insurance Practices. No violations were noted.

VIII. UNDERWRITING

The Underwriting review consisted of 10 general segments.

- A. Annuity Insurance Contracts Issued
- B. Term Life Insurance Policies Issued
- C. Whole Life Insurance Policies Issued
- D. Universal Life Insurance Policies Issued
- E. Variable Universal Life Insurance Policies Issued
- F. Annuity Insurance Contracts Issued as Replacements
- G. Life Insurance Policies Issued as Replacements
- H. Term Life Insurance Conversions
- I. Term Life Insurance Policy Rescissions
- J. Underwriting Guidelines

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

A. Underwriting Guidelines

The Company was requested to provide all underwriting guidelines and manuals utilized during the experience period. The guidelines were reviewed to ensure 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 statute or regulation. No violations were noted.

The following guidelines were reviewed:

1. Delivery Requirement Priority Service, January 30, 2009

2. FAQs on Credit Card Payments, February 20, 2009
3. Mailing Address Changes, August 17, 2009
4. eSignature Available on ePolicy Delivery, August 28, 2009
5. Reminder of Requirements Relating to Application Amendments and Documents Signatures, September 4, 2009
6. New Mailing Addresses, AGLIC September 21, 2009
7. Reminder: Internal Replacement Requirements, September 11, 2009
8. Be Prepared for Mailing Address Change, September 11, 2009
9. Reminder: New Mailing Address for AGLIC Take Effect September 21, 2009
10. Now Available New ePolicy Delivery Admin Tool, November 13, 2009
11. It is Here Automated Requirement Emails, November 6, 2009
12. AGLIC Profit Center Announces 2009 Year-End Processing Dates, November 6, 2009
13. Midwest Operations Center No Longer Able to Receive Mail, November 20, 2009
14. Expiry Retention Program for Level-Premium Term Policy Owners, December 4, 2009
15. Important Notice: Intern'l UW Guidelines, Visa Holders and Foreign Nationals, Nov 30, 2009
16. Reminder: Use of Addendum Forms, December 28, 2009
17. Reminder: Policy Delivery Receipt (PDR) Requirements, March 27, 2009
18. AGLIC Presents A spotlight on APPS Paramedical Services, June 5, 2009
19. Exam Right, Frequently Asked Questions, June 5, 2009
20. Rebranded Replacement Forms Now Available in Forms Depot, March 31, 2009
21. Laddering AG Select-a-Term: How to Submit Business, April 3, 2009
22. Introducing Zip zAPP, April 10, 2009
23. Submitting Other Companies' Exams, April 17, 2009
24. Revised New Business Transmittal Form Now Available in Forms Depot, April 2 2009
25. Part A and Part B State Forms MUST Match, April 27, 2009
26. Reminder: American General's Underwriting Tool, April 29, 2009
27. Helpful Tips on Using the American General Quick Quote Desk, May 8, 2009
28. Revised! AGLIC New Business Transmittal Form, May 20, 2009
29. Rebranded Accident and Health Forms Now Available in Forms Depot, May 15, 2009
30. Rebranded Accident and Health Buyer's Guide Delivery Acknowledgement Forms Now Available in Forms Depot, May 18, 2009
31. Additional Rebranded Life New Business Forms Available in Forms Depot, May 18, 2009
32. Exams and Inspections in Foreign Countries May 22, 2009
33. Reminder: "Better Choice Preferred" Underwriting Concept, June 1, 2009
34. Relationship Team E-Mail Upgrades, June 5, 2009
35. Reminder: Preferred Credits May Improve Underwriting Offers, June 5, 2009

36. Pending Case Data Feeds, June 5, 2009
37. A New Service Enhancement! Online New Business and Underwriting Correspondence, June 19, 2009
38. It is Here, Online New Business and Underwriting Correspondence, July 10, 2009
39. Reminder: Online New Business and Underwriting Correspondence is Here! July 17, 2009
40. Reminder New Business Forward Dating Procedure, June 19, 2009
41. Reminder about applied for other-than-as-applied-for offers clarification on how to respond to an offer or opt out, June 19, 2009
42. Easy and Convenient! New Consumer Flyer Promotes ePolicy Delivery, June 26, 2009
43. Procedures for Clients to Obtain Lab Results, June 26, 2009
44. ePolicy Delivery Enhancements, July 3, 2009
45. Reminder from Underwriting: Revised Age and Amount Requirements, New and Updated Underwriting Forms Take Effect August 15, 2009, August 15, 2009
46. Medical Requirements for Uninsurables on Survivorship Policies, December 16, 2009
47. Section A – Simplified Issued Product, June 8, 2010
48. Internal Control Methods to Assure Compliance with Underwriting Guidelines and Proper Ratings, PA MCE 2009
49. Advance Notice from Underwriting: Paramed Exam to be Accepted in Lieu of MD Exam in Certain Age/Amount Categories Effective June 22, 2009, June 12, 2009
50. Underwriting Decline Procedures, PA MCE 2009
51. Field Underwriting Guide, 2009

B. Annuity Insurance Contracts Issued

The Company was requested to provide a list of all individual coverage issued during the experience period. The Company identified a universe of 431 annuity contracts issued during the experience period. A random sample of 50 annuity contract files was requested, received and reviewed. The files were reviewed to determine compliance with issuance, and replacement 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, or the date the proposed policy or contract is issued, whichever is sooner. The replacement communication to the replaced company was not evident in the 2 noted files.

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. A certificate of mailing is adequate proof of delivery. Verification of the date of annuity contract delivery could not be established in the noted file.

C. Term Life Insurance Policies Issued

The Company was requested to provide a list of all individual coverage issued during the experience period. The Company identified a universe of 2,127 term life insurance policies issued during the experience period. A random sample of 100 policy files was requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted:

1 Violation – Title 31, Pennsylvania Code, Section 81.5(b)

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

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

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

9 Violations – Title 31, Pennsylvania Code, Section 83.4. Time of Delivery

Except as otherwise provided herein, the written disclosure statement shall be given no later than the time that the application form is signed by the applicant. The disclosure form in the 9 noted files was signed after the application date.

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. A certificate of mailing is adequate proof of delivery. The noted file did not contain the producers' signature on the delivery receipt.

D. Whole Life Insurance Policies Issued

The Department was requested to provide a list of all individual coverage issued during the experience period. The Company identified a universe of 77 whole life insurance policies issued during the experience period. A random sample of 25 policy files was requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted:

1 Violation - Title 31, Pennsylvania Code, Section 83.3 Disclosure Statement

(a) Required written disclosure. A life insurance agent, broker or insurer soliciting the type of business to which this subchapter applies shall provide a prospective purchaser with a written disclosure statement clearly labeled as such. An acceptable disclosure

statement is attached as Appendix A. The noted file did not contain evidence that a written disclosure was provided.

1 Violation - Title 31, Pennsylvania Code, Section 83.4a and Section 83.4b

(a) The agent shall submit to the insurer with or as a part of the application for life insurance a statement, signed by him, certifying that the written disclosure statement was given no later than the time that the application was signed by the applicant.

(b) The insurer shall maintain the agent's certification of disclosure statement delivery in its appropriate files for at least three years. The absence of the agent's certification from the appropriate files of the insurer shall constitute prima facie evidence that no disclosure statement was provided to the prospective purchaser of life insurance. The noted file did not contain a copy of the required agent's certification of disclosure.

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

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

b) The insurer shall maintain the agent's certification of surrender comparison index disclosure delivery in its appropriate files for at least 3 years or until the conclusion of the next succeeding regular examination by the insurance department of its domicile, whichever is later. The absence of the agent's certification from the appropriate files of the insurer shall constitute prima facie evidence that no surrender comparison index disclosure was provided to the prospective purchaser of life insurance. The agent's certification of the surrender comparison index disclosure delivery was not evident in the 5 noted files.

4 Violations - Insurance Company Law, Section 408-A(a)(1)(40 P.S. §625-8(a)(3)

If the insurer identifies a life insurance policy form as one to be marketed without an illustration, any use of an illustration with any policy using that policy form prior to the first policy anniversary is prohibited. The 4 noted files contained an illustration acknowledgement and certification signed by both the applicant and the producer.

E. Universal Life Insurance Policies Issued

The company was requested to provide a list of all individual coverage issued during the experience period. The Company identified a universe of 76 universal life insurance policies issued during the experience period. A random sample of 25 policy files was requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted:

4 Violations - Title 31, Pennsylvania Code, Section 83.4. Time of Delivery

Except as otherwise provided herein, the written disclosure statement shall be given no later than the time the application form is signed by the applicant. The 4 noted files did not contain evidence that a written disclosure statement was given no later than the time the applicant signed the application.

3 Violations - Title 31, Pennsylvania Code, Section 83.55

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

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

to use, is adequate notification to the Department for review prior to use. The 3 noted files did not contain evidence that the required Cost Surrender Comparison Index Disclosure was given to the applicant.

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

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

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

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

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

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

The following applies if no illustration is used by a producer in the sale of a life insurance policy or if a computer screen is displayed. The producer shall certify in writing on a form provided by the insurer that no illustration was used in the sale of the life insurance policy. On the same form the applicant shall acknowledge an understanding that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery. The 5 noted files did not contain the signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy at the time of application.

F. Variable Universal Life Insurance Policies Issued

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

G. Annuity Insurance Contracts Issued as Replacements

The Company was requested to provide a list of all policies issued as replacement coverage during the experience period. The Company identified a universe of 91 annuity contracts issued as replacements. A random sample of 25 contract files was requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted:

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

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

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. A certificate of mailing is adequate proof of delivery. The noted file did not contain the producer's signature on the delivery receipt.

H. Life Insurance Policies Issued as Replacements

The Company was requested to provide a list of all individual coverage issued during the experience period. The Company identified a universe of 484 life policies issued as replacements during the experience period. A random sample of 50 policy files was requested, received and reviewed. The files were reviewed to determine compliance with issuance, and replacement statutes and regulations. The following violations were noted:

1 Violation - Title 31, Pennsylvania Code, Section 83.3 Disclosure Statement

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

1 Violation - Title 31, Pennsylvania Code, Section 83.4a and Section 83.4b

(a) The agent shall submit to the insurer with or as a part of the application for life insurance a statement, signed by him, certifying that the written disclosure statement was given no later than the time that the application was signed by the applicant.

(b) The insurer shall maintain the agent's certification of disclosure statement delivery in its appropriate files for at least three years. The absence of the agent's certification from the appropriate files of the insurer shall constitute prima facie evidence that no disclosure statement was provided to the prospective purchaser of life insurance. The noted file did not contain a copy of the required agent's certification of disclosure.

3 Violations - Title 31, Pennsylvania Code, Section 83.4. Time of Delivery

Except as otherwise provided herein, the written disclosure statement shall be given no later than the time the application form is signed by the applicant. The disclosure form in the 3 noted files was signed after the application date.

4 Violations - Insurance Company Law, Section 408-A(a)(1)(40 P.S. §625-8(a)(3)

If the insurer identifies a life insurance policy form as one to be marketed without an illustration, any use of an illustration with any policy using that policy form prior to the first policy anniversary is prohibited. The 4 noted files contained a signed illustration acknowledgement and certification. However, the Company indicated that the product was marketed without an illustration.

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

The following applies if no illustration is used by a producer in the sale of a life insurance policy or if a computer screen is displayed. The producer shall certify in writing on a form provided by the insurer that no illustration was used in the sale of the life insurance policy. On the same form the applicant shall acknowledge an understanding that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery. The noted file did not contain the signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy.

I. Term Life Insurance Conversions

The Company was requested to provide a list of all term conversion applications during the experience period. The Company identified a universe of 145 term life insurance conversion applications during the experience period. A random sample of 25 policy files was requested, received and reviewed. The files were reviewed to

determine compliance to issuance and underwriting statutes and regulations. No violations were noted.

J. Life Insurance Policy Rescissions

The Company was requested to provide a list of all individual policies rescinded during the experience period. The Company identified a universe of 1 policy rescinded. A rescinded policy is a policy that was issued and the company terminates the contract and returns all premiums paid from the policy effective date to the insured. The 1 rescinded policy file was requested, received and reviewed. The file was reviewed to ensure compliance with contract provisions, termination laws and regulations, proper return of premium and a valid reason for rescission. No violations were noted.

IX. INTERNAL AUDIT & COMPLIANCE PROCEDURES

The Company was requested to provide copies of their internal audit and compliance procedures. The Company was also requested to provide a narrative statement explaining internal control methods or systems used to control and assure compliance with underwriting guidelines and proper rating. Additionally, the Company was requested to provide an explanation of any self-auditing or membership in any “best practices organizations”, such as the Insurance Market Standards Association (IMSA). The internal audit & compliance procedures provided were reviewed to ensure compliance with Insurance Company Law, Section 405-A (40 P.S. §625-5). Section 405-A provides for the establishment and maintenance of internal audit and compliance procedures which provides for the evaluation of compliance with all statutes and regulations dealing with sales methods, advertising, and filing and approval requirements for life insurance and annuities. No violations were noted.

The procedures shall also provide for the following:

Periodic reviews of consumer complaints in order to determine patterns of improper practices. The Company also performs regular reporting to senior officers and the board of directors or an appropriate committee thereof with respect to any significant findings.

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.

The Company provided the following:

1. A Narrative Statement of the Internal Control Methods to Assume Compliance with Underwriting Guidelines and Proper Rating
2. Consumer Affairs Management System – Practices and Procedures Established to Handle and Resolve Customer or Regulatory Complaints
3. Distribution Retirement, Selection, and Appointment Policy and Procedures
4. Producer Protocol Committees – Policy and Procedures
5. Violations of Company Policy by Distributors, Sales Employees, and Employees Involved in the Sales Process – Policy and Procedures
6. Approval of Advertising and Sales Material – Policy and Procedures
7. Creation and Use of Illustrations – Policy and Procedures
8. Insurance Marketplace Standards Association (IMSA) – Independent Assessor Report
9. Insurance Marketplace Standards Association (IMSA) – Certification
10. Copies of market conduct exam reports for six states

X. CLAIMS

The Company was requested to provide copies of all procedural guidelines including: all training manuals; internal audit examination manuals; company memorandums; and any other instructions used for processing claims during the experience period. The claim procedural guidelines were reviewed for any inconsistencies, which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature. No violations were noted.

The Company provided the following procedural guidelines:

1. Pennsylvania State Regulations
2. Additional Policies Found
3. Claims Quality Review Check List
4. Life Claims Classroom Curriculum
5. Life Insurance Class Overview
6. Follow-Up Process
7. Required Documentation
8. Contestable Workflow
9. Springfield Examiner Paying Claim
10. Springfield Examiner Prep Procedures
11. State Reference Guide For Claims Processing
12. State Withholding Tax Guidelines – All States
13. Vantage Variable Claims Procedures
14. Death Claim Notification Acknowledgement
15. Unpaid Death Claim For Multiple Beneficiaries
16. Processing a Death Claim Procedure

A. Life Insurance Claims

The Company was requested to provide a list of all claims received during the experience period. The Company identified a universe of 661 life claims received. A random sample of 50 claim files was requested, received and reviewed. The files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 – Unfair

Insurance Practices, and Insurance Company Law, Section 411B, Payment of Benefits (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 letter in the 10 noted claim files.

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.

B. Annuity Claims (Structured Settlements)

The Company was requested to provide a list of claims received during the experience period. The Company identified a universe of 26 structured settlement claims received. A random sample of 10 claim files was requested, received and reviewed. The files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146, Unfair Insurance Practices, and Insurance Company Law, Section 411B, Payment of Benefits (40 P.S. §511b). The following violations were noted:

5 Violations - Title 31, Pennsylvania Code, Section 146.5

(a) Every insurer, upon receiving notification of a claim, shall, within 10 working days, acknowledge the receipt of the notice unless payment is made within the period

of time. If an acknowledgment is made by means other than writing, an appropriate notation of the acknowledgment shall be made in the claim file of the insurer and dated. Notification given to an agent of an insurer shall be notification to the insurer, dating from the time the insurer receives notice.

(b) Every insurer, upon receipt of an inquiry from the Department respecting a claim shall, within 15 working days of receipt of the inquiry, furnish the Department with an adequate response to the inquiry.

(c) An appropriate reply shall be made within 10 working days on other pertinent communications from a claimant which reasonably suggest that a response is expected.

(d) Every insurer, upon receiving notification of claim, shall provide within 10 working days necessary claim forms, instructions and reasonable assistance so that first-party claimants can comply with the policy conditions and reasonable requirements of the insurer. Compliance with this subsection within 10 working days of notification of a claim shall constitute compliance with subsection (a). The Company failed to acknowledge the 5 noted claims within 10 working days.

C. Annuity Insurance Claims

The Company was requested to provide a list of claims received during the experience period. The Company identified a universe of 81 annuity claims received. A random sample of 20 claim files was requested, received and reviewed. The files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 – Unfair Insurance Practices, and Insurance Company Law, Section 411B, Payment of Benefits (40 P.S. §511b). The following violations were noted:

1 Violation - Title 31, Pennsylvania Code, Section 146.5

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

9 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 9 noted claims.

XI. RECOMMENDATIONS

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

1. The Company must review and revise internal control procedures to ensure compliance with the replacement requirements of Title 31, Pennsylvania Code, Chapter 81.
2. The Company must review and revise Licensing procedures to ensure compliance with Sections 641.1-A and Section 671-A of the Insurance Department Act of 1921 (40 P.S. §§310.41a and 310.71).
3. The Company must review internal control procedures to ensure compliance with disclosure requirements of Title 31, Pennsylvania Code, Chapter 83.
4. The Company must review internal control procedures to ensure compliance with illustration certification and delivery requirements of Section 408-A of the Insurance Company Law of 1921 (40 P.S. §625-8).
5. The Company must implement procedures to ensure compliance with the policy delivery receipt requirements of Section 404-A of the Insurance Company Law of 1921 (40 P.S. §625-4).
6. The Company must review and revise internal control procedures to ensure compliance with requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices.

XII. COMPANY RESPONSE



**AMERICAN
GENERAL**

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February 17, 2011

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RE: Company Acceptance of the Report of Examination of American General Life Insurance Company. Examination Warrant # 10-M27-057

Dear Ms. Paige:

American General Life Insurance Company (AGL) accepts the above-referenced Report covering an examination period of January 1, 2009 through December 31, 2009 as of the close of business on December 24, 2010.

Regarding the six Recommendations referenced on page 34 of the Report, the Company offers the following corrective action plans (CAPs). It is our belief that each CAP appropriately addresses and provides resolution to the violations raised by the examination and demonstrates our desire to be fully compliant with the Commonwealth's regulatory requirements.

RECOMMENDATIONS & COMPANY CORRECTIVE ACTION PLANS (CAPs)

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

CAP: The Company reviewed its replacement procedures and determined that they conform to the requirements of Chapter 81.

The Company's investigation revealed that the five annuity and two term insurance replacement violations resulted from human error. To correct the deficiency the Company will retrain its employees who process replacement applications emphasizing the need to follow replacement procedures.

RECOMMENDATION #2: The Company must review and revise Licensing procedures to ensure compliance with Sections 641.1-A and 671-A of the Insurance Department Act of 1921 (40 P.S. 310.41a and 310.71).

CAP: The Company investigated the eight Licensing procedure violations and found that six relate to the Company's recordkeeping and two to human error.

Regarding producer licensing violations, in 2009 the Company completed phase one of a two-part automation project to create a "License Expiry" program to verify state license information. Phase two is projected to be completed in April 2011. When the project is completed, the Company's license information will be more accurate and synchronized with each state's producer licensing records.

Regarding producer appointment violations, in 2009 the Company developed an "Appointment Matching" project whereby an Access database is utilized to compare, match and reconcile the Company's and each state's appointment records.

Regarding producer termination violations, in 2009 the Company implemented in a semi-annual Automated Termination program that terminates producers who have not produced business in 24 months; thus reducing the number of producers and making reconciliation easier to complete.

The implementation of these projects should result in better reconciliation of the Company's and each state's producer licensing, appointment, and termination information.

RECOMMENDATION #3: The Company must review internal control procedures to ensure compliance with disclosure requirements of Title 31, Pennsylvania Code, Chapter 83.

CAP: The Company reviewed its disclosure procedures and determined that they conform to the requirements of Chapter 83.

The Company's investigation of the 31 violations revealed the need for the Company to:

- Retrain its employees to return any life insurance applications signed in Pennsylvania that are NOT submitted with the required Disclosure A or B, as applicable, or where the submitted disclosure is NOT appropriately

completed, signed and dated – emphasizing that the disclosure must not be dated after the application date.

- Re-communicate with its field personnel of their responsibility concerning Pennsylvania disclosure statement requirements.

RECOMMENDATION #4: The Company must review internal control procedures to ensure compliance with illustration certification and delivery requirements of Section 408-A of the Insurance Company Law of 1921 (40 P.S. 625-8).

CAP: The Company reviewed its illustration certification and delivery requirements and found that they conform to requirements of Section 408-A.

The Company's investigation revealed that in six of the policy files reviewed copies of the signed illustrations or certification and acknowledgements were missing. These violations occurred as a result of inattention to Company procedures by employees. To correct the deficiency the Company will retrain its employees that process new applications emphasizing the need to follow illustration procedures.

Regarding the violations where eight policy files contained signed illustration certifications and acknowledgements or copies of illustrations on products that were filed to be marketed without an illustration, the Company will implement procedures whereby (1) illustrative material on the whole life and term life policies in question will be labeled instead as "quotes", (2) internal notes in imaged policy files will identify as "not applicable" any signed illustration certification and acknowledgements submitted with applications on products filed for use without illustrations, and (3) a Field Bulletin addendum will be released to producers urging disuse of illustration certification and acknowledgement forms for products declared to be marketed without illustrations.

Regarding the one violation where a revised illustration should have been utilized, the Company determined that it was the result of human error. Company employees will be retrained concerning revised illustration requirements.

RECOMMENDATION #5: The Company must review internal control procedures to ensure compliance with policy delivery requirements of Section 404-A of the Insurance Company Law of 1921 (40 P.S. 625-4).

CAP: The Company reviewed its Policy Delivery Receipt requirements and found that they conform to requirements of Section 404-A.

To correct the two annuity and one term insurance policy delivery receipt violations, the Company has retrained its employees who process applications emphasizing the need to follow policy delivery receipt procedures.

RECOMMENDATION #6: The Company must review internal control procedures to ensure compliance with requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices.

CAP: The Company reviewed its claims procedures and determined that they conform to the requirements of Pennsylvania's Unfair Claims Settlement Practices.

The Company's investigation revealed that the (1) six violations of 146.5, for failing to acknowledge the claim within 10 working days of receipt of the claim, (2) 19 violations of 146.6, for failing to send a timely status letter, and (3) one violation of 146.7, for failing to provide the claimant with a notice of acceptance or denial within 15 working days after receipt of the properly executed proof of loss -- occurred as a result of inattention to Company procedures by employees.

To correct the deficiencies, Claim's Department management instituted retraining of all employees who process individual life and annuity claims and structured settlements emphasizing compliance with Unfair claims Settlement Practices.

In the future, the Compliance Department's Operational Audit Unit will assess the proper execution and maintenance of each CAP to ensure continued compliance with procedures.

Please contact me should you have any questions about the CAPs offered in this letter.

Sincerely,



Wilma J. Heineman

Cc:

Bill Hayes
Caitlin Irby
Connie Pritchett
Deanna Osmonson
Elisa Lam
Kim DeGennaro
Kyle Jennings
Liza Glass
Mark Childs
Ron Karas
Royce Fithen