

**REPORT OF
MARKET CONDUCT EXAMINATION
OF**

BANNER LIFE INSURANCE COMPANY
Rockville, Maryland

**AS OF
May 1, 2008**

COMMONWEALTH OF PENNSYLVANIA



**INSURANCE DEPARTMENT
MARKET CONDUCT DIVISION**

Issued: June 20, 2008

BANNER LIFE INSURANCE COMPANY

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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 6th day of July, 2007, 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 Randolph L. Rohrbaugh, 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.





Joel S. Ario
Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE:	:	VIOLATIONS:
	:	
BANNER LIFE INSURANCE	:	Sections 641-A and 671-A of Act 147
COMPANY	:	of 2002 (40 P.S. §§ 310.41 and
1701 Research Boulevard	:	310.71)
Rockville, MD 20850	:	
	:	Sections 404-A, 408-A(c)(4)(ii),
	:	408-A(e)(1)(i) and (ii), 408-A(e)(2)(i)
	:	and (iii), and 410D(a)(2) of the
	:	Insurance Company Law, Act of
	:	May 17, 1921, P.L. 682, No. 284
	:	(40 P.S. §§ 625-4, 625-8 and 510)
	:	
	:	Title 31, Pennsylvania Code, Sections
	:	81.4(b)(1), 81.5(b), 81.6(a)(2)(i) and
	:	(ii), 83.3, 83.4a, 83.4b, 83.3(a)(4)(i),
	:	90c.11(f), 146.5 and 146.6
	:	
	:	Title 18, Pennsylvania Consolidated
	:	Statutes, Section 4117k
	:	
Respondent.	:	Docket No. MC08-05-027

CONSENT ORDER

AND NOW, this *20th* day of *JUNE*, 2008, 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 Banner Life Insurance Company, and maintains its address at 1701 Research Boulevard, Rockville, Maryland 20850.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from January 1, 2006 to December 31, 2006.
- (c) On May 1, 2008, the Insurance Department issued a Market Conduct Examination Report to Respondent.

(d) A response to the Examination Report was provided by Respondent on May 21, 2008.

(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(c)(4)(ii) of the Insurance Company Law, No. 284 (40 P.S. § 625-8), which requires a statement to be signed and dated by the producer reading as follows: “I certify that this illustration has been presented to the applicant or the policy owner and that I have explained that any nonguaranteed elements illustrated are subject to change. I have made no statements that are inconsistent with the illustration.”

- (v) Section 408-A(e)(1)(i) of the Insurance Company Law, No. 284 (40 P.S. § 625-8), which states if the policy is applied for as illustrated, a copy of that illustration, signed in accordance with this section, shall be submitted to the insurer no later than the time the application is sent to the insurer. A copy shall also be provided to the applicant no later than the time the application is signed by the applicant;

- (vi) 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;

(vii) 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;

(viii) Section 408-A(e)(2)(iii) of the Insurance Company Law, No. 284 (40 P.S. § 625-8), 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 illustration is displayed. If the policy is issued, a basic illustration conforming to the policy as issued shall be sent with the policy and signed by the policy owner no later than the time the policy is delivered. A copy shall be provided to the policy owner at the time the policy is delivered;

- (ix) Section 410D(a)(2) of the Insurance Company Law, No. 284 (40 P.S. § 510c), which requires individual fixed dollar life insurance or endowment policies which are offered as replacements for an existing life insurance policy or annuity contract with the same insurer or insurer group shall not be delivered in the Commonwealth unless they shall have prominently printed on the first page of such policy or attached thereto, a notice stating that the policyholder shall be permitted to return the policy within at least 45 days of its delivery (“free look provision”);
- (x) Title 31, Pennsylvania Code, Section 81.4(b)(1), which states that if replacement is involved, the agent or broker shall present to the applicant, not later than at the time of taking the application, a Notice Regarding Replacement of Life Insurance and Annuities;
- (xi) 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;
- (xii) Title 31, Pennsylvania Code, Section 81.6(a)(2)(i), which states an insurer that uses an agent or broker in a life insurance or annuity sale shall: (1), 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; (2) if replacement is involved, require from the agent or broker with the application for life insurance or annuity a list of all the applicant's existing life insurance or annuity to be replaced, and a copy of the replacement notice provided the applicant. The existing life insurance or annuity shall be identified by name of insurer, insured and contract number. If a number has not been assigned by the existing insurer, alternative identification, such as an application or receipt number, shall be listed;

- (xiii) 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;
- (xiv) 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;

- (xv) 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;

- (xvi) 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;

- (xvii) Title 31, Pennsylvania Code, Section 83.3(a)(4)(i), which requires the disclosure statement to list the name of the producer, home address or agency address and home or agency telephone number of the insurance producer making the solicitation;

- (xviii) Title 31, Pennsylvania Code, Section 90c.11(f), which states if an application is completed by an agent, provision is made for the agent's signature. If the application is not completed by an agent, the form does not provide for an agent's signature;

- (xiv) Title 31, Pennsylvania Code, Section 146.5, which states 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. 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;

- (xv) 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

- (xvi) Title 18, Pennsylvania Consolidated Statutes, Section 4117(k), which requires all applications for insurance and all claim forms shall contain or have attached thereto the following notice: "Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information

concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties”.

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-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, 408-A and 410D of the Insurance Company Law, No. 284 (40 P.S. §§625-4, 625-8 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 146.5 and 146.6 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 Twenty-Five Thousand Dollars (\$25,000.00) 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 Ginny Marquart, Administrative Assistant, Bureau of Enforcement, 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.

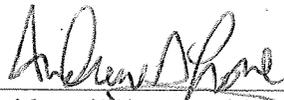
8. In any such enforcement proceeding, Respondent may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact and Conclusions of Law contained herein.

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.

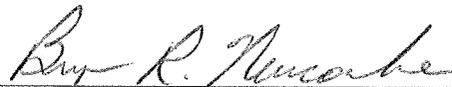
10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

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.

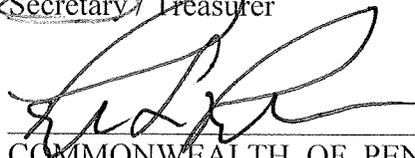
BY: BANNER LIFE INSURANCE COMPANY,
Respondent



President / Vice President



Secretary / Treasurer



COMMONWEALTH OF PENNSYLVANIA

By: Randolph L. Rohrbaugh
Deputy Insurance Commissioner

I. INTRODUCTION

The Market Conduct Examination was conducted on Banner Life Insurance Company; hereafter referred to as “Company,” at the Company’s office located in Rockville, Maryland, November 13, 2007, through January 11, 2008. 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.

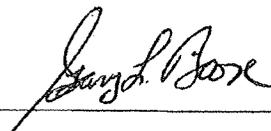
Throughout the course of the examination, Company officials were provided status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials 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 undersigned participated in the Examination and in the preparation of this Report.



Daniel Stemcosky, AIE, FLMI
Market Conduct Division Chief



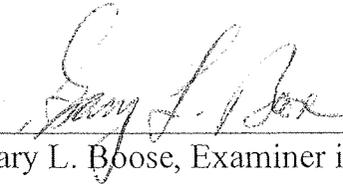
Gary L. Boose
Market Conduct Examiner



Michael T. Vogel
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).



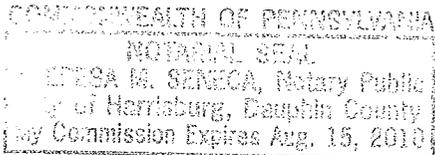
Gary L. Boose, Examiner in Charge

Sworn to and Subscribed Before me

This 11 Day of February, 2008



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, 2006, through December 31, 2006, unless otherwise noted. The purpose of the examination was to determine compliance by the Company with Pennsylvania insurance laws and regulations.

The examination focused on the Company's operation in areas such as: Advertising, Consumer Complaints, Forms, Producer Licensing, 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

Banner Life Insurance Company ('Company') was originally incorporated as Legal & General Assurance Corporation in the District of Columbia, the present title was adopted in 1983. In 1986, the Company was redomesticated to Maryland.

Effective October 1, 1987, the Company entered into an indemnity reinsurance agreement with Monarch Life Insurance Company and Springfield Life Insurance Company (collectively "Monarch") to assume Monarch's traditional ordinary line of business. The agreement was followed by an assumption reinsurance agreement in 1988 to transfer the policies to Banner Life. On June 1, 1988 an agreement was finalized whereby the company assumed through reinsurance Monarch universal life line of business. Effective January 1991, a block of traditional business was assumed from William Penn Life Assurance Company of America. All remaining business of this former affiliate was assumed in September 1991.

The Company is primarily owned by Legal & General America, Inc. ("LGA"), which owns all of the common stock constituting 79% of the voting securities) of the Company. Legal & General Insurance Holdings Ltd. ("LGIH") owns all of the preferred stock (constituting 21% of the voting securities) and all of the non-voting Class B common stock of Banner Life. Both LGA and LGIH are indirect wholly owned subsidiaries of Legal & General Group, Plc ("L&G"), which is the ultimate controlling entity. The L&G, a United Kingdom company, was originally founded in 1836, with primary insurance activities in the areas of pensions, life, accident, and general insurance.

The Company's operations are conducted in Rockville, Maryland, while its subsidiary company William Penn Life Insurance Company of New York, maintains separate offices in Garden City, New York.

The Company received its certificate of authority to operate in the Commonwealth of Pennsylvania on April 1, 1983.

As of their 2006 annual statement for Pennsylvania, the Company reported direct premium for life insurance in the amount of \$30,212,816; and direct premium for accident and health insurance, including policy, membership and other fees in the amount of \$507.

IV. ADVERTISING

Title 31, Pennsylvania Code, Section 51.2(c) provides that “Any advertisements, whether or not actually filed or required to be filed with the Department under the provisions of this Regulation may be reviewed at any time at the discretion of the Department.” The Department, in exercising its discretionary authority for reviewing advertising, requested the Company to provide copies of all advertising materials used for solicitation and sales during the experience period.

The Company was requested to provide a copy of the advertising certificate of compliance for the experience period. The Company did provide the certificate for any advertising utilized in the Commonwealth. The Company’s web site was reviewed to ascertain 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.

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. The following violations were noted:

180 Violations – Title 18, Pennsylvania Consolidated Statutes, Section 4117(k)

All applications for insurance and all claim forms shall contain or have attached thereto the following notice: “Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties.”

The following applications for insurance did not contain or have attached the required fraud statement. The application form number and frequency of use is listed in the table below.

Form Number	Number of Files
BLA (5/99)	156
BLA (5/99-net)	24

:

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 1,340 active and terminated producers. A random sample of 100 producers was requested, received and reviewed. The list was compared to departmental records of producers to verify appointments, terminations and licensing. In addition, a comparison was made on producers identified on applications reviewed in the policy issued sections of the exam. The following violations were noted:

56 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 6 producers.

Producer
Beverly Pregel
Heidi Kennedy
Paul Siegel
John M. Bulbrook Insurance
Dwight Ferguson
ABC Eastern Processing

The following 39 individuals or entities were listed as producers on 50 applications reviewed in the policy issued sections of the exam. Department records do not identify these individuals as being appointed by the Company at the time of application.

Producer
Frank Mease
Diana Mohn
Reliaquote, Inc.
Donald Failor
Clifford Hutchens
Menzo Cheney
James Matthews
Patricia Saravia
Martin Browder
CBC Associates, Inc.
Norman Peszko
Strategic Planning Resources, Inc.
Greentree Management and Insurance
Frances Cardinale
Donald Landgraf
David Labowitz
Jeffrey Gilchrist
Blair Johnson
Charles Caparo
Robert Demarest
Jerry Burke
John Coleman
Terrance Wingert
Todd Plummer
Steven Fishman
George Egan
Johnson, Kendall & Johnson, Inc.
Donald Myers
Jason Weigand
Clyde Tommelleo
Michael E. Sawyer
Thomas Acker
Joseph Zoimen
Thomas Ferry
The Simon Group, Inc.

Incentive Systems, Inc.
Suzanne Lake
Fuhrer's Inc.
Kaminer Financial Group, Ltd.

1 Violation –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 individual was listed as a producer for the Company; however, Department records did not identify this individual as holding a Pennsylvania insurance license during the experience period.

Producer
Amy Blodgett

VII. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of consumer complaint logs for 2002, 2003, 2004, and 2005. The Company reported 8 consumer complaints were received during the experience period. Of the 8 complaints identified, 6 were forwarded from the Department. All 8 complaint files were requested, received and reviewed. The Company 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, Pennsylvania Code, Section 146.5(b) and 146.5(c), Unfair Claims Settlement Practices.

No violations were noted.

VIII. UNDERWRITING

The Underwriting review was sorted and conducted in six (6) general segments.

- A. Underwriting Guidelines
- B. Term Life Policies Issued
- C. Universal Life Policies Issued
- D. Term Life Policies Issued as Replacements
- E. Universal Life Policies Issued as Replacements
- F. Individual Term Life Conversions

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 and manuals received 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 statute or regulation. No violations were noted.

B. Term Life Policies Issued

The Company was requested to provide all policies issued during the experience period. The Company identified 5,217 term life policies issued. A random sample of 75 files was selected, received and reviewed. The policy files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted:

1 Violation - 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 answered on the application in the file noted.

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

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

(1) 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.

(2) If replacement is involved:

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

The Company failed to provide the existing insurer with the identity (i.e., contract number or alternative identification) for the 24 files noted.

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

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

Verification of the date of policy delivery could not be established in the two (2) files noted.

C. Universal Life Policies Issued

The Company was requested to provide all policies issued during the experience period. The Company identified a universe of 55 life policies issued during the experience period. All 55 universal life policies issued were requested, received and reviewed. The policy files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted:

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

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

(1) 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.

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

The replacement letter to the existing Company did not identify the contract number in the nine (9) files noted.

4 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 four (4) files 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 file noted did not contain any evidence that a written disclosure was provided.

9 Violations -Title 31, Pennsylvania Code, Section 83.3(a)(4)(i)

A disclosure statement shall describe the name of the agent or broker, home address or agency address and the home or agency telephone number of the insurance agent or broker making the solicitation.

The agent's telephone number was absent from the disclosure statement in the nine (9) files noted.

8 Violations - 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 agent's date of certification was not provided in the eight (8) files noted.

7 Violations – Insurance Company Law, Section 408-A(c)(4)(ii) (40 P.S. §625-8)

A statement to be signed and dated by the producer reading as follows: "I certify that this illustration has been presented to the applicant or the policy owner and that I

have explained that any nonguaranteed elements illustrated are subject to change. I have made no statements that are inconsistent with the illustration.”

The writing agent did not sign the certification in the seven (7) files noted.

1 Violation – Insurance Company Law, Section 408-A(e)(1)(i) (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 applied for as illustrated, a copy of that illustration, signed in accordance with this section, shall be submitted to the insurer no later than the time the policy application is sent to the insurer. A copy shall also be provided to the applicant no later than the time the application is signed by the applicant.

The agent’s certification and applicants acknowledgement of the illustration used was not dated in the file noted.

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 file noted was missing the “Revised Illustration” label.

14 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 14 files noted did not contain the signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy.

D. Term Life Policies Issued as Replacements

The Company was requested to provide a list of policies issued during the experience period. The Company identified a universe of 907 term life policies issued as replacements. A random sample of 50 term life replacement files was requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted:

4 Violations - Title 31, Pennsylvania Code, Section 81.4(b)(1)

If replacement is involved, the agent or broker shall: present to the applicant, not later than at the time of taking the application, a Notice Regarding Replacement of Life Insurance and Annuities.

The replacement form was dated after the application date in the four (4) files noted.

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

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

(1) 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.

(2) If replacement is involved:

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

The Company failed to provide the existing insurer with the identity, i.e. contract number or alternative identification for the 49 files noted.

1 Violation – Title 31, Pennsylvania Code, Section 90c.11(f). Agent's Signatures.

(f) Agent's signature. If the application is completed by an agent, provision is made for the agent's signature. If the application is not completed by an agent, the form does not provide for an agent's signature. Reference to a licensed resident agent or witness does or does not appear.

The application was not signed by the agent in the file noted.

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

Individual fixed dollar life insurance or endowment policies which are offered as replacements for an existing life insurance policy or annuity contract with the same insurer or insurer group shall not be delivered in the Commonwealth of Pennsylvania

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

The file noted did not contain the 45 day "free look" statement.

E. Universal Life Policies Issued as Replacements

The Company was requested to provide all policies issued during the experience period. The Company identified a universe of 8 universal life policies issued as replacements during the experience period. All 8 files were requested, received and reviewed. The policy files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. No violations were noted.

F. Individual Term Life Conversions

The Company was requested to provide a list of all policies that were converted during the experience period. The Company identified a universe of 20 individual term life conversion policies. All 20 term life conversion files were requested, received, and reviewed. The files were reviewed to determine compliance to issuance and underwriting statutes and regulations. The following violations were noted:

1 Violation - Insurance Company Law, Section 408-A(c)(4)(ii)(40 P.S. §625-8)

A statement to be signed and dated by the producer reading as follows: "I certify that this illustration has been presented to the applicant or the policy owner and that I have

explained that any non-guaranteed elements illustrated are subject to change. I have made no statements that are inconsistent with the illustration.”

The agent certification regarding the explanation of the illustration was blank in the file noted.

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

If the policy is applied for as illustrated, a copy of that illustration signed in accordance with this section, shall be submitted to the insurer no later than the time the policy application is sent to the insurer. A copy shall also be provided to the applicant no later than the time the application is signed by the applicant.

The certification regarding the use of the illustration at the time of the application was missing from the eight (8) files noted.

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

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.

A signed certification and acknowledgement of the delivery of a revised illustration was missing from the eight (8) files noted.

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

The following applies if a producer in the sale of a life insurance policy uses no illustration or if a screen illustration is displayed. If the policy is issued, a basic illustration conforming to the policy as issued shall be sent with the policy and signed by the policy owner no later than the time the policy is delivered. A copy shall be provided to the policy owner at the time the policy is delivered and to the insurer.

The basic illustration conforming to the policy as issued was missing in the five (5) files noted.

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

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

The 45 day "free look" statement was missing in the 20 files noted.

IX. INTERNAL AUDIT AND COMPLIANCE PROCEDURES

The Company was requested to provide copies of their internal audit and compliance procedures. The audits and procedures 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. 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.

X. CLAIMS

The claims review consisted of a review of the Company's claim manuals and a review of the claim files. The Company was requested to provide copies of all procedural guidelines including all manuals, memorandums, directives and any correspondence or instructions used for processing claims during the experience period.

The Company provided the following claim manuals:

1. Claim Administrative Procedural Guide
Including the handling of:
 - a. Initial Claims
 - b. Documentation Requirements
 - c. Data Entry
 - d. Reviewing Claims Documents
 - e. Payment of Claims
 - f. Waivers
2. Monthly and Quarterly Reporting

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.

The claim file review consisted of two (2) areas:

- A. Waiver of Premium Claims
- B. Life Claims

All claim files sampled were reviewed for compliance with requirements of the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171) and Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices. The life claims were additionally reviewed for compliance with Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b).

A. Waiver of Premium Claims

The Company was requested to provide a list of claims received during the experience period. The Company identified a universe of 4 waiver of premium claims. All 4 claims were requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. 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. 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 claim within 10 working days.

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 claim noted.

B. Life Claims

The Company was requested to provide a list of claims received during the experience period. The Company identified 74 life claims received. All 74 life claims were requested. Of the 74 files requested, 9 files were identified as out of state policies, therefore 64 were reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b). The following violations were noted:

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 timely status letters for the ten (10) claims noted.

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 implement procedures to ensure compliance with the fraud statement notice requirements of Title 18, Pennsylvania Consolidated Statutes Section 4117(k).
2. The Company must review and revise Licensing procedures to ensure compliance with Sections 641.1-A, Section 671-A of the Insurance Department Act of 1921 (40 P.S. §§310.41a, 310.71).
3. 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.
4. The Company must review and revise internal control procedures to ensure compliance with the replacement requirements of Title 31, Pennsylvania Code, Section 81.
5. The Company must review internal control procedures to ensure compliance with disclosure requirements of Title 31, Pennsylvania Code, Chapter 83.
6. 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).
7. 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).
8. The Company must review internal control procedures to ensure compliance with Section 410D of the Insurance Company Law of 1921 (40 P.S. §510c) pertaining to the “Free Look” provision requirements for life insurance and endowment insurance.

XII. COMPANY RESPONSE

May 20, 2008

Daniel A. Stemcosky, AIE, FLMI
Market Conduct Division Chief
Commonwealth of Pennsylvania
Insurance Department
Bureau of Enforcement
1321 Strawberry Square
Harrisburg, PA 17120
Sent via UPS OVERNIGHT DELIVERY

RE: Examination Warrant No. 06-M26-040

Dear Mr. Stemcosky:

Banner Life Insurance Company ("Banner"), pursuant to Section 905 (40 P.S. §323.5) of the Insurance Department Act, hereby respectfully responds to the above-referenced Report of Examination, covering the period encompassing the 2006 calendar year.

Banner thanks the Commonwealth of Pennsylvania Insurance Department for the opportunity to address the concerns raised in the Report of Examination. We appreciate the thoroughness of the Examiners as well as the courtesy and cooperation they extended to Banner during the course of the Examination.

Please be assured that Banner takes seriously its responsibilities to policyholders, and the rules and regulations that govern Banner's insurance-related activities in the Commonwealth of Pennsylvania. Where required, Banner has taken or will take appropriate remedial action to ensure that it comes into, and henceforth remains in, full compliance with all applicable rules and regulations.

If you have any questions or desire additional information, please do not hesitate to contact me.

Sincerely,



Bryan R. Newcombe, Esq.
Vice President, Corporate Secretary and General
Counsel

Enclosure

Forms

180 Violations – Title 18 PA. C.S., Section 4117(k)

The Department noted that certain applications for insurance did not contain or have attached the fraud statement required by Title 18 PA. C.S., Section 4117(k). The Department recommended that Banner implement procedures to ensure compliance with the fraud statement notification requirements of Title 18 PA. C.S., Section 4117(k).

Banner agrees with the Department's finding and recommendation. Banner is nearing conclusion of the process of developing a new application that contains the fraud statement required by Title 18 PA. C.S., Section 4117(k). Banner anticipates that the new application containing the required information will be submitted for approval within two months. As an interim measure, Banner will instruct its independent agents to present to each applicant a copy of the required fraud statement.

Licensing Procedures

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

The Department noted that Banner failed to file a notice of appointment and submit appointment fees to the Insurance Department for certain producers, and its records did not identify certain individuals as being appointed by Banner at the time of application, pursuant to Insurance Department Act, No. 147, Section 671-A (40 P.S. §310.71). The Department recommended that Banner review and revise Licensing procedures to ensure compliance with Sections 641.1-A, Section 671-A of the Insurance Department Act of 1921 (40 P.S. §§310.41a, 310.71).

Banner agrees with the Department's findings and recommendation. Beginning in January 2008, Banner initiated a project to terminate inactive agents and then to reconcile Banner appointments with NIPR to confirm all remaining agent appointments are valid. Any agents not displaying active appointments in NIPR will be appointed immediately.

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

The Department noted that one individual was listed as a producer for Banner; however, Department records did not identify this individual as holding a Pennsylvania insurance license during the experience period. The Department recommended that Banner review and revise Licensing procedures to ensure compliance with Sections 641.1-A, Section 671-A of the Insurance Department Act of 1921 (40 P.S. §§310.41a, 310.71).

Banner agrees with the Department's finding and recommendation. Banner is in the process of reviewing and revising its Licensing procedures to ensure compliance with Sections 641.1-A, Section 671-A of the Insurance Department Act of 1921 (40 P.S. §§310.41a, 310.71).

Waiver of Premium Claims

1 Violation - Title 31, Pennsylvania Code, Section 146.5

The Department noted that Banner failed to acknowledge a claim within ten working days. The Department recommended that Banner review and revise internal control procedures to ensure compliance with requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices.

Banner agrees with the Department's finding and recommendation. Banner is in the process of reviewing and revising internal control procedures to ensure compliance with requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices.

1 Violation - Title 31, Pennsylvania Code, Section 146.6

The Department noted that Banner failed to provide a timely status letter for one claim. The Department recommended that Banner review and revise internal control procedures to ensure compliance with requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices.

Banner agrees with the Department's finding and recommendation. Banner is in the process of reviewing and revising internal control procedures to ensure compliance with requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices.

Life Claims

10 Violations - Title 31, Pennsylvania Code, Section 146.6

The Department noted that Banner failed to provide timely status letters for ten claims. The Department recommended that Banner review and revise internal control procedures to ensure compliance with requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices.

Banner respectfully disagrees with the Department's definition of "notification of a claim." Banner believes that, pursuant to 31 PA § 146.2, proper notification of claim is received only from a claimant or someone Banner knows to be authorized to act on behalf of a claimant.

Term Life Policies Issued

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

The Department noted that an applicant’s replacement question was not answered on the application in a certain file. The Department recommended that Banner review and revise internal control procedures to ensure compliance with the replacement requirements of Title 31, Pennsylvania Code, Section 81.

Banner respectfully disagrees with the Department’s findings. The application was ultimately terminated as incomplete for failure to receive required information. Consequently, had the application not been terminated as incomplete, Banner would have required an amendment containing a response to the subject question.

24 Violations – Title 31, Pennsylvania Code, Section 81.6(a)(1)(2)(i)

The Department noted that Banner failed to provide the existing insurer with the identity (i.e., contract number or alternative identification) for 24 files. The Department recommended that Banner review and revise internal control procedures to ensure compliance with the replacement requirements of Title 31, Pennsylvania Code, Section 81.

Banner agrees with the Department’s finding and recommendation. Banner is in the process of reiterating this requirement to its distribution force.

Universal Life Policies Issued

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

The Department noted that the replacement letter to the existing Company was provided but did not identify the contract number in certain files. The Department recommended that Banner review and revise internal control procedures to ensure compliance with the replacement requirements of Title 31, Pennsylvania Code, Section 81.

Banner agrees with the Department’s finding and recommendation. Banner is in the process of reiterating this requirement to its distribution force.

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

The Department noted that the replacement letter to the replaced Company was not documented or was late in certain files. The Department recommended that Banner review and revise internal control procedures to ensure compliance with the replacement requirements of Title 31, Pennsylvania Code, Section 81.

Banner agrees with the Department’s finding and recommendation.

Term Life Policies Issued as Replacements

4 Violations - Title 31, Pennsylvania Code, Section 81.4(b)(1)

The Department noted that the replacement form was dated after the application date in certain files. The Department recommended that Banner review and revise internal control procedures to ensure compliance with the replacement requirements of Title 31, Pennsylvania Code, Section 81.

Banner agrees with the Department's finding and will reiterate this requirement to its distribution force.

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

The Department noted that Banner failed to provide the existing insurer with the identity, i.e. contract number or alternative identification for certain policies. The Department recommended that Banner review and revise internal control procedures to ensure compliance with the replacement requirements of Title 31, Pennsylvania Code, Section 81.

Banner agrees with the Department's finding and recommendation. Banner is in the process of reiterating this requirement to its distribution force.

Universal Life Policies Issued

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

The Department noted that one file did not contain any evidence that a written disclosure was provided. The Department recommended that Banner review internal control procedures to ensure compliance with disclosure requirements of Title 31, Pennsylvania Code, Chapter 83.

Banner agrees with the Department's finding and recommendation.

9 Violations -Title 31, Pennsylvania Code, Section 83.3(a)(4)(i)

The Department noted the agent's telephone number was absent from the disclosure statement. The Department recommended that Banner review internal control procedures to ensure compliance with disclosure requirements of Title 31, Pennsylvania Code, Chapter 83.

Banner agrees with the Department's finding and recommendation. Banner is in the process of reiterating this requirement to its distribution force.

8 Violations - Title 31, Pennsylvania Code, Section 83.4a and Section 83.4b

The Department noted that the agent's date of certification was not provided in certain files. The Department recommended that Banner review internal control procedures to ensure compliance with disclosure requirements of Title 31, Pennsylvania Code, Chapter 83.

Banner agrees with the Department's finding and recommendation.

Term Life Policies Issued

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

The Department noted that the verification date of policy delivery could not be established in two files. The Department recommended that Banner 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).

Banner agrees with the Department's finding and recommendation.

Universal Life Policies Issued

7 Violations – Insurance Company Law, Section 408-A(c)(4)(ii) (40 P.S. §625-8)

The Department noted that the writing agent did not sign the certification in certain files. The Department recommended that Banner 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).

Banner agrees with the Department's finding and recommendation.

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

The Department noted that the agent's certification and applicant's acknowledgment of the illustration used was noted dated in a certain file. The Department recommended that Banner 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).

Banner agrees with the Department's finding and recommendation.

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

The Department noted that a certain file was missing the “Revised Illustration” label. The Department recommended that Banner 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).

Banner agrees with the Department’s finding and recommendation.

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

The Department noted that certain files did not contain the signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy. The Department recommended that Banner 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).

Banner agrees with the Department’s finding and recommendation.

Individual Term Life Conversions

1 Violation - Insurance Company Law, Section 408-A(c)(4)(ii) (40 P.S. §625-8)

The Department noted that the agent certification regarding the explanation of the illustration was blank in a certain file. The Department recommended that Banner 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).

Banner agrees with the Department’s finding and recommendation.

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

The Department noted that a certification regarding the use of the illustration at the time of the application was missing from certain files. The Department recommended that Banner 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).

Banner agrees with the Department’s finding and recommendation.

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

The Department noted that a signed certification and acknowledgement of the delivery of a revised illustration was missing from certain files. The Department recommended that Banner 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).

Banner agrees with the Department's finding and recommendation.

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

The Department noted that the basic illustration conforming to the policy as issued was missing in certain files. The Department recommended that Banner 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).

Banner agrees with the Department's finding and recommendation.

Term Life Policies Issued as Replacements

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

The Department noted that a certain policy file (internal replacement) did not contain the required 45 day "free look" statement. The Department recommended that Banner review internal control procedures to ensure compliance with Section 410D of the Insurance Company Law of 1921 (40 P.S. §510c) pertaining to the "Free Look" provision requirements for life insurance and endowment insurance.

Banner agrees with the Department's finding and recommendation.

Individual Term Life Conversions

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

The Department noted that the required 45 day "free look" statement was missing in certain files. The Department recommended that Banner review internal control procedures to ensure compliance with Section 410D of the Insurance Company Law of 1921 (40 P.S. §510c) pertaining to the "Free Look" provision requirements for life insurance and endowment insurance.

Banner agrees with the Department's finding and recommendation.

Term Life Policies Issued As Replacements

1 Violation – Title 31, Pennsylvania Code, Section 90c.11(f). Agents' Signatures.

The Department noted that an application was not signed by the agent in a certain file.

Banner agrees with the Department's finding.