

**REPORT OF  
MARKET CONDUCT EXAMINATION  
OF**

**SUN LIFE ASSURANCE COMPANY OF  
CANADA (U.S.)**  
Wilmington, Delaware

**AS OF  
August 27, 2008**

**COMMONWEALTH OF PENNSYLVANIA**



**INSURANCE DEPARTMENT  
MARKET CONDUCT DIVISION**

**Issued: October 16, 2008**

**SUN LIFE ASSURANCE COMPANY OF CANADA (U.S.)**

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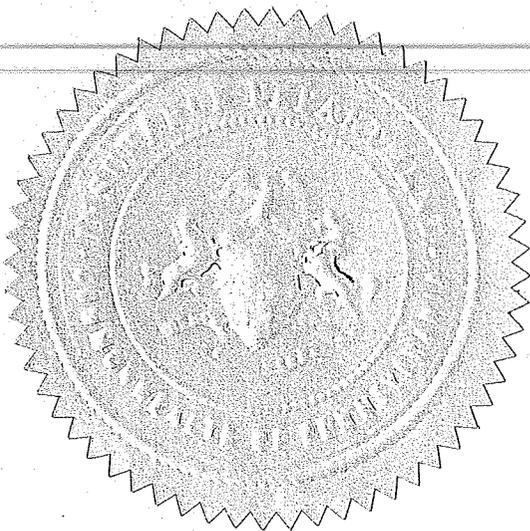
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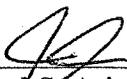
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BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 22<sup>ND</sup> day of July, 2008, 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.



  
\_\_\_\_\_  
Joel S. Ario  
Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

IN RE: : VIOLATIONS:  
: :  
SUN LIFE ASSURANCE COMPANY : Section 671-A of Act 147 of 2002  
OF CANADA (U.S.) : (40 P.S. § 310.71)  
One SunLife Executive Park :  
Wellesley, MA 02481 : Sections 404-A, 409-A, 410D(b)(3),  
: and 410E(b)(2) and (3) of the  
: Insurance Company Law, Act of  
: May 17, 1921, P.L. 682, No. 284  
: (40 P.S. §§ 625-4, 625-9 and 510)  
: :  
: Title 31, Pennsylvania Code, Sections  
: 51.5, 81.4(b)(1), 81.5(b), 81.6(a)(1),  
: 81.6(a)(2)(ii), 81.6(a)(2)(i)(ii)(c),  
: 81.6(c), 146.5 and 146.6  
: :  
: Title 18, Pennsylvania Consolidated  
: Statutes, Section 4117(k)  
: :  
Respondent. : Docket No. MC08-10-003

CONSENT ORDER

AND NOW, this 16<sup>th</sup> day of OCTOBER, 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.

3. Without admitting the allegations of fact and conclusions of law contained herein, Respondent neither admits nor denies that it violated any law or regulation of the Commonwealth.

#### FINDINGS OF FACT

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

(a) Respondent is Sun Life Assurance Company of Canada (U.S.), and maintains its address at One SunLife Executive Park, Wellesley, Massachusetts 02481.

(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 August 27, 2008, the Insurance Department issued a Market Conduct Examination Report to Respondent.

- (d) A response to the Examination Report was provided by Respondent on September 26, 2008.
- (e) The Examination Report notes violations of the following:
- (i) Section 671-A of Act 147 of 2002 (40 P.S. § 310.71), which prohibits producers from transacting business within this Commonwealth without written appointment as required by the Act;
  - (ii) Section 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;

(iii) Section 409-A of the Insurance Company Law, No. 284 (40 P.S. § 625-9), which states when there is solicitation for the replacement of an existing insurance policy or annuity with the same insurer or insurer group, the insurer shall, through its producers where appropriate, provide a “Notice Regarding Replacement of Life Insurance and Annuities” in the form set forth under Title 31, Pennsylvania Code, Chapter 81;

(iv) Section 410D(b)(3) of the Insurance Company Law, No. 284 (40 P.S. § 510c), which states individual variable life insurance policies which are offered as replacements for an existing life insurance policy or annuity contract with an insurer or insurer group other than the one which issued the original policy or contract shall not be delivered in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such policy or attached thereto a notice stating in substance that the policyholder shall be permitted to return the policy within at least twenty (20) days of its delivery;

(v) Section 410E(b)(2) of the Insurance Company Law, No. 284 (40 P.S. § 510d), which states individual variable dollar annuity contracts which are offered as replacements for an existing annuity contract or life insurance policy with the same insurer or insurer group shall not be entered into in the Commonwealth of Pennsylvania unless they shall have prominently printed

on the first page of such contract or attached thereto a notice stating in substance that the contract holder shall be permitted to return the contract within at least 45 days of its delivery;

- (vi) Section 410E(b)(3) of the Insurance Company Law, No. 284 (40 P.S. § 510d), which states individual variable dollar annuity contracts which are offered as replacements for an existing annuity contract or life insurance policy with the same insurer or insurer group other than the one which issued the original contract or policy shall not be entered into in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such contract or attached thereto a notice stating in substance that the contract holder shall be permitted to return the contract within at least 20 days of its delivery;
- (vii) Title 31, Pennsylvania Code, Section 51.5, requires a company to file an Annual Statement, with a Certificate of Compliance executed by an authorized officer of the company wherein it is stated that to the best of his knowledge, information and belief, the advertisements which were disseminated by the company during the preceding statement year complied or were made to comply in all respects with the provisions of the insurance laws and regulations of the Commonwealth;

- (viii) 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;
- (ix) 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;
- (x) 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;
- (xi) 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;

(xii) Title 31, Pennsylvania Code, Section 81.6(a)(2)(i)(ii)(c), which states:

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

(ii) 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 or a ledger statement containing comparable policy data on the proposed life insurance. A surrender comparison index need not be included. In the case of an annuity, a ledger statement containing comparable data shall be provided. This written communication shall be made within 5 working days of the date the

application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner.

(b) An existing insurer or insurer's agent or broker that undertakes the conservation shall, within 20 days from the date the written communication plus the materials required in subparagraphs (i) and (ii) is received by the existing insurer, furnish the policyowner with a disclosure statement for the existing life insurance or ledger statement containing policy data on the existing policy or annuity, or both. The disclosure statement or ledger statement shall be completed in accordance with § 83.3, except that information relating to premiums, cash values, death benefits and dividends shall be computed from the current policy year of the existing life insurance. The disclosure statement or ledger statement shall include the amount of outstanding indebtedness, the sum of dividend accumulations or additions, and may include other information that is not in violation of regulations or statutes. A surrender comparison index need not be included. In the case of an annuity, a ledger statement containing comparable data shall be provided. The replacing insurer may request the existing insurer to furnish it with a copy of the statements, which shall be furnished within 5 working days of the receipt of the request.

(c) The replacing insurer shall maintain evidence of the Notice Regarding Replacement of Life Insurance and Annuities, the disclosure statement and any ledger statement used, and a replacement register, cross indexed, by replacing agent and existing insurer to be replaced. The existing insurer shall

maintain evidence of disclosure statements or ledger statements used in any conservation. Evidence that all requirements were met shall be maintained for at least 3 years or until the conclusion of the next succeeding regular examination by the Department of its state of domicile, whichever is earlier.

(d) The replacing insurer shall have prominently printed on the first page of the policy or attached thereto a notice that the applicant has a right to an unconditional refund of all premiums paid, which right may be exercised within a period of 20 days commencing from the date of delivery of the policy;

(xiv) Title 31, Pennsylvania Code, Section 81.6(c), which requires the replacing insurer to maintain evidence of the Notice Regarding Replacement of Life Insurance and Annuities;

(xv) 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;

(xvi) 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

- (xvii) 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

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

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

(b) Violations of Section 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) Violations of Sections 404-A, 409-A, 410D and 410E of the Insurance Company Law, No. 284 (40 P.S. §§625-4, 625-9 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) 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) Violations of Title 31, Pennsylvania Code, Sections 51.5, 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.

(f) 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

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

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) Respondent shall file an affidavit stating under oath that it will provide each of its directors, at the next scheduled directors meeting, a copy of the adopted Report and related Orders. Such affidavit shall be submitted within thirty (30) days of the date of this Order.
- (c) Respondent shall pay Eighty Five Thousand Dollars (\$85,000.00) 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, Office Manager, Bureau of Market Conduct, 1227 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.

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

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

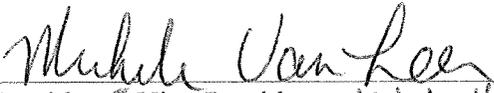
9. In any such enforcement proceeding, Respondent may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact and Conclusions of Law contained herein.

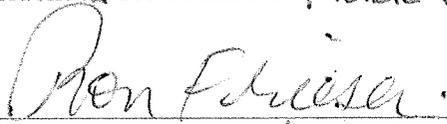
10. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

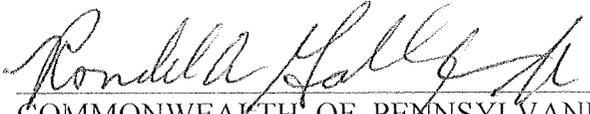
11. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

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

BY: SUN LIFE ASSURANCE COMPANY  
OF CANADA (U.S.), Respondent

  
~~President~~ ~~SR Vice President~~ Michele Van Leer

  
~~Secretary / Treasurer~~ ~~SR Vice President & CFO~~

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

## **I. INTRODUCTION**

The Market Conduct Examination was conducted on Sun Life Assurance Company of Canada (U.S.); hereafter referred to as "Company," at the Company's office located in Wellesley Hills, Massachusetts, January 3, 2008, through March 27, 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



Frank W. Kyazze, AIE, FLMI, ALHC  
Market Conduct Examiner



Michael Vogel  
Market Conduct Examiner

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**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).



Frank W. Kyazze, AIE, ALHC, FLMI  
[Examiner in Charge]

Sworn to and Subscribed Before me

This 22 Day of July, 2008



Notary Public  
COMMONWEALTH OF PENNSYLVANIA  
NOTARIAL SEAL  
THERESA M. SENECA, Notary Public  
City of Harrisburg, Dauphin County  
My Commission Expires Aug. 15, 2010

## **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.

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As of the Company's December 31, 2006, annual statement for Pennsylvania, Sun Life Assurance Company of Canada (U.S.) reported direct premiums for ordinary life insurance and annuity considerations in the amount of \$177,896,449 and direct premiums for group life insurance in the amount of \$157,464,061.

### **III. COMPANY HISTORY AND LICENSING**

Sun Life Assurance Company of Canada (U.S.) (the “Company”) is a stock life insurance company incorporated under the laws of Delaware on January 12, 1970. As of December 31, 2006, the Company was licensed in forty-nine (49) states, the District of Columbia, the United States Virgin Islands and Puerto Rico. The Company is not licensed in New York. The Company has a wholly owned subsidiary, Sun Life Insurance and Annuity Company of New York, which is licensed to write business exclusively in the states of New York and Rhode Island. The Company’s administrative offices are located in Wellesley Hills, Massachusetts. The Company does not have any regional or branch offices responsible for marketing and agent support in Pennsylvania.

The Company is a member of an insurance holding company system. The ultimate parent of the holding company system is Sun Life Financial Inc., a publicly traded corporation organized under the laws of Canada with common shares listed on the Toronto, New York and Philippine stock exchanges. On December 31, 2003, the former Keyport Life Insurance Company (“Keyport”) was merged with and into the Company with the Company as the surviving entity. Prior to the merger the Company and Keyport were both indirectly owned by an upstream holding company, Sun Life of Canada (U.S.) Holdings, Inc.

#### **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 not 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. The following violation was noted:

#### **1 Violation - Insurance Department Title 31, Pennsylvania Code, Section 51.5**

##### **Certificate of Compliance**

*A company required to file an annual statement which is now or which hereafter becomes subject to this chapter shall file with the Department with its Annual Statement a Certificate of Compliance executed by an authorized officer of the company wherein it is stated that to the best of his knowledge, information and belief the advertisements which were disseminated by the company during the preceding statement year complied or were made to comply in all respects with the provisions of the insurance laws and regulations of this Commonwealth.*

The Company did not provide the required advertising certificate of compliance.

## 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:

### **42 Violations – Title 18 PA. C.S., 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.

Form Number	Frequency of Use
AP/DEFERRED.IND-1996	1
APP/DVA(2)/SR/PA	1
APP/DVA(2)/RY/PA	1
AP/SPDA(14)	36
AP/SPDA(14)i	1
AP/FPDA(7)MVA	1
AP/FPDA(6)/KF5.IND	1

## 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 1,735 active and terminated producers. A random sample of 100 producers was requested, received and reviewed. The sample 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:

### **11 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 following individual was listed as terminated by the Company, but not reported as terminated to the Department. Department records indicate an active status during the experience period.

<b>Producer</b>
Terry Smith

The following 2 individuals were listed as producers on applications reviewed in the complaints section of the Exam. Department records do not identify these individuals as being appointed by the Company on the dates the applications were signed.

<b>Producers</b>
Jerome Bukus
Vitelli Quinn

The following 8 individuals were listed as producers on applications reviewed in the policy issued sections of the exam. Department records do not identify these individuals as being appointed by the Company on the dates the application forms were signed.

<b>Producers</b>
D. Darling
J. Garner
G. Livingston
Timothy Loney
K. Rosenblum
D. Loff
Joshua Wells
Nicholas Parison

## **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 22 consumer complaints were received during the experience period. Of the 22 complaints identified, 10 were forwarded from the Department. All 22 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.

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## **VIII. UNDERWRITING**

The Underwriting review was sorted and conducted in twelve (12) general segments.

- A. Underwriting Guidelines
- B. Variable Annuity Contracts Issued
- C. Fixed Annuity Contracts Issued
- D. Fixed Index Annuity Contracts Issued
- E. Private Client Group Variable Annuity Contracts Issued
- F. Corporate & Bank Owned Variable Universal Life Policies Issued
- G. Variable Universal Life Policies Issued
- H. Variable Annuity Contracts Issued as Replacements
- I. Fixed Annuity Contracts Issued As Replacements
- J. Fixed Index Annuity Contracts Issued as Replacements
- K. Corporate & Bank Owned Variable Universal Life Policies Issued as Replacements
- L. Variable Universal 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.

The following guidelines were reviewed:

1. Annuities Large Case Quotes Due Diligence Questionnaire
2. Individual Compliance With Underwriting Guidelines
3. Sun Life Financial US Underwriting Manual (Sun Power Points)
4. Reinsurance Underwriting Manual (Part I)
5. Sun Life Financial for PA MCE Worldwide Underwriting Manual

### **B. Variable Annuity Contracts Issued**

The Company identified a universe of 1,015 variable 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:

#### **1 Violation - 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 required replacement notice was not evident in the file noted.

#### **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 file noted.

**14 Violations - Title 31, Pennsylvania Code, Section 81.6(a)(2)(i)(ii)(c)**

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

*(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.*

*(ii) 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 a ledger statement containing comparable policy data on the proposed life insurance. A surrender comparison index need not be included. In the case of an annuity, a ledger statement containing comparable data shall be provided. This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner.*

*(b) An existing insurer or insurer's agent or broker that undertakes the conservation shall, within 20 days from the date the written communication plus the materials required in subparagraphs (i) and (ii) is received by the existing insurer, furnish the policyowner with a disclosure statement for the existing life insurance or ledger statement containing policy data on the existing policy or annuity, or both. The disclosure statement or ledger statement shall be completed in accordance with § 83.3, except that information relating to premiums, cash values, death benefits and*

*dividends shall be computed from the current policy year of the existing life insurance. The disclosure statement or ledger statement shall include the amount of outstanding indebtedness, the sum of dividend accumulations or additions, and may include other information that is not in violation of regulations or statutes. A surrender comparison index need not be included. In the case of an annuity, a ledger statement containing comparable data shall be provided. The replacing insurer may request the existing insurer to furnish it with a copy of the statements, which shall be furnished within 5 working days of the receipt of the request.*

*(c) The replacing insurer shall maintain evidence of the Notice Regarding Replacement of Life Insurance and Annuities, the disclosure statement and any ledger statement used, and a replacement register, cross indexed, by replacing agent and existing insurer to be replaced. The existing insurer shall maintain evidence of disclosure statements or ledger statements used in any conservation. Evidence that all requirements were met shall be maintained for at least 3 years or until the conclusion of the next succeeding regular examination by the Department of its state of domicile, whichever is earlier.*

*(d) The replacing insurer shall have prominently printed on the first page of the policy or attached thereto a notice that the applicant has a right to an unconditional refund of all premiums paid, which right may be exercised within a period of 20 days commencing from the date of delivery of the policy.*

The replacement communication (including a ledger statement containing comparable data) to the replaced company was not evident in the 14 files noted.

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

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

Verification of the date of annuity contract delivery could not be established in 16 files and the producer did not sign the contract delivery receipt in the remaining 29 files noted.

**15 Violations - Insurance Company Law, Section 410E(b)(3) (40 P.S. §510d)**

*Individual variable annuity contracts which are offered as replacements for an existing annuity contract or life insurance policy with an insurer or insurer group other than the one which issued the original contract or policy shall not be entered into in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such contract or attached thereto a notice stating in substance that the contract holder shall be permitted to return the contract within at least twenty (20) days of its delivery.*

The 15 files noted did not contain the required 20-day "free look" statement.

### **C. Fixed Annuity Contracts Issued**

The Company identified a universe of 937 fixed annuity contracts issued during the experience period. A random sample of 25 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:

#### **1 Violation - 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 file noted.

#### **2 Violations - 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 2 files noted.

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

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*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 answered on the application in the 2 files noted.

### **3 Violations - Title 31, Pennsylvania Code, Section 81.6(a)(2)(i)(ii)(c)**

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

*(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.*

*(ii) 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 a ledger statement containing comparable policy data on the proposed life insurance. A surrender comparison index need not be included. In the case of an annuity, a ledger statement containing comparable data shall be provided. This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner.*

*(b) An existing insurer or insurer's agent or broker that undertakes the conservation shall, within 20 days from the date the written communication plus the materials required in subparagraphs (i) and (ii) is received by the existing insurer, furnish the policyowner with a disclosure statement for the existing life insurance or ledger statement containing policy data on the existing policy or annuity, or both. The disclosure statement or ledger statement shall be completed in accordance with § 83.3, except that information relating to premiums, cash values, death benefits and*

*dividends shall be computed from the current policy year of the existing life insurance. The disclosure statement or ledger statement shall include the amount of outstanding indebtedness, the sum of dividend accumulations or additions, and may include other information that is not in violation of regulations or statutes. A surrender comparison index need not be included. In the case of an annuity, a ledger statement containing comparable data shall be provided. The replacing insurer may request the existing insurer to furnish it with a copy of the statements, which shall be furnished within 5 working days of the receipt of the request.*

*(c) The replacing insurer shall maintain evidence of the Notice Regarding Replacement of Life Insurance and Annuities, the disclosure statement and any ledger statement used, and a replacement register, cross indexed, by replacing agent and existing insurer to be replaced. The existing insurer shall maintain evidence of disclosure statements or ledger statements used in any conservation. Evidence that all requirements were met shall be maintained for at least 3 years or until the conclusion of the next succeeding regular examination by the Department of its state of domicile, whichever is earlier.*

*(d) The replacing insurer shall have prominently printed on the first page of the policy or attached thereto a notice that the applicant has a right to an unconditional refund of all premiums paid, which right may be exercised within a period of 20 days commencing from the date of delivery of the policy.*

The replacement communication (including a ledger statement containing comparable data) to the replaced company was not evident in the 3 files noted.

#### **14 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 date of annuity contract delivery could not be established in 13 files and the delivery receipt was not dated in the remaining file noted.

#### **D. Fixed Index Annuity Contracts Issued**

The Company identified a universe of 720 fixed index annuity contracts issued during the experience period. A random sample of 25 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:

**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.

**7 Violations - Title 31, Pennsylvania Code, Section 81.6(a)(2)(i)(ii)(c)**

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

*(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.*

*(ii) 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 a ledger statement containing comparable policy data on the proposed life insurance. A surrender comparison index need not be included. In the case of an annuity, a ledger statement containing comparable data shall be provided. This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner.*

*(b) An existing insurer or insurer's agent or broker that undertakes the conservation shall, within 20 days from the date the written communication plus the materials required in subparagraphs (i) and (ii) is received by the existing insurer, furnish the policyowner with a disclosure statement for the existing life insurance or ledger statement containing policy data on the existing policy or annuity, or both. The disclosure statement or ledger statement shall be completed in accordance with § 83.3, except that information relating to premiums, cash values, death benefits and dividends shall be computed from the current policy year of the existing life insurance. The disclosure statement or ledger statement shall include the amount of outstanding indebtedness, the sum of dividend accumulations or additions, and may include other information that is not in violation of regulations or statutes. A surrender comparison index need not be included. In the case of an annuity, a ledger statement containing comparable data shall be provided. The replacing insurer may request the existing insurer to furnish it with a copy of the statements, which shall be furnished within 5 working days of the receipt of the request.*

*(c) The replacing insurer shall maintain evidence of the Notice Regarding Replacement of Life Insurance and Annuities, the disclosure statement and any ledger statement used, and a replacement register, cross indexed, by replacing agent and existing insurer to be replaced. The existing insurer shall maintain evidence of disclosure statements or ledger statements used in any conservation. Evidence that all requirements were met shall be maintained for at least 3 years or until the conclusion of the next succeeding regular examination by the Department of its state of domicile, whichever is earlier.*

*(d) The replacing insurer shall have prominently printed on the first page of the policy or attached thereto a notice that the applicant has a right to an unconditional refund of all premiums paid, which right may be exercised within a period of 20 days commencing from the date of delivery of the policy.*

The replacement communication (including a ledger statement containing comparable data) to the replaced company was not evident in the 7 files noted.

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

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

The date of annuity contract delivery could not be verified in the 6 files noted.

#### **E. Private Client Group Variable Annuity Contracts Issued**

The Company identified a universe of 28 private client group variable annuity contracts issued during the experience period. All 28 annuity contract files were 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 - Insurance Company Law, Section 404-A (40 P.S. §625-4)**

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

Verification of the date of annuity contract delivery could not be established in the file noted.

**28 Violations - Insurance Company Law, Section 410E(b)(3) (40 P.S. §510d)**

*Individual variable annuity contracts which are offered as replacements for an existing annuity contract or life insurance policy with an insurer or insurer group other than the one which issued the original contract or policy shall not be entered into in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such contract or attached thereto a notice stating in substance that the contract holder shall be permitted to return the contract within at least twenty (20) days of its delivery.*

The contracts in the 28 files noted did not contain the required 20-day "free look" statement printed prominently on the first page of such contracts or attached thereto.

## **F. Corporate and Bank Owned Variable Universal Life Policies Issued**

The Company identified a universe of 129 corporate owned life insurance/bank owned life insurance variable universal life policies issued during the experience period. A random sample of 50 policy files was requested, received and reviewed. Of the 50 files reviewed, 11 were determined to be out of Pennsylvania's jurisdiction. The remaining 39 files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted:

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

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

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

## **G. Variable Universal Life Policies Issued**

The Company identified a universe of 6 variable universal life policies issued during the experience period. All 6 policy files were requested, received and reviewed. Of the 6 files, 5 files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The remaining file was reviewed and the results are addressed in another section of the Report. 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 documented late or not dated in the 3 files noted.

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### **2 Violations - Insurance Company Law, Section 410D(b)(3) (40 P.S. §510c)**

*Individual variable life insurance policies which are offered as replacements for an existing life insurance policy or annuity contract with an insurer or insurer group other than the one which issued the original policy or contract shall not be delivered in the Commonwealth of Pennsylvania unless they shall have prominently printed on the*

*first page of such policy or attached thereto a notice stating in substance that the policyholder shall be permitted to return the policy within at least twenty (20) days of its delivery.*

The 2 files noted did not contain the required 20 day “free look” statement printed prominently on the first page of such policies or attached thereto.

## **H. Variable Annuity Contracts Issued As Replacements**

The Company identified a universe of 297 variable annuities contracts during the experience period. A random sample of 50 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:

### **2 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 2 files noted.

### **46 Violations - Title 31, Pennsylvania Code, Section 81.6(a)(2)(i)(ii)(c)**

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

~~*(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.*

*(ii) 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 a ledger statement containing comparable policy data on the proposed life insurance. A surrender comparison index need not be included. In the case of an annuity, a ledger statement containing comparable data shall be provided. This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner.*

*(b) An existing insurer or insurer's agent or broker that undertakes the conservation shall, within 20 days from the date the written communication plus the materials required in subparagraphs (i) and (ii) is received by the existing insurer, furnish the policyowner with a disclosure statement for the existing life insurance or ledger statement containing policy data on the existing policy or annuity, or both. The disclosure statement or ledger statement shall be completed in accordance with § 83.3, except that information relating to premiums, cash values, death benefits and dividends shall be computed from the current policy year of the existing life insurance.*

*The disclosure statement or ledger statement shall include the amount of outstanding indebtedness, the sum of dividend accumulations or additions, and may include other information that is not in violation of regulations or statutes. A surrender comparison index need not be included. In the case of an annuity, a ledger statement containing comparable data shall be provided. The replacing insurer may request the existing*

*insurer to furnish it with a copy of the statements, which shall be furnished within 5 working days of the receipt of the request.*

*(c) The replacing insurer shall maintain evidence of the Notice Regarding Replacement of Life Insurance and Annuities, the disclosure statement and any ledger statement used, and a replacement register, cross indexed, by replacing agent and existing insurer to be replaced. The existing insurer shall maintain evidence of disclosure statements or ledger statements used in any conservation. Evidence that all requirements were met shall be maintained for at least 3 years or until the conclusion of the next succeeding regular examination by the Department of its state of domicile, whichever is earlier.*

*(d) The replacing insurer shall have prominently printed on the first page of the policy or attached thereto a notice that the applicant has a right to an unconditional refund of all premiums paid, which right may be exercised within a period of 20 days commencing from the date of delivery of the policy.*

The replacement communication (including a ledger statement containing comparable data) to the replaced company was not evident in the 46 files noted.

### **1 Violation - Title 31, Pennsylvania Code, Section 81.6(c)**

*The replacing insurer shall maintain evidence of the Notice Regarding Replacement of Life Insurance and Annuities.*

The file noted did not contain a copy of the required notice of replacement.

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

*When the individual policy or annuity is delivered to the policyholder by the producer by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set and state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery*

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

Verification of the date of annuity contract delivery could not be established in 30 files and the producer did not sign the delivery receipt in the remaining 13 files noted.

**44 Violations - Insurance Company Law, Section 410E(b)(3) (40 P.S. §510d)**

*Individual variable annuity contracts which are offered as replacements for an existing annuity contract or life insurance policy with an insurer or insurer group other than the one which issued the original contract or policy shall not be entered into in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such contract or attached thereto a notice stating in substance that the contract holder shall be permitted to return the contract within at least twenty (20) days of its delivery.*

The contracts in the 44 files noted did not contain the required 20-day "free look" statement printed prominently on the first page of such contracts or attached thereto.

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**2 Violations - Insurance Company Law, Section 410E(b)(2) (40 P.S. §510d)**

*Individual variable dollar annuity contracts which are offered as replacements for an existing annuity contract or life insurance policy with the same insurer or insurer group shall not be entered into in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such contract or attached thereto a notice*

*stating in substance that the contract holder shall be permitted to return the contract within at least forty-five (45) days of its delivery.*

The 2 contract files did not contain the required 45 day "free look" statement.

### **I. Fixed Annuity Contracts Issued As Replacements**

The Company identified a universe of 164 fixed annuity contracts issued as replacements during the experience period. A random sample of 25 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 notice regarding replacement was dated after the application date in the 4 files noted.

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#### **3 Violations - 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 for the 3 files noted.

### **3 Violations - Title 31, Pennsylvania Code, Section 81.6(a)(1)**

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

*Require with or as part of a completed application for life insurance or annuity a statement signed by the agent or broker as to whether the broker knows replacement is or may be involved in the transaction.*

The agent's question on replacement was not answered on the application for the 3 files noted.

### **21 Violations - Title 31, Pennsylvania Code, Section 81.6(a)(2)(i)(ii)(c)**

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

*(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.*

*(ii) 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 a ledger statement containing comparable policy data on the proposed life insurance. A surrender comparison index need not be included. In the case of an annuity, a ledger statement containing comparable data shall be provided. This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home*

or regional office, or the date the proposed policy or contract is issued, whichever is sooner.

(b) An existing insurer or insurer's agent or broker that undertakes the conservation shall, within 20 days from the date the written communication plus the materials required in subparagraphs (i) and (ii) is received by the existing insurer, furnish the policyowner with a disclosure statement for the existing life insurance or ledger statement containing policy data on the existing policy or annuity, or both. The disclosure statement or ledger statement shall be completed in accordance with § 83.3, except that information relating to premiums, cash values, death benefits and dividends shall be computed from the current policy year of the existing life insurance. The disclosure statement or ledger statement shall include the amount of outstanding indebtedness, the sum of dividend accumulations or additions, and may include other information that is not in violation of regulations or statutes. A surrender comparison index need not be included. In the case of an annuity, a ledger statement containing comparable data shall be provided. The replacing insurer may request the existing insurer to furnish it with a copy of the statements, which shall be furnished within 5 working days of the receipt of the request.

(c) The replacing insurer shall maintain evidence of the Notice Regarding Replacement of Life Insurance and Annuities, the disclosure statement and any ledger statement used, and a replacement register, cross indexed, by replacing agent and existing insurer to be replaced. The existing insurer shall maintain evidence of disclosure statements or ledger statements used in any conservation. Evidence that all requirements were met shall be maintained for at least 3 years or until the conclusion of the next succeeding regular examination by the Department of its state of domicile, whichever is earlier.

(d) The replacing insurer shall have prominently printed on the first page of the policy or attached thereto a notice that the applicant has a right to an unconditional

*refund of all premiums paid, which right may be exercised within a period of 20 days commencing from the date of delivery of the policy.*

The replacement communication (including a ledger statement containing comparable data) to the replaced company was not evident in the 21 files noted.

### **1 Violation - Insurance Company Law, Section 409-A (40 P.S. §625-9)**

#### **Replacements With the Same Insurer or Insurer Group.**

*When there is solicitation for the replacement of an existing insurance policy or annuity with the same insurer or insurer group, the insurer shall, through its producers where appropriate, provide a "Notice Regarding Replacement of Life Insurance and Annuities" in the form set forth under Title 31, Pennsylvania Code, Chapter 81 (relating to replacement of life insurance and annuities).*

The required notice of replacement was not contained in the file noted.

### **10 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 date of annuity contract delivery could not be established in 9 files and the delivery receipt was not dated, in the remaining file noted.

## **J. Fixed Index Annuity Contracts Issued as Replacements**

The Company identified a universe of 252 fixed index annuity contracts issued as replacements during the experience period. A random sample of 25 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:

### **2 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 notice regarding replacement was dated after the application date in the 2 files noted.

### **24 Violations - Title 31, Pennsylvania Code, Section 81.6(a)(2)(i)(ii)(c)**

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

~~*(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.*

*(ii) 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 a ledger statement containing comparable policy data on the proposed life insurance. A surrender comparison index need not be included. In the case of an annuity, a ledger statement containing comparable data shall be provided. This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner.*

*(b) An existing insurer or insurer's agent or broker that undertakes the conservation shall, within 20 days from the date the written communication plus the materials required in subparagraphs (i) and (ii) is received by the existing insurer, furnish the policyowner with a disclosure statement for the existing life insurance or ledger statement containing policy data on the existing policy or annuity, or both. The disclosure statement or ledger statement shall be completed in accordance with § 83.3, except that information relating to premiums, cash values, death benefits and dividends shall be computed from the current policy year of the existing life insurance. The disclosure statement or ledger statement shall include the amount of outstanding indebtedness, the sum of dividend accumulations or additions, and may include other information that is not in violation of regulations or statutes. A surrender comparison index need not be included. In the case of an annuity, a ledger statement containing comparable data shall be provided. The replacing insurer may request the existing*

*insurer to furnish it with a copy of the statements, which shall be furnished within 5 working days of the receipt of the request.*

*(c) The replacing insurer shall maintain evidence of the Notice Regarding Replacement of Life Insurance and Annuities, the disclosure statement and any ledger statement used, and a replacement register, cross indexed, by replacing agent and existing insurer to be replaced. The existing insurer shall maintain evidence of disclosure statements or ledger statements used in any conservation. Evidence that all requirements were met shall be maintained for at least 3 years or until the conclusion of the next succeeding regular examination by the Department of its state of domicile, whichever is earlier.*

*(d) The replacing insurer shall have prominently printed on the first page of the policy or attached thereto a notice that the applicant has a right to an unconditional refund of all premiums paid, which right may be exercised within a period of 20 days commencing from the date of delivery of the policy.*

The replacement communication (including a ledger statement containing comparable data) to the replaced company was not evident in the 24 files noted.

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

*When the individual policy or annuity is delivered to the policyholder by the producer by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set and state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery receipt, and such date shall commence any applicable policy or annuity examination period. Copies of the delivery receipt must be provided to the policyholder on the date of policy or annuity delivery and to the issuing insurer. When the individual policy or annuity is delivered by a means other than by hand delivery by the producer, the insurer shall establish appropriate means of verifying delivery by the producer of the*

*policy or annuity and of establishing the date from which any applicable policy or examination period shall commence.*

The date of annuity contract delivery could not be verified in 5 files noted and the producer signature was missing in the remaining file noted.

### **K. Corporate and Bank Owned Variable Universal Life Policies Issued as Replacements**

The Company identified a universe of 82 corporate owned life insurance/bank owned life insurance universal life policies issued during the experience period. A random sample of 25 policy files was requested, received and reviewed. Of the 25 files, 20 files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The remaining 5 files were reviewed and the results are addressed in another section of the Report. No violations were noted.

### **L. Variable Universal Life Conversions**

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

The following items were provided and reviewed:

- 
1. 2006 Insurance Marketplace Standards Association (IMSA) Independent Assessment Report.
  2. Market Conduct Operating Guidelines
  3. Complaint Handling Guideline and Procedures

4. Complaint Handling Overview-Policy, Process, Practices and Meeting Minutes with samples for Individual Life and Annuities
5. Quarterly Complaint Reports Sample
6. Legislative Compliance Management Policy and Operating Guidelines
7. Internal Audit Statement of Mandate, Responsibility and Authority
8. Company's Publications Review Process with Instructions and Guidelines

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 18 various claim manuals.

The claim manual 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. Annuity Claims
- B. Variable Universal 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. Annuity Claims**

The Company was requested to provide a list of claims received during the experience period. The Company identified 889 annuity claims received. A random sample of 100 claim files was requested, received and reviewed. The files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 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**

*(a) 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.*

*(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 claim within 10 working days.

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### **57 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 57 claims noted.

### **B. Variable Universal Life Claims**

The Company was requested to provide a list of claims received during the experience period. The Company identified 2 variable universal life insurance claims received. Both claim files were requested, received and reviewed. The files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b). No violations were noted.

## **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 Section 671-A of the Insurance Department Act of 1921 (40 P.S. §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 implement procedures to ensure advertising certification requirements of Title 31, Pennsylvania Code, Chapter 51.
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 implement internal control procedures to ensure compliance with internal replacement requirements of Section 409-A of the Insurance Company Law of 1921 (40 P.S. §625-9).
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.

9. The Company must review internal control procedures to ensure compliance with Section 410E of the Insurance Company Law of 1921 (40 P.S. §510d) pertaining to the “Free Look” provision requirements for annuity and pure endowment contracts.

## **XII. COMPANY RESPONSE**



Peter Colli  
Assistant Vice President  
Compliance

Sun Life Assurance  
Company of Canada (U.S.)  
SC2335  
One Sun Life Executive Park  
Wellesley Hills, MA 02481-5699  
Tel: 781-446-1106  
800-SUN-LIFE ext. 1106  
Fax: 781-235-5078  
peter.colli@sunlife.com

September 25, 2008

Mr. Daniel Stemcosky, AIE, FLMI  
Market Conduct Division Chief  
Commonwealth of Pennsylvania  
Insurance Department  
Bureau of Enforcement  
Market Conduct Division  
1321 Strawberry Square  
Harrisburg, Pennsylvania 17120

Re: Examination Warrant Number 07-M28-029

Dear Mr. Stemcosky:

The Sun Life Assurance Company of Canada (U.S.) respectfully submits the enclosed response to the recommendations outlined by the Insurance Department on pages 46 and 47 of the Final Report of the Market Conduct Examination of the Company covering the period January 1, 2006 through December 31, 2006.

The Company appreciates the valuable insight provided by the examiners throughout the examination process and the professional manner in which the examination was conducted.

Please do not hesitate to contact me at 781-446-1106 or my colleague, Paul Finnegan at 781-446-6794 if we may be of further assistance.

Sincerely,

A handwritten signature in black ink that reads "Peter Colli". The signature is written in a cursive, flowing style.

Peter Colli  
Assistant Vice President, Compliance

Enclosure

**The Pennsylvania Insurance Department  
Market Conduct Examination  
Sun Life Assurance Company of Canada (U.S.)  
For the Period January 1, 2006 to December 31, 2006**

In response to the recommendations submitted by the Commonwealth of Pennsylvania Insurance Department (“the Insurance Department”) resulting from the Market Conduct Examination of Sun Life Assurance Company of Canada (U.S.) (“the Company”), the Company has reviewed and strengthened its procedures, or has established and begun to carry out a plan to strengthen its procedures, in satisfaction of the Insurance Department’s recommendations. Specific responses to the recommendations are as follows:

**1. Insurance Department Recommendation**

**The Company must implement procedures to ensure compliance with the fraud statement notice requirements of Title 18, Pennsylvania Consolidated Statutes Section 4117(k).**

Company Response:

The Company has reviewed its annuity policy forms and has either revised its policy forms as appropriate to contain the required fraud statement or discontinued use of non-compliant forms.

**2. Insurance Department Recommendation**

**The Company must review and revise Licensing procedures to ensure compliance with Section 671-A of the insurance Department Act of 1921 (40 P.S. § 310.71).**

Company Response:

The Company has reviewed and revised its licensing and new business submission procedures and will implement improvements to its processes to reasonably assure compliance with the requirements for timely notification of appointment and termination of producers with the Insurance Department.

**3. Insurance Department Recommendation**

**The Company must review and revise internal control procedures to ensure compliance with the requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices.**

Company Response:

The Company has reviewed and its procedures with respect to the timely mailing of annuity death claim status letters. The Company has initiated a system enhancement to provide the required status letters on a schedule in compliance with the statute.

**4. Insurance Department Recommendation**

**The Company must review and revise internal control procedures to ensure compliance with the internal replacement requirements of Title 31, Pennsylvania Code, Section 81.**

Company response:

The Company has reviewed and revised its procedures to ensure that a written communication with appropriate identification information and a ledger statement with comparable data are sent to the existing insurer within 5 working days of the date the application is received when a replacement or proposed replacement is involved.

**5. Insurance Department Recommendation**

**The Company must implement procedures to ensure the advertising certification requirements of Title 31, Pennsylvania Code, Chapter 51.**

Company Response:

The Company has implemented revised internal control procedures to ensure compliance with this section. The Company filed the required certificate with its 2007 Annual Report filing.

**6. Insurance Department Recommendation**

**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 (40P.S. § 625-4).**

Company Response:

The Company is in the process of revising its contract delivery procedures to ensure that a certificate of mailing is recorded when the individual policy or annuity is delivered by means other than hand delivery by the producer.

**7. Insurance Department Recommendation**

**The Company must implement internal control procedures to ensure compliance with internal replacement requirements of Section 409-A of the Insurance Company Law of 1921 (40 P.S. § 625-9).**

Company Response:

The Company has revised its procedures and communicated with applicable staff that a Notice of Replacement signed by the customer must accompany internal replacement transactions.

**8. Insurance Department Recommendation**

**The Company must review internal control procedures to ensure compliance with Section 410D of the Insurance Company Act of 1921 (40 P.S. § 510c) pertaining to the “Free Look” provision requirements for life insurance and endowment insurance.**

Company Response:

The Company has reviewed its internal control procedures and is in the process of revising its universal life policy forms to include the applicable Free Look provision in compliance with Section 410D.

**9. Insurance Department Recommendation**

**The Company must review internal control procedures to ensure compliance with Section 410E of the Insurance Company Act of 1921 (40 P.S. § 510d) pertaining to the “Free Look” provision requirements for annuity and pure endowment insurance.**

Company Response:

The Company has reviewed its internal control procedures and is in the process of revising its annuity policy forms to include the applicable Free Look provision in compliance with Section 410E.