



**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT**

**MARKET CONDUCT
EXAMINATION REPORT**

OF

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

**As of: March 27, 2017
Issued: May 18, 2017**

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

AMERICAN GENERAL LIFE INSURANCE COMPANY
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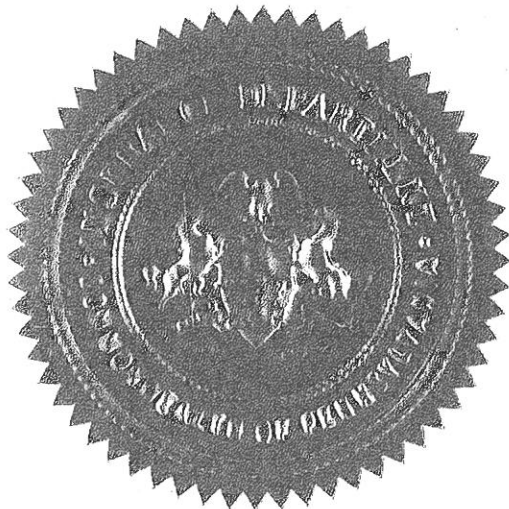
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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 3rd day of June, 2015, 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 Christopher R. Monahan, Acting 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.



A handwritten signature in black ink, appearing to read "Teresa D. Miller".

Teresa D. Miller
Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE: : VIOLATIONS:
: :
AMERICAN GENERAL LIFE : 40 P.S. §§310.71(a), 310.71a(a)
INSURANCE COMPANY : 323.3(a) and 323.4(b)
2727-A Allen Parkway, 3-D1 : :
Houston, Texas 77019 : 40 P.S. §§477b, 510d(a)(1)
: 510d(a)(2), 510d(b)(3), 512
: 532.6(8)(i)(ii)(iii), 532.7 and 625-4
: :
: 40 P.S. §§1171.5(a)(1)(i)
: 1171.5(a)(10)(i), 1171.5(a)(10)(iii),
: 1171.5(a)(10)(iv), 1171.5(a)(10)(vi)
: and 1171.5(a)(10)(x)
: :
: 18 Pa. Code §4117(k)(1)
: :
: 31 Pa. Code §§81.4(b)(1), 81.5(b)
: 81.6(a)(2)(ii), 83.3(a)(4)(i), 83.4(a)
: 83.4(b), 83.55a, 83.55b, 146.3, 146.5
: 146.6 and 146.7
: :
: :
: :
Respondent. : Docket No. MC17-03-014

CONSENT ORDER

AND NOW, this 18 day of May, 2017, this Order is hereby
issued by the Insurance Department of the Commonwealth of Pennsylvania pursuant
to the statutes cited above and in disposition of the matter captioned above.

1. Respondent hereby admits and acknowledges that it has received proper notice of its rights to a formal administrative hearing pursuant to the Administrative Agency Law, 2 Pa.C.S. §101, et seq., or other applicable law.

2. Respondent hereby waives all rights to a formal administrative hearing in this matter, and agrees that this Consent Order shall have the full force and effect of an order duly entered in accordance with the adjudicatory procedures set forth in the Administrative Agency Law, supra, or other applicable law.

FINDINGS OF FACT

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

- (a) Respondent is American General Life Insurance Company, and maintains its address at 2727-A Allen Parkway, 3-D1, Houston, Texas 77019.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from January 1, 2015 to December 31, 2015.
- (c) On March 27, 2017, the Insurance Department issued a Market Conduct Examination Report to Respondent.

- (d) A response to the Examination Report was provided by Respondent on April 26, 2017.

- (e) The Examination Report notes violations of the following:
 - (i) 40 P.S. §310.71(a), states that an insurance producer shall not act on behalf of or as a representative of the insurer unless the insurance producer is appointed by the insurer.

 - (ii) 40 P.S. §310.71a(a), states that an insurer which terminated an appointment pursuant to Section 671-A(d) shall notify the Department in writing on a form approved by the Department, or through an electronic process approved by the Department, within 30 days following the effective date of the termination;

 - (iii) 40 P.S. §323.3(a), requires every company subject to examination to keep all books, records, accounts, papers, documents and any computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the Department may require in order that its representatives may readily ascertain whether the company has complied with the laws of this Commonwealth;

- (iv) 40 P.S. §323.4(b), requires every company or person from whom information is sought, its officers, directors and agents must provide to the examiners timely, convenient and free access at all reasonable hours at its offices to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined;
- (v) 40 P.S. §477b, prohibits issuing, selling, or disposing of any policy, contract or certificate until the forms have been submitted to, and formally approved by, the Insurance Commissioner;
- (vi) 40 P.S. §510d(a)(1), states that except as provided in paragraphs (2) and (3), individual fixed dollar annuity or pure endowment contracts shall not be entered into 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 ten (10) days of its delivery and to have the stipulated payment or premium paid refunded if after examination of the contract, the contract holder is not satisfied with it for any reason;
- (vii) 40 P.S. §510d(a)(2), states that individual fixed dollar annuity contracts which are offered as replacements for an existing annuity contract or life insurance policy with the same insurer or insurer group shall not be entered

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

(viii) 40 P.S. §510d(b)(3), states that 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 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;

(ix) 40 P.S. §512, states that no policy of life insurance shall be delivered in the Commonwealth except upon the application of the person insured. A person liable for the support of a child may take out a policy of insurance on such child; and persons, copartnerships, associations, and corporations may insure the lives and health of officers, directors, principals, partners and employees, without the signing of a personal application as hereinbefore required;

(x) 40 P.S. §532.6(8)(i)(ii)(iii), a provision that if the insurance, or any portion of it, on a person covered under the policy ceases because of termination of employment or of membership in the class or classes eligible for coverage under the policy, such person shall be entitled to have issued to him by the insurer, without evidence of insurability, an individual policy of life insurance without disability or other supplementary benefits, provided application for the individual policy shall be made, and the first premium paid to the insurer, within thirty-one days after such termination, and provided further that:

- (i) The individual policy shall, at the option of such person, be on any one of the forms, except term insurance, then customarily issued by the insurer at the age and for the amount applied for:
- (ii) The individual policy shall be in an amount not in excess of the amount of life insurance which ceases because of such termination, less, in the case of a person whose membership in the class or classes eligible for coverage terminates but who continues in employment in another class, the amount of any life insurance for which such person is or becomes eligible under any other group policy within thirty-one days after such termination: Provided, that any amount of insurance which shall have matured on or before the date of such termination as an endowment payable to the person insured, whether in one sum or in installments or in the form of an annuity, shall not, for the purposes

of this provision, be included in the amount which is considered to cease because of such termination;

and

- (iii) The premium on the individual policy shall be at the insurer's then customary rate applicable to the form and amount of the individual policy, to the class of risk to which such person then belongs, and to his age attained on the effective date of the individual policy;

- (xi) 40 P.S. §532.7, states that if any individual insured under a group life insurance policy hereafter delivered in this State becomes entitled under the terms of such policy to have an individual policy of life insurance issued to him without evidence of insurability, subject to making of application and payment of the first premium within the period specified in such policy, and if such individual is not given notice of the existence of such right at least fifteen days prior to the expiration date of such period, then, in such event the individual shall have an additional period within which to exercise such right, but nothing herein contained shall be construed to continue any insurance beyond the period provided in such policy. This additional period shall expire fifteen days next after the individual is given such notice but in no event shall such additional period extend beyond sixty days next after the expiration date of the period provided in such policy. Written notice presented to the individual or mailed by the policyholder to the last known address of the individual or mailed by the insurer to the last

known address of the individual as furnished by the policyholder shall constitute notice for the purpose of this section;

- (xii) 40 P.S. §625-4, 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. A certificate of mailing is adequate proof of delivery;

- (xiii) 40 P.S. §1171.5(a)(1)(i), states “unfair methods of competition” and “unfair or deceptive acts or practices” in the business of insurance means: Making, publishing, issuing or circulating any estimate, illustration, circular, statement, sales presentation, omission comparison which:

misrepresents the benefits, advantages, conditions or terms of any insurance policy;

- (xiv) 40 P.S. §1171.5(a)(10)(i), prohibits misrepresenting pertinent facts or policy or contract provisions relating to coverages at issue;
- (xv) 40 P.S. §1171.5(a)(10)(iii), prohibits failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies;
- (xvi) 40 P.S. §1171.5(a)(10)(iv), states any of the following acts, if committed with such frequency as to indicate a business practice, shall constitute unfair claim settlement or compromise practices: refusing to pay claims without conducting a reasonable investigation based upon all available information;
- (xvii) 40 P.S. §1171.5(a)(10)(vi), states any of the following acts, if committed or performed with such frequency as to indicate a business practice, shall constitute unfair claim settlement or compromise practices: Not attempting in good faith to effectuate prompt, fair and equitable settlements of claims in which the company's liability under the policy has become reasonably clear;

- (xviii) 40 P.S. §1171.5(a)(10)(x), states that making claims payments to insureds or beneficiaries not accompanied by a statement setting forth the coverage under which payments are being made;
- (xix) 18 Pa. C.S. §4117(k)(1), states 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;
- (xx) 31 Pa. Code §81.4(b)(1), 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;
- (xxi) 31 Pa. Code §81.5(b), requires the insurer, as part of a completed application for life insurance or annuity, shall require a statement signed by the applicant as to whether the proposed insurance or annuity will replace existing life insurance or annuity;
- (xxii) 31 Pa. Code §81.6(a)(2)(ii), 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 §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;

- (xxiii) 31 Pa. Code §83.3(a)(4)(i), requires the disclosure statement to list the name of the producer, home address or agency address and home or agency telephone number of the insurance producer making the solicitation;
- (xxiv) 31 Pa. Code §83.4(a), requires the agent to submit to the insurer with, or as a part of the application for life insurance, a statement, signed by him, certifying that the written disclosure statement was given no later than the time that the application was signed by the applicant;
- (xxv) 31 Pa. Code §83.4(b), requires the insurer to maintain the agent's certification of disclosure statement delivery in its appropriate files for at least three years. The absence of the agent's certification from the appropriate files of the insurer shall constitute *prima facie* evidence that no

disclosure statement was provided to the prospective purchaser of life insurance;

(xxvi) 31 Pa. Code §83.55(a), states the Surrender Comparison Index Disclosure shall be given as a separate document upon delivery of the policy or earlier if requested by the life insurance applicant. If requested earlier, the index disclosure shall be provided as soon as reasonably possible;

(xxvii) 31 Pa. Code §83.55(b), states a disclosure that is minimally satisfactory to the Insurance Department is set forth in Appendix B. If the Appendix B disclosure will be used, a letter to that effect, prior to use, is adequate notification to the Department for review prior to use;

(xxviii) 31 Pa. Code §§83.55a and 83.55b, states:

- a) the agent shall submit to the insurer a statement, signed by him, certifying that the surrender comparison index disclosure was given upon delivery of the policy or earlier at the request of the life insurance applicant.
- b) the insurer shall maintain the agent's certification of surrender comparison index disclosure delivery in its appropriate files for at least 3 years or until the conclusion of the next succeeding regular examination by the insurance department of its domicile, whichever is later. The absence of the agent's certification from the appropriate files

of the insurer shall constitute prima facie evidence that no surrender comparison index disclosure was provided to the prospective purchaser of life insurance;

(xxix) 31 Pa. Code §146.3, requires the claim files of the insurer shall be subject to examination by the Commissioner or by his appointed designees. The files shall contain notes and work papers pertaining to the claim in the detail that pertinent events and the dates of the events can be reconstructed;

(xxx) 31 Pa. Code §146.5, 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;

(xxxii) 31 Pa. Code §146.6, states that if an investigation cannot be completed within thirty (30) days, and every forty-five (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;

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

CONCLUSIONS OF LAW

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

- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.
- (b) Respondent's violations of 40 P.S. §310.71(a) and §310.71a(a) are punishable by the following, under (40 P.S. §310.91):
 - (i) suspension, revocation or refusal to issue the certificate of qualification or license;
 - (ii) imposition of a civil penalty not to exceed five thousand dollars (\$5,000.00) for every violation of the Act;
 - (iii) an order to cease and desist; and
 - (iv) any other conditions as the Commissioner deems appropriate.

- (c) Respondent's violations of 40 P.S. §477b, are punishable by the following:
- (i) suspend or revoke the license of such offending person, corporation, insurance company, exchange, order or society;
 - (ii) refuse, for a period of not to exceed one year thereafter, to issue a new license to such person, corporation, insurance company, exchange, order or society; and
 - (iii) impose a fine of not more than one thousand dollars (\$1,000.00) for each and every act in violation of this act.
- (d) Respondent's violations of 40 P.S. §§510d(a)(1), 510d(a)(2), 510d(b)(3), 512, 532.6(8)(i)(ii)(iii), 532.7 and 625-4 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.
- (e) Respondent's violations of 40 P.S. §§1171.5(a)(1)(i), 1171.5(a)(10)(i), 1171.5(a)(10)(iii), 1171.5(a)(10)(iv), 1171.5(a)(10)(vi) and 1171.5(a)(10)(x) are punishable by the following, under Section 9 of the Unfair Insurance Practices Act (40 P.S. §1171.9):
- (i) cease and desist from engaging in the prohibited activity;
 - (ii) suspension or revocation of the license(s) of Respondent.

- (f) In addition to any penalties imposed by the Commissioner for Respondent's violations of 40 P.S. §§1171.1 – 1171.5, the Commissioner may, under (40 P.S. §§1171.10, 1171.11) file an action in which the Commonwealth Court may impose the following civil penalties:
- (i) for each method of competition, act or practice which the company knew or should have known was in violation of the law, a penalty of not more than five thousand dollars (\$5,000.00);
 - (ii) for each method of competition, act or practice which the company did not know nor reasonably should have known was in violation of the law, a penalty of not more than one thousand dollars (\$1,000.00).
- (g) Respondent's violations of 31 Pa. Code §§81.4(b)(1), 81.5(b) and 81.6(a)(2)(ii) are punishable under 31 Pa. Code §§81.8(b)(1) and (c), which states that failure to comply, after a hearing, may subject a company to penalties provided in 40 P.S. §475. Failure to comply shall be considered a separate violation and may not be considered in lieu of a proceeding against the company for a violation of 40 P.S. §§472, 473 or 474.
- (h) Respondent's violations of 31 Pa. Code §§146.3, 146.5, 146.6 and 146.7 are punishable under Sections 1 through 5 and Section 9 of the Unfair Insurance Practices Act (40 P.S. §§1171.1 – 1171.5 and 1171.9):
- (i) cease and desist from engaging in the prohibited activity;
 - (ii) suspension or revocation of the license(s) of Respondent.

- (i) In addition to any penalties imposed by the Commissioner for Respondent's violations of 40 P.S. §§1171.1 – 1171.5, the Commissioner may, under (40 P.S. §§1171.10, 1171.11) file an action in which the Commonwealth Court may impose the following civil penalties:
 - (i) for each method of competition, act or practice which the company knew or should have known was in violation of the law, a penalty of not more than five thousand dollars (\$5,000.00);
 - (ii) for each method of competition, act or practice which the company did not know nor reasonably should have known was in violation of the law, a penalty of not more than one thousand dollars (\$1,000.00).

ORDER

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

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) Respondent shall file an affidavit stating under oath that it will provide each of its directors, at the next scheduled directors meeting, a copy of the adopted

Report and related Orders. Such affidavit shall be submitted within thirty (30) days of the date of this Order.

- (c) Respondent shall comply with all recommendations contained in the attached Report.
- (d) Respondent shall pay Eighty Thousand Dollars (\$80,000.00) to the Commonwealth of Pennsylvania in settlement of all violations contained in the Report.
- (e) Payment of this matter shall be made by check payable to the Commonwealth of Pennsylvania. Payment should be directed to April Phelps, Bureau of Market Actions, 1227 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.
- (f) To determine Respondent's compliance with the full and timely implementation of all recommendations ("Recommendations") in the Examination Report, the Department shall conduct a re-examination of Respondent 18 months from the date of this Order.

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

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

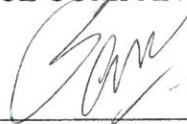
8. In any such enforcement proceeding, Respondent may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact and Conclusions of Law contained herein.

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

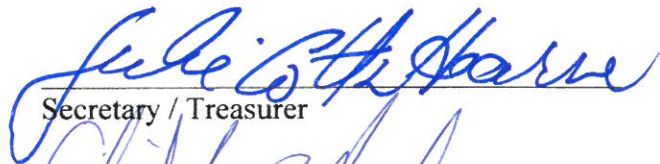
10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

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

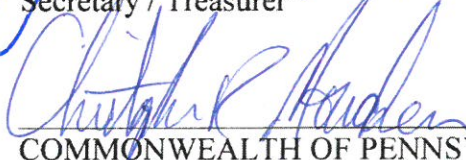
BY: AMERICAN GENERAL LIFE
INSURANCE COMPANY, Respondent



President / Vice President



Secretary / Treasurer



COMMONWEALTH OF PENNSYLVANIA
Christopher R. Monahan
Deputy Insurance Commissioner

I. INTRODUCTION

The Market Conduct Examination was conducted on American General Life Insurance Company; hereafter referred to as "Company," at the Company's offices located in Brentwood, TN September 26, 2016, through September 30, 2016. Subsequent and follow-up reviews was conducted in the offices of the Pennsylvania Insurance Department.

Pennsylvania Market Conduct Examination Reports generally note only those items, to which the Department, after review, takes exception. A violation is any instance of Company activity that does not comply with an insurance statute or regulation. Violations contained in the Report may result in imposition of penalties. Generally, practices, procedures, or files that were reviewed by Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review these areas of concern in order to determine the potential impact upon Company operations or future compliance.

Throughout the course of the examination, Company officials were provided status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials to discuss the various types of violations identified during the examination and review written summaries provided on the violations found.

The courtesy and cooperation extended by the Officers and Employees of the Company during the course of the examination is acknowledged.

The following examiners participated in the Examination and in the preparation of this Report.

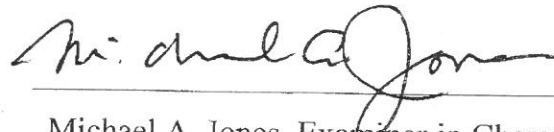
Michael A. Jones,
Market Conduct Examiner II

Rick Buchwald, CFE
Contract Examiner

Sigurd K. Proudfit, CFE, AMCM
Senior Financial and Market Conduct Examiner

Verification


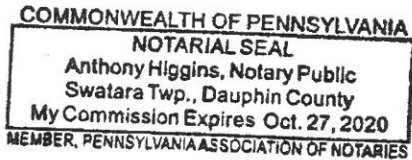
Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).



Michael A. Jones, Examiner in Charge

Sworn to and Subscribed Before me

This Day of *March 16*, 2017


Notary Public

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the experience period of January 1, 2015, through December 31, 2015, unless otherwise noted. The purpose of the examination was to ensure compliance with Pennsylvania insurance laws and regulations.

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

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

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

III. COMPANY HISTORY AND LICENSING

American General Life Insurance Company, including its wholly owned subsidiaries, is a wholly owned subsidiary of AGC Life Insurance Company (AGC Life or the Parent), an indirect, wholly owned subsidiary of American International Group, Inc. (AIG Parent).

The Company was incorporated in Delaware on April 11, 1960, and commenced business on August 1, 1960, under the name Knights Life Insurance Company. The Company's name was changed to American General Life Insurance Company of Delaware, on December 31, 1962. On December 31, 1991, the Company, California-Western States Life Insurance Company and American General Life Insurance Company merged, with the Company being the surviving entity. The Company re-domesticated to Texas and changed its name to American General Life Insurance Company.

Effective December 31, 2012, as part of a project that consolidated seven sister life insurance companies, the following legal entities merged into American General Life Insurance Company: American General Assurance Company, American General Life and Accident Insurance Company, American General Life Insurance Company of Delaware, Sun America Annuity and Life Assurance Company, Sun America Life Insurance Company, and Western National Life Insurance Company.

In its 2015 Annual Statement, the Company reported direct premium for ordinary life insurance and annuities consideration in the amount of \$491,529,025 and direct premium for group accident and health in the amount of \$3,567,715.

IV. ADVERTISING

The Department, in exercising its discretionary authority requested, received and reviewed the Company's Advertising Certificate of Compliance. The certification was reviewed to ensure compliance with 31 Pa. Code §51.5. Section 51.5 provides that "A company required to file an annual statement which is now or which hereafter becomes subject to this chapter shall file with the Department with its Annual Statement a Certificate of Compliance executed by an authorized officer of the company wherein it is stated that to the best of his knowledge, information and belief the advertisements which were disseminated by the company during the preceding statement year complied or were made to comply in all respects with the provisions of the insurance laws and regulations of this Commonwealth." No violations were noted.

V. 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 was requested to provide a list of all producers active and terminated during the experience period. The Company provided a list of 27,328 active producers and 1,139 terminated producers. A random sample of 100 active and 50 terminated producers were requested, received and reviewed. In addition, a subsequent review was performed on those producers identified on applications reviewed in the various underwriting sections of the examination. The following violations were noted:

3 Violations – 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.

The following individuals were listed as the producer on an application reviewed in the policy issued section of the exam. Department records do not identify these 3 producers as being appointed by the Company.

Producer/Agency

Nathaniel Finkin LUTCF
Hartman Employee Benefits, Inc. Glenda I. Leister
Hays Co's of PA, John Borro

6 Violations – 40 P.S. §310.71a(a)

Termination. – An insurer which terminates an appointment pursuant to Section 671-A (d) shall notify the department in writing on a form approved by the department, or through an electronic process approved by the department, within 30 days following the effective date of the termination. The Company provided a list of producers who were terminated during the experience period. Department records showed a termination that occurred outside the 2015 calendar year experience period for the 6 noted producers.

<u>Producer Last Name</u>	<u>Producer First Name</u>
Garrett	Boyd Sanner
Reese	Jessica
Bechtel	Nicole
Katz	Alan
Manley	James
Repko	Sharon

11 Violations – 40 P.S. §310.71a(a)

Termination. – An insurer which terminates an appointment pursuant to Section 671-A (d) shall notify the department in writing on a form approved by the department, or through an electronic process approved by the department, within 30 days following the effective date of the termination. The Company provided a list of producers who were terminated during the experience period. Department records showed an active license during the experience period for the 11 noted producers.

<u>Producer Last Name</u>	<u>Producer First Name</u>
Roster Financial	LLC
Anderson	Richard
Stokes	Michael B.
Cochrane	Robert
Brooks	Leah
Rosenthal	Stephen
Knight	Eileen E.
Johnson	David W.
Santelli	Laura
Coyle	Eugene C.
Business UW Assoc.	Agency

VI. FORMS

The Company was requested to provide a list and copies of all policy and/or member forms, conversion contracts, applications, riders, amendments and endorsements used during the experience period. The Company provided 103 fixed annuity forms, of which four (4) were approved in 2016 and were outside of the exam scope, 183 life forms, 53 variable annuity forms and 21 index annuity forms. A random sample of 15 was requested from each of the fixed annuity and life forms. A random sample of five (5) was requested from each of the variable and index annuity forms. A total sample of 40 forms were received and reviewed. One form (ICC15: GLB (10/15)) in the fixed annuity sample was approved outside of the exam scope and was excluded from the testing. The forms provided here and those identified in other areas of the examination were reviewed to ensure compliance with Insurance Company Law, Section 354 and 18 Pa C.S. §4117(k), Fraud notice. The following violations were noted:

11 Violations – 40 P.S. §477b

It shall be unlawful for any insurance company, association, or exchange, including domestic mutual fire insurance companies, doing business in this Commonwealth, to issue, sell, or dispose of any policy, contract, or certificate, covering life, health, accident, personal liability, fire, marine, title, and all forms of casualty insurance or contracts pertaining to pure endowments or annuities, or any other contracts of insurance, or use applications, riders, or endorsements, in connection therewith, until the forms of the same have been submitted to and formally approved by the Insurance Commissioner. Evidence that a filing and/or filing and approval prior to use was not made available for review for the 11 noted forms.

FORM #

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FORM AD-A-NL-PA

PA FORM 1000-11

AGLA 01-1

SA5235.8 Rev. 11.13

VII. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of consumer complaint logs covering the period of January 1, 2012 through June 30, 2016. The Company identified 259 consumer complaints received. Of the 259 complaints identified, 119 were complaints forwarded to the Company from the Pennsylvania Insurance Department (Department). The Department selected a sample of 50 complaint files which were requested, received, and reviewed. The Company also provided complaint logs as requested. No violations were noted.

The following is a list of complaint reasons and the corresponding percentages of their occurrences for the 2015 consumer complaints review:

<u>Complaint Reason</u>	<u>Percentage</u>
Policy Owner Service	52.1%
Claims	23.5%
Marketing & Sales	23.2%
Underwriting	0.8%
Miscellaneous	0.4%
Totals	100%

VIII. UNDERWRITING

The Underwriting review was sorted and conducted in 24 general segments.

- A. Underwriting Guidelines
- B. Life Policies Issues
- C. Variable Life Policies Issues
- D. Term Life Policies Issues
- E. Life Policies Issues as Replacements
- F. Term Life Policies Issues as Replacements
- G. Life Policies Terminated
- H. Variable Life Policies Terminated
- I. Term Life Policies Terminated
- J. Life Policies Declined
- K. Life Policies Not-taken
- L. Term Life Conversions
- M. Life Conversions
- N. Annuity Contracts Issued
- O. Annuity Contracts Issued as Replacements
- P. Annuity Contracts Terminated
- Q. Annuity Contracts Not-taken
- R. Annuity Contracts Surrendered
- S. Group Policies Issued
- T. Group Certificates Issued
- U. Group Policies Terminated
- V. Group Certificates Terminated
- W. Group Policies Declines
- X. Group Certificates Declines

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 manuals were reviewed to ensure underwriting guidelines were in place and being followed in a uniform and consistent manner and no underwriting practices or procedures were in place that could be considered discriminatory in nature, or specifically prohibited by statute or regulation. No violations were noted.

The following Guidelines were provided and reviewed:

1. Swiss Re Guidelines for Policies
 - a. Group Policies
 - b. Individual Policies
2. Part 1 Financial Underwriting
3. Part 2 Individual Life Underwriting
4. Medical Underwriting 9.12.2016
5. Supplemental Life Underwriting Manual 9.7.2016
6. Supplemental Response 11.4.2016

B. Individual Life Policies Issued

The Company was requested to provide a list of policies issued during the experience period. The Company identified a universe of 1,926 life policies issued during the period. A random sample of 30 policies was requested, received

and reviewed. The files were reviewed to determine compliance to issuance and underwriting statutes and regulations. The following violations were noted:

3 Violations – 40 P.S. §323.3(a)

Every Company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, at its discretion, may require in order that its authorized representatives may readily ascertain whether the Company or person has complied with the laws of this Commonwealth. Pertinent information was not made available for review in the 3 noted files.

4 Violations – 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 policy delivery could not be established in the 4 noted files.

C. Individual Variable Life Policies Issued

The Company was requested to provide a list of individual variable life policies issued during the experience period. The Company identified a universe of 14 individual variable life policies issued during the period. All 14 policies were requested, received and reviewed. The files were reviewed to determine compliance to issuance and underwriting statutes and regulations. The following violations were noted:

3 Violations – 31 Pa. Code §81.6(a)(2)(ii)

The Company shall send to each existing insurer a written communication advising of the replacement or proposed replacement when replacement of a policy is involved. 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 required replacement notices were not sent within 5 working days of the date the Company received the application in the 3 noted files.

D. Individual Term Life Policies Issued

The Company was requested to provide a list of term life policies issued during the experience period. The Company identified a universe of 4,213 term life policies issued during the period. A random sample of 20 policies was requested, received and reviewed. Two (2) files were determined to be conversions. The remaining 18 files were reviewed to determine compliance to issuance and underwriting statutes and regulations. The following violations were noted:

1 Violation – 40 P.S. §323.3(a)

Every Company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, at its discretion, may require in order that its authorized representatives may readily ascertain whether the Company or person has complied with the laws of this Commonwealth. Several incorrect files were provided by the Company resulting in one (1) violation.

E. Individual Life Policies Issued as Replacements

The Company was requested to provide a list of all individual life policies issued as replacements during the experience period. The Company identified a universe of 433 individual life policies issued as replacements during the period. A random sample of 15 files was requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted:

1 Violation – 31 Pa. Code §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 noted file.

3 Violations – 31 Pa. Code §81.6(a)(2)(ii)

An insurer that uses an agent or broker in a life insurance or annuity sale shall, if replacement is involved: Send to each existing insurer a written communication advising of the replacement or proposed replacement and the identification information obtained under subparagraph (I) and in the case of life insurance, the

disclosure statement as required by § 83.3 (relating to disclosure statement) or ledger statement containing comparable policy data on the proposed life insurance. This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner. The replacement letter to the replaced company was not issued in a timely manner in the 3 noted files.

1 Violation – 31 Pa. Code §83.4a and 83.4b

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

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

1 Violation – 31 Pa. Code §83.3(a)(4)(i)

A disclosure statement shall describe the name of the agent or broker, home address or agency address and the home or agency telephone number of the insurance agent or broker making the solicitation. The producer's telephone number and/or address were absent from the disclosure statement in the noted file.

1 Violation – 31 Pa. Code §83.55

(a) The Surrender Comparison Index Disclosure shall be given as a separate document upon delivery of the policy or earlier if requested by the life insurance

applicant. If requested earlier, the index disclosure shall be provided as soon as reasonably possible.

(b) A disclosure that is minimally satisfactory to the Insurance Department is set forth in Appendix B. If the Appendix B disclosure will be used, a letter to that effect, prior to use, is adequate notification to the Department for review prior to use. The Cost Surrender Comparison Index Disclosure was not made available for review in the noted file.

1 Violation – 31 Pa. Code, §83.55a and 83.55b

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

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

1 Violation – 40 P.S. §625-4

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

When the individual policy or annuity is delivered by a means other than by hand delivery by the producer, the insurer shall establish appropriate means of verifying delivery by the producer of the policy or annuity and of establishing the date from which any applicable policy or examination period shall commence. Verification of the policy delivery could not be established in the noted file.

F. Individual Term Life Policies Issued as Replacements

The Company was requested to provide a list of all individual term life policies issued as replacements during the experience period. The Company identified a universe of 1,223 during the period. A random sample of 20 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:

5 Violations – 31 Pa. Code §81.6(a)(2)(ii)

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

1 Violation – 31 Pa. Code §83.3(a)(4)(i)

A disclosure statement shall describe the name of the agent or broker, home address or agency address and the home or agency telephone number of the insurance agent or broker making the solicitation. The producer's address was absent from the disclosure statement in the noted file.

2 Violations – 40 P.S. §625-4

When the producer delivers the individual policy or annuity to the policyholder 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 policy delivery could not be established in the 2 noted files.

G. Individual Life Policies Terminated

The Company was requested to provide a list of all individual life policies terminated during the experience period. The Company identified a universe of 2,766 policies during the period. A random sample of 40 files was requested, received and reviewed. One file was determined to have been signed in another state (Washington). The policies were reviewed to ensure compliance with contract provisions, termination laws and regulations, and proper return of any unearned premium. The following violations were noted:

3 Violations – 40 P.S. §323.3

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

1 Violation – 40 P.S. §323.3

Every Company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, at its discretion, may require in order that its authorized representatives may readily ascertain whether the Company or person has complied with the laws of this Commonwealth. The Company provided several incorrect files for this section resulting in 1 violation.

H. Individual Variable Life Policies Terminated

The Company was requested to provide a list of all individual variable life policies terminated during the experience period. The Company identified a universe of one (1) policy terminated during the period. The file was requested, received and reviewed. The file was reviewed to ensure compliance with contract provisions, termination laws and regulations, and proper return of any unearned premium. No violations were noted.

I. Individual Term Life Policies Terminated

The Company was requested to provide a list of all individual term life policies terminated during the experience period. The Company identified a universe of 906 policies during the period. A random sample of 15 files were requested, received and reviewed. The files were reviewed to ensure compliance with contract provisions, termination laws and regulations, and proper return of any unearned premium. No violations were noted.

J. Individual Life Policies Declined

The Company was requested to provide a list of all individual life policies declined coverage during the experience period for any Commonwealth resident. The Company identified a total of 1,194 applications during the period. A random sample of 30 files was requested, received and reviewed. The files were reviewed for compliance with 18 Pa. C.S. §4117(k), the Unfair Insurance Practices Act, No. 205, and to ensure no practices of a discriminatory nature were used. The following violation was noted.

1 Violation – 31 Pa. Code §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 in the noted file.

K. Individual Life Policies Not-Taken

The Company was requested to provide a list of all individual life policies not-taken during the experience period. The Company identified 176 policies not-taken. A random sample of 10 files was requested, received and reviewed. The files were reviewed to ensure compliance with the free-look provisions of the contract. No violations were noted.

L. Individual Term Life Conversions

The Company was requested to provide a list of all individual term life conversion policies issued during the experience period. The Company identified a universe of 284 policies. A random sample of 20 policies was requested, received and reviewed. The policy files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violation was noted:

1 Violation – 40 P.S. §323.3(a)

Every Company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, at its discretion, may require in order that its authorized representatives may readily ascertain whether the Company or person has complied with the laws of this Commonwealth. There was information provided for review that was confusing and or not correct as indicated in the noted file. Incorrect file information was provided by the Company resulting in one (1) violation for the section.

M. Individual Life Conversions

The Company was requested to provide a list of all Individual Life Conversion policies issued during the experience period. The Company identified a universe of two (2) policies during the period. The two (2) files were requested, received and reviewed. Subsequent to the review of the noted files, the Company indicated that the 2 files were issued in California and therefore were not subject to Pennsylvania Law. The following violation was noted:

1 Violation – 40 P.S. §323.3(a)

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

N. Individual Annuity Contracts Issued

The Company was requested to provide a list of all annuity policies issued during the experience period. The Company identified a universe of 5,096 annuity contracts issued during the period. A random sample of 35 annuity contracts 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 – 40 P.S. §323.3(a)

Every Company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, at its discretion, may require in order that its authorized representatives may readily ascertain whether the Company or person has complied with the laws of this Commonwealth. The Company provided files that were not a part of the requested criteria.

3 Violations – 40 P.S. §512

No policy of life insurance shall be delivered in the Commonwealth except upon the application of the person insured. A person liable for the support of a child may take out a policy of insurance on such child; and persons, co-partnerships, associations, and corporations may insure the lives and health of officers, directors, principals, partners, and employees, without the signing of a personal application as hereinbefore required. The applicant's and/or the producer's application certification was not evident in the 3 noted files.

2 Violations – 18 Pa. C.S. §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 required fraud statement was not evident in the 2 noted files.

O. Individual Annuity Contracts Issued as Replacements

The Company was requested to provide a list of all annuity policies issued during the experience period. The Company identified a universe of 2,012 annuity contracts during the period. A random sample of 20 annuity contracts was requested, received and reviewed. The files were reviewed to determine compliance with issuance, and replacement statutes and regulations. The following violations were noted:

3 Violations – 40 P.S. §512

No policy of life insurance shall be delivered in the Commonwealth except upon the application of the person insured. A person liable for the support of a child may take out a policy of insurance on such child; and persons, copartnerships, associations, and corporations may insure the lives and health of officers, directors, principals, partners, and employees, without the signing of a personal application as hereinbefore required. The applicant's signature was not made available for review for the 3 noted applications.

8 Violations – 31 Pa. Code §81.6(a)(2)(ii)

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

replacement letter to the replaced company was not documented in the 8 noted files.

1 Violation – 40 P.S. §510d(a)(2)

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

1 Violation – 40 P.S. §510d(b)(3)

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 required 20 day free look notice statement was not made available for review in the noted file.

1 Violation – 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 noted file.

P. Individual Annuity Contracts Terminated

The Company was requested to provide a list of all annuity contracts terminated during the experience period. The Company initially identified a universe of 148 terminated contracts during the period. A random sample of 20 files was requested. The Company later informed the Department of an inaccurate data pull. The Company provided a new universe of 62 terminated contracts. A random sample of 10 files was requested received and reviewed. The files were reviewed to ensure compliance with contract provisions, termination laws and regulations, and proper return of any unearned premium. No violations were noted.

Q. Individual Annuities Not Taken

The Company was requested to provide a list of all individual annuity contracts not taken during the period. The Company identified 179 contracts not-taken during the period. A random sample of 10 files was requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. No violations were noted.

R. Individual Annuities Contracts Surrendered

The Company was requested to provide a list of individual annuity contracts surrendered during the period. The Company identified a universe of 3,760 annuities surrendered during the period. A random sample of 40 files was requested, received and reviewed. The files were reviewed to ensure compliance with the issuance and underwriting statutes and regulations, the free-look provisions of the contract and the Company's handling of contract maturity dates. The following violations were noted:

7 Violations – 40 P.S. §510d(a)(1)

Except as provided in paragraphs (2) and (3), individual fixed dollar annuity or pure endowment contracts shall not be entered into 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 ten (10) days of its delivery and to have the stipulated payment or premium paid refunded if after examination of the contract, the contract holder is not satisfied with it for any reason. The required 10 day "free look" statement was not made available for review in the 7 noted files.

18 Violations – 40 P.S. §1171.5(a)(1)(i)

"Unfair methods of competition" and "unfair or deceptive acts or practices" in the business of insurance means: Making, publishing, issuing or circulating any estimate, illustration, circular, statement, sales presentation, omission comparison which: misrepresents the benefits, advantages, conditions or terms of any insurance policy. The option utilized by the Company regarding the contract settlement appears not to be consistent with the available options referenced in the settlement provisions contained in the contract for the 18 noted files.

4 Violations – 40 P.S. §1171.5(a)(10)(i)

“Unfair methods of competition” and “unfair or deceptive acts or practices” in the business of insurance means: Any of the following acts if committed or performed with such frequency as to indicate a business practice shall constitute unfair claim settlement or compromise practices: Misrepresenting pertinent facts or policy or contract provisions relating to coverages at issue. The Company did not annuitize the contract at the contract maturity date in accordance with the terms of the contract for the 4 noted files.

3 Violations – 40 P.S. §1171.5(a)(10)(vi)

“Unfair methods of competition” and “unfair or deceptive acts or practices” in the business of insurance means: Any of the following acts if committed or performed with such frequency as to indicate a business practice shall constitute unfair claim settlement or compromise practices: Not attempting in good faith to effectuate prompt, fair and equitable settlements of claims in which the company’s liability under the policy has become reasonably clear. The Company did not properly annuitize the contract upon the maturity date in accordance with the provisions of the contract for the 3 noted files.

S. Group Policies Issued

The Company was requested to provide a list of all group policies issued during the experience period. The Company identified 3 group policies. All 3 files were requested, received and reviewed. The policy files were reviewed to determine compliance to issuance statutes, regulations and 18 Pa. C.S. §4117(k). The following violations were noted.

2 Violations – 18 Pa. C. S. §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 master group applications did not contain the required fraud statement in the 2 noted files.

T. Group Certificates Issued

The Company was requested to provide a list of all certificate holders enrolled during the experience period. The Company provided a list of 334 certificate holders. A random sample of 10 files was requested, received and reviewed. The files were reviewed to ensure compliance with 18 Pa. C. S. §4117(k). The following violations were noted:

1 Violation – 40 P.S. §323.3(a)

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

6 Violations – 18 Pa. C. S. §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 master group applications reviewed did not contain the required fraud statement in the 6 noted files.

U. Group Policies Terminated

The Company was requested to provide a list of all group policies terminated during the experience period. The Company identified a universe of 7 terminated group policies. All 7 files were requested, received and reviewed. The policy files were reviewed to ensure compliance with contract provisions, termination laws and regulations, and proper return of any unearned premium. The following violations were noted.

5 Violations – 40 P.S. §532.6(8)(i)(ii)(iii)

A provision that if the insurance, or any portion of it, on a person covered under the policy ceases because of termination of employment or of membership in the class or classes eligible for coverage under the policy, such person shall be entitled to have issued to him by the insurer, without evidence of insurability, an individual policy of life insurance without disability or other supplementary benefits, provided application for the individual policy shall be made, and the first premium paid to the insurer, within thirty-one days after such termination, and provided further that:

(i) The individual policy shall, at the option of such person, be on any one of the forms, except term insurance, then customarily issued by the insurer at the age and for the amount applied for:

(ii) The individual policy shall be in an amount not in excess of the amount of life insurance which ceases because of such termination, less, in the case of a person whose membership in the class or classes eligible for coverage terminates but who continues in employment in another class, the amount of any life insurance for which such person is or becomes eligible under any other group policy within thirty-one days after such termination: Provided, That any amount of insurance which shall have matured on or before the date of such termination as an endowment payable to the person insured, whether in one sum or in installments or in the form of an annuity, shall not, for the purposes of this provision, be included in the amount which is considered to cease because of such termination; and

(iii) The premium on the individual policy shall be at the insurer's then customary rate applicable to the form and amount of the individual policy, to the class of risk to which such person then belongs, and to his age attained on the effective date of the individual policy. A conversion was not offered to the insured in the 5 noted files.

5 Violations – 40 P.S. §532.7

If any individual insured under a group life insurance policy hereafter delivered in this State becomes entitled under the terms of such policy to have an individual policy of life insurance issued to him without evidence of insurability, subject to making of application and payment of the first premium within the period specified in such policy, and if such individual is not given notice of the existence of such right at least fifteen days prior to the expiration date of such period, then, in such event the individual shall have an additional period within which to exercise such right, but nothing herein contained shall be construed to continue

any insurance beyond the period provided in such policy. This additional period shall expire fifteen days next after the individual is given such notice but in no event shall such additional period extend beyond sixty days next after the expiration date of the period provided in such policy. Written notice presented to the individual or mailed by the policyholder to the last known address of the individual or mailed by the insurer to the last known address of the individual as furnished by the policyholder shall constitute notice for the purpose of this section. A conversion was not offered within fifteen days after entitlement in the 5 noted files.

V. Group Certificates Terminated

The Company was requested to provide a list of all group certificates terminated during the experience period. The Company identified a universe of 783 terminated group certificates during the period. A random sample of 15 files was requested, received and reviewed. The 15 files were reviewed to ensure compliance with contract provisions, termination laws and regulations, and proper return of any unearned premium. No violations were noted.

W. Group Policies Declined

The Company was requested to provide a list of all group policies declined during the experience period. The Company identified 45 declined group policies during the period. All 10 files were requested, received and reviewed. Of the 10 files received, the Company determined that the remaining eight (8) files were not applicable. The files were reviewed to determine compliance to issuance statutes and regulations and to ensure declinations were not the result of any discriminatory underwriting practices. The following violations were noted.

1 Violation – 40 P.S. §323.3(a)

(a) Every Company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, at its discretion, may require in order that its authorized representatives may readily ascertain whether the Company or person has complied with the laws of this Commonwealth. The correspondence including the decline reason was not made available for review in the noted file.

8 Violations – 40 P.S. §512

No policy of life insurance shall be delivered in the Commonwealth except upon the application of the person insured. A person liable for the support of a child may take out a policy of insurance on such child; and persons, copartnerships, associations, and corporations may insure the lives and health of officers, directors, principals, partners, and employees, without the signing of a personal application as hereinbefore required. The application was not made available for review in the noted 8 files.

X. Group Certificates Declined

The Company was requested to provide a list of all group certificates declined during the experience period. The company identified four (4) declined group certificates. All four 4 files were requested, received and reviewed. The files were reviewed to determine compliance to issuance statutes and regulations and to ensure declinations were not the result of any discriminatory underwriting practice. No violations were noted.

IX. INTERNAL AUDIT & COMPLIANCE

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

- (1) Periodic reviews of consumer complaints in order to determine patterns of improper practices.
- (2) Regular reporting to senior officers and the board of directors or an appropriate committee thereof with respect to any significant findings.
- (3) The establishment of lines of communication, control and responsibility over the dissemination of advertising and promotional materials, including illustrations and illustration explanations, with the requirement that such materials shall not be used without the approval by company employees whose compensation, other than generally applicable company bonus or incentive plans, is not directly linked to marketing or sales.

No violations were noted.

X. CLAIMS

The Claims file review consisted of 5 areas:

- A. Claims Manuals
- B. Life Claims
- C. Term Life Claims
- D. Endowment Life Claims
- E. Annuity Claims

A. Claims Manuals

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

The Company provided the following claim manuals for review:

1. Individual Life Claims
2. Individual Fixed Annuity Claims
3. Individual and Group Variable and Indexed Annuity Claims
4. Group Disability Claims
5. Group Cancer Plans Claims
6. Group Critical Illness Plans Claims
7. Group Hospital Accident Plans Claims
8. Group Health – Dental Claims
9. Group Life Claim

B. Individual Life Claims

The Company was requested to provide a list of claims received during the experience period. The Company identified 13,409 individual life claims received. An additional review showed that there are a total of 10,789 individual life claims, 2,616 term life claims and 4 life endowment claims. A random sample of 50 claims was requested, received and reviewed. The claim files were reviewed for compliance with 31 Pa. Code §146 and 40 P.S. §511B, Payment of Interest. The following violations were noted:

7 Violations – 31 Pa. Code §146.5

Every insurer, upon receiving notification of a claim, shall within ten working days, acknowledge the receipt of such notice unless payment is made within such period of time. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated. The Company failed to acknowledge the notification of the claim within 10 working days or the acknowledgement was not found in the 7 noted claim files.

4 Violations – 31 Pa. Code §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 or did not include for review a timely status letter for the 4 noted files.

5 Violations – 31 Pa. Code §146.7

Within 15 working days after receipt by the insurer of properly executed proofs of loss, the first- party claimant shall be advised of the acceptance or denial of the claim by the insurer. The Company failed to provide notice of acceptance or denial within 15 working days after proof has been received by the Company for the 5 noted files.

C. Individual Term Life Claims

The Company was requested to provide a list of claims received during the experience period. The Company identified 2,616 term life claims received. A random sample of 20 files was requested, received and reviewed. The claim files were reviewed for compliance with 31 Pa. Code §146 and 40 P.S. §511B, Payment of Interest. The following violations were noted:

1 Violation – 31 Pa. Code §146.3

The claim files of the insurer shall be subject to examination by the Commissioner or by his appointed designees. The files shall contain notes and work papers pertaining to the claim in the detail that pertinent events and the dates of the events can be reconstructed. Pertinent information was not made available for review in the noted file.

1 Violation – 31 Pa. Code §146.7

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

10 Violations – 40 P.S. §1171.5(a)(10)(x)

Making claims payments to insureds or beneficiaries not accompanied by a statement setting forth the coverage under which payments are being made. The required EOB statements or a statement describing the payment was not made available for review in the 10 noted files.

D. Individual Endowment Life Claims

The Company was requested to provide a list of claims received during the experience period. The Company identified 6 endowment life claims received. All 6 claims were requested, received and reviewed. Only 2 files were reviewed, with the remaining 4 files representing claims associates with policies issued by an AIG Company that is not in the scope for this examination. The claim files were reviewed for compliance with 31 Pa. Code §146 and 40 P.S. §511B, Payment of Interest. The following violation was noted:

1 Violation – 40 P.S. §323.3(a)

Every company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, in its discretion, may require in order that its authorized representatives may readily verify the financial condition of the company or person and ascertain whether the company or person has complied with the laws of this Commonwealth. Four (4) files were issued by The United States Life Insurance Company which is not a part of the scope of this examination resulting in one (1) violation.

E. Individual Annuity Claims

The Company was requested to provide a list of claims received during the experience period. The Company identified a universe of 3,412 annuity claims. A random sample of 20 claims was requested, received and reviewed. The claim files were reviewed for compliance with 31 Pa. Code §146. The following violations were noted:

4 Violations – 31 Pa. Code §146.5

Every insurer, upon receiving notification of a claim, shall within ten working days, acknowledge the receipt of such notice unless payment is made within such period of time. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated. The Company did not provide evidence that an acknowledgment to the notification was provided within 10 working days in the 4 noted files.

4 Violations – 31 Pa. Code §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 4 noted claims.

1 Violation – 40 P.S. §1171.5(a)(10)(x)

Making claims payments to insureds or beneficiaries not accompanied by a statement setting forth the coverage under which payments are being made. The

EOB statement which should accompany claim payments was not made available for review in the noted file.

1 Violation – 40 P.S. §1171.5(a)(10)(iii)

“Unfair methods of competition” and “unfair or deceptive acts or practices” in the business of insurance means: Any of the following acts if committed or performed with such frequency as to indicate a business practice shall constitute unfair claim settlement or compromise practices: Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies. The Company did not implement reasonable standards for the prompt investigation of claim; specifically regarding the annuitization in the noted file.

1 Violation – 40 P.S. §1171.5(a)(10)(iv)

“Unfair methods of competition” and “unfair or deceptive acts or practices” in the business of insurance means: Any of the following acts if committed or performed with such frequency as to indicate a business practice shall constitute unfair claim settlement or compromise practices: Refusing to pay claims without conducting a reasonable investigation based upon all available information. The Company did not properly investigate the policy annuitization in the noted file.

1 Violation – 40 P.S. §1171.5(a)(10)(vi)

“Unfair methods of competition” and “unfair or deceptive acts or practices” in the business of insurance means: Any of the following acts if committed or performed with such frequency as to indicate a business practice shall constitute unfair claim settlement or compromise practices: Not attempting in good faith to effectuate prompt, fair and equitable settlements of claims in which the company’s liability under the policy has become reasonably clear. The Company did not properly investigate the policy annuitization in the noted file.

XI. MCAS REPORTING

A. Life

In Pennsylvania, insurers are required annually to submit a Market Conduct Annual Statement (MCAS) to the National Association of Insurance Commissioners (NAIC). The review of MCAS data was conducted pursuant to the authority granted by Section 903 and 904 (40 P.S. §323.3 and 323.4) of the Insurance Department Act and covered the Market Conduct Annual Statement (MCAS) reporting for 2015.

The Examination team reviewed the Company's 2015 MCAS submissions. All companies that submit an MCAS filing must attest to the completeness and accuracy of their submissions. The attestation is required once per filing period and applies to all submissions for a specific company code. No submission will be accepted until an attestation is completed for the company. Below are the sections that were reviewed.

A.	Number of replacement policies issued during the period.
B.	Number of policies replaced where age of insured at replacement was < 65.
C.	Number of policies replaced where age of insured at replacement was age 65 and over.
D.	Number of policies surrendered during the period.-
E.	Number of new policies issued during the period where age of insured at issue was age 65 and over.
F.	Number of new policies issued during the period.
G.	Number of free looks during the period.
H.	Number of policies in force at the end of the period.

I.	Dollar amount of direct written premium during the period.
J.	Number of complaints received directly from any period or entity other than the DOI.
K.	Number of death claims closed with payment, during the period, within 60 days from the date of due proof of loss (include only claims where the final decision was payment in full).
L.	Number of death claims closed with payment, during the period, beyond 60 days from the date of due proof of loss (include only claims where the final decision was payment in full).
M.	Number of death claims denied, resisted or compromised during the period.
N.	Number of death claims received during the period.

The review consisted of three phases, as noted below.

Phase 1

The Company was asked to provide the claims and policy data listings that support the 2015 MCAS filing. Each list contained the claims and policy numbers for each category. The 2015 data submitted was validated to ensure the information was accurate and consistent with the information provided to the NAIC.

The following findings were made:

6 Violations – 40 P.S. §323.4(b)

Requires every company or person from whom information is sought must provide to the examiners timely, convenient and free access to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The Company failed to provide 2015 data that was consistent with the information

provided to the NAIC for one (1) claim category and five (5) underwriting categories.

Phase 2

The Company was asked to provide the claims and policy data listings which supported the 2015 MCAS filing. From each universe list of 2015 data, a random sample of five (5) claims or policy files was requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's statutes and Regulations.

The following findings were noted:

5 Violations – 40 P.S. §323.4(b)

Requires every company or person from whom information is sought must provide to the examiners timely, convenient and free access to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The Company failed to provide accurate data for three (3) underwriting categories and two (2) claim categories.

Phase 3

A review was performed on various policies and claims provided in the Market Conduct portion of the exam to ensure the MCAS data was inclusive of all the policies applicable to each line item. The files were reviewed to ensure compliance with the commonwealth of Pennsylvania's Statutes and Regulations. No violations were noted.

B. Annuity

In Pennsylvania, insurers are required annually to submit a Market Conduct Annual Statement (MCAS) to the National Association of Insurance Commissioners (NAIC). The review of MCAS data was conducted pursuant to the authority granted by Section 903 and 904 (40 P.S. §323.3 and 323.4) of the Insurance Department Act and covered the Market Conduct Annual Statement (MCAS) reporting for 2015.

The Examination team reviewed the Company's 2015 MCAS submissions. All companies that submit an MCAS filing must attest to the completeness and accuracy of their submissions. The attestation is required once per filing period and applies to all submissions for a specific company code. No submission will be accepted until an attestation is completed for the company. Below are the sections that were reviewed.

A.	Number of replacement contracts issued during the period.
B.	Number of contracts replaced where age of insured at replacement was <65.
C.	Number of contracts replaced where age of annuitant at replacement was age 65 to 80.
D.	Number of contracts where age of annuitant at replacement was > 80.
E.	Number of new immediate contracts issued during the period.
F.	Number of new deferred contracts issued during the period.
G.	Number of contracts surrendered during the period.
H.	Number of contracts applied for during the period.
I.	Number of free looks during the period.
J.	Number of contract in force at the end of the period.
K.	Dollar amount of annuity considerations during the period.
L.	Number of complaints received directly from any person or entity other than the DOI.

The review consisted of three phases, as noted below.

Phase 1

The Company was asked to provide the claims and policy data listings that support the 2015 MCAS filing. Each list contained the claims and policy numbers for each category. The 2015 data submitted was validated to ensure the information was accurate and consistent with the information provided to the NAIC. No violations were noted.

Phase 2

The Company was asked to provide the claims and policy data listings which supported the 2015 MCAS filing. From each universe list of 2015 data, a random sample of five (5) claims or policy files was requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's statutes and Regulations.

The following findings were noted:

3 Violations – 40 P.S. §323.4(b)

Requires every company or person from whom information is sought must provide to the examiners timely, convenient and free access to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The Company failed to provide accurate data for three (3) underwriting categories.

Phase 3

A review was performed on various policies and claims provided in the Market Conduct portion of the exam to ensure the MCAS data was inclusive of all the policies applicable to each line item. The files were reviewed to ensure compliance with the commonwealth of Pennsylvania's Statutes and Regulations. No violations were noted.

XII. RECOMMENDATIONS

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

1. The Company must review and revise internal control procedures to ensure compliance with the replacement requirements of 31 Pa. Code, Chapter 81.
2. The Company must review internal control procedures to ensure compliance with disclosure requirements of 31 Pa. Code, Chapter 83.
3. The Company must review and revise internal control procedures to ensure compliance with Unfair Insurance Practices as per 31 Pa. Code, Chapter 146.
4. The Company must review and revise Licensing procedures to ensure compliance with 40 P.S. §§310.71(a) and 310.71a(a).
5. The Company must review and revise its general business practices to ensure compliance with 40 P.S. §323.3 relative to the authority, scope and scheduling of examinations.
6. The Company must review and revise its internal controls to ensure that all records and documents are maintained in accordance with 40 P.S. §323.4 so that violations noted in the Report do not occur in the future.

7. The Company must implement procedures to ensure compliance with 40 P.S. §477b.
8. The Company must review internal control procedures to ensure compliance with 40 P.S. §510d relative to notice of contract holder's right to examine annuity or pure endowment contracts.
9. The Company must review internal control procedures to ensure compliance with 40 P.S. §512; application for insurance and insurable interest.
10. The Company must review internal control procedures to ensure compliance with 40 P.S. §532.6 relative to standard policy provisions.
11. The Company must review internal control procedures to ensure compliance with 40 P.S. §532.7; notice of conversion provisions.
12. The Company must implement procedures to ensure compliance with the policy delivery receipt requirements of 40 P.S. §625-4.
13. The Company must implement procedures to ensure compliance with the requirements of 40 P.S. §1171.5, Insurance Department Act of 1921 "Unfair Methods of Competition" and "Unfair or Deceptive Acts or Practices.

14. The Company must review 18 Pa. C.S. §4117(k)(1) to ensure that violations regarding the requirement of a fraud warning on all applications and claim forms, as noted in the Report, do not occur in the future.

XIII. COMPANY RESPONSE



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April 26, 2017

Via Email: dfleischau@pa.gov

Ms. Donna Fleischauer
Life & Health Division Chief
Commonwealth of Pennsylvania Insurance Department
1321 Strawberry Square
Harrisburg, PA 17120

RE: Report on Market Conduct Examination of American General Life
Insurance Company, NAIC 60488
Examination Warrant Number: 16-M25-005

Dear Ms. Fleischauer:

On behalf of American General Life Insurance Company (hereinafter "the Company"), we respectfully submit the following response to the Pennsylvania Insurance Department's Report of Examination ("the Report"). An original, hard copy of this letter has been sent to the Department via overnight delivery as per the Department's instructions.

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

The Report cited the Company in specific areas and recommends the Company take corrective action. We reviewed and evaluated the Department's recommendations, and are working with the appropriate business and compliance personnel to improve existing established procedures and implement appropriate corrective action where needed.

The Department noted concerns regarding replacement requirements, disclosure requirements, annuitization procedures, producer licensing, processes and procedures regarding regulatory exams, processes and procedures for policy issuance and administration, delivery receipt requirements, and fraud statements on certain forms. The Company currently has established procedures and controls in place to ensure compliance with applicable requirements. However, as a result of the Department's findings, the Company will review, revise, and/or reinforce those procedures and controls and remind pertinent personnel of applicable requirements as necessary.

As discussed with the Department, there are certain findings in the Report, particularly with regard to replacements, producer licensing, and claims handling practices, where the Company respectfully disagrees with the Department and believes that the findings do not support the alleged



violations. Nevertheless, the Company respects the authority of the Department, and will review those findings and take steps as may be reasonably necessary to address the Department's concerns.

We wish to thank the Pennsylvania Insurance Department for its insight and cooperation throughout the course of the examination. Please contact me at (818) 673-4065 or by email at RegulatoryEventManagement@aig.com if you have any questions or concerns.

Respectfully,

A handwritten signature in black ink, appearing to read "Joe Ayala", with a long horizontal flourish extending to the right.

Joe Ayala
Director
Regulatory Event Management Team
AIG Consumer Insurance - Legal