COMMONWEALTH OF PENNSYLVANIA INSURANCE DEPARTMENT

MARKET CONDUCT
EXAMINATION REPORT

OF

TRANSAMERICA PREMIER LIFE INSURANCE COMPANY

(FORMERLLY KNOWN AS) MONUMENTAL LIFE INSURANCE COMPANY

Cedar Rapids, IA

As of: July 17, 2015
Issued: August 31, 2015

BUREAU OF MARKET ACTIONS
LIFE AND HEALTH DIVISION

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).

Ann M. McClain

Ann M. McClain, Examiner in Charge

Sworn to and Subscribed Before me

This 17 Day of July , 2015

Lucinda T. Wylie

Notary Public

my commission Expires: 3-30-2017

TRANSAMERICA PREMIER LIFE INSURANCE COMPANY
(formerly known as)
MONUMENTAL LIFE INSURANCE COMPANY

Table of Contents

ORDER

I. INTRODUCTION 2

II. SCOPE OF EXAMINATION 4

III. COMPANY HISTORY AND LICENSING 5

IV. PROCEDURES AND GUIDELINES 7

V. PRODUCER LICENSING 8

VI. UNDERWRITING 10

- A. Accident and Sickness Policies Issued 10
- B. Whole Life Policies Issued 11
- C. Term Life Policies Issued 11
- D. Interest Sensitive Whole Life Policies Issued 12
- E. Mortgage Life Policies Issued 13
- F. Whole Life Replacements Issued 13
- G. Term Life Replacements Issued 14
- H. Interest Sensitive Whole Life Replacements Issues 15
- I. Whole Life Conversion Policies Issued 15

VII. CLAIMS 17

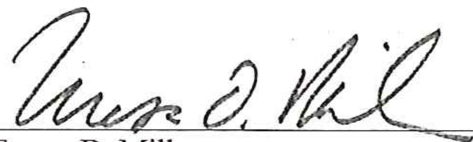
- A. Accident and Sickness Insurance Claims 17
- B. Hospital Expense Insurance Claims 18
- C. Specified Disease Insurance Claims 19
- D. Whole Life Insurance Claims 20
- E. Endowment Insurance Claims 21
- F. Hospital Indemnity Insurance Claims 22
- G. Hospital Surgical Insurance Claims 23

VIII. RECOMMENDATIONS 24

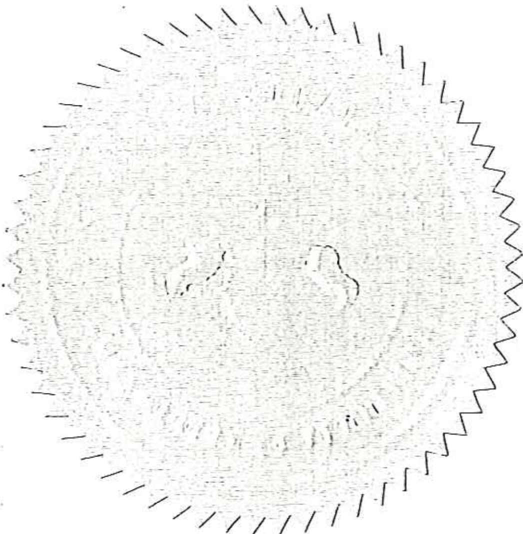
BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 21st day of Jan., 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 Arthur F. McNulty, 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.



Teresa D. Miller
Acting Insurance Commissioner



BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE:	:	VIOLATIONS:
TRANSAMERICA PREMIER LIFE INSURANCE COMPANY	:	40 P.S. §§310.71(c) and 310.71(d)
	:	40 P.S. §§625-4 and 625-8(e)(1)(i)
(formerly known as) MONUMENTAL LIFE INSURANCE COMPANY 4333 Edgewood Road, N.E. Cedar Rapids, IA 52499	:	31 Pa. Code §§146.5, 146.6 and 146.7
Respondent.	:	Docket No. MC15-08-006

CONSENT ORDER

AND NOW, this 28th day of August, 2015, this Order is hereby issued by the Insurance Department of the Commonwealth of Pennsylvania pursuant to the statutes cited above and in disposition of the matter captioned above.

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

2. Respondent hereby waives all rights to a formal administrative hearing in this matter, and agrees that this Consent Order shall have the full force and effect of an

order duly entered in accordance with the adjudicatory procedures set forth in the Administrative Agency Law, supra, or other applicable law.

3. Respondent neither admits nor denies the Findings of Fact or Conclusions of Law contained herein. No acts by Respondent that are alleged to be violations of Pennsylvania law in the referenced provisions were the result of any conscious policy to evade the requirements of Pennsylvania law.

FINDINGS OF FACT

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

(a) Respondent is Transamerica Premier Life Insurance Company, formerly, Monumental Life Insurance Company, and maintains its address at 4333 Edgewood Road, NE, Cedar Rapids, IA 52499.

(b) From September 2009 through December 2009, a market conduct examination of Respondent was conducted by the Insurance Department covering an experience period from July 1, 2008 through June 30, 2009.

(c) The market conduct examination was resolved through an Examination Report and Consent Order dated December 17, 2010.

(d) The Examination Report included nine (9) separate Recommendations which identified corrective measures the Department found necessary as a result of the number of some violations, or the nature and severity of others noted in the Report.

(e) The Consent Order required Respondent to perform a self-audit of all issues addressed in the nine (9) Recommendations found in the Examination Report, within one calendar year from the date of the Order and report the results to the Department.

(f) Subsequently, in April 2012, Respondent conducted a self-audit on seven (7) of the nine (9) Recommendations from the 2010 Examination Report. Respondent and the Department mutually agreed to forego reviewing Recommendation #2 relative to producer licensing and Recommendation #3 relative to missing documents during the self-audit process.

(g) On June 15, 2012, Respondent submitted to the Department a self-audit report for the period June 1, 2011 to December 31, 2011. The Respondent's self-audit report noted non-compliance, with the following Recommendations from the 2010 Examination Report:

(i) Recommendation 1. The Company must review and revise internal control procedures to ensure compliance with the

replacement requirements of Title 31, Pennsylvania Code, Chapter 81;

(ii) Recommendation 4. The Company must review internal control procedures to ensure compliance with application and outline of coverage requirements of Title 31, Pennsylvania Code, Chapter 88;

(iii) Recommendation 5. The Company must review internal control procedures to ensure compliance with disclosure requirements of Title 31, Pennsylvania, Chapter 83;

(iv) Recommendation 6. The Company must review internal control procedures to ensure compliance with illustration certification and delivery requirements of Section 408-A of the Insurance Company Law of 1921 (40 P.S. §625-8);

(v) Recommendation 9. The Company must review and revise internal control procedures to ensure compliance with requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices.

(h) For the five (5) Recommendations listed in paragraph (g) of this Order, the self-audit revealed compliance rates below the NAIC standard of 90% (excludes claims) and 93% (claims only) tolerance thresholds. Failure to comply with the corrective measures listed in the five (5) Recommendations, results in the following violations:

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

(ii) 40 P.S. §625-8(e)(1)(ii), which states if the policy is issued other than as applied for, a revised basic illustration conforming to the policy as issued shall be mailed or delivered with the policy. The revised illustration shall conform to the requirements for basic illustrations contained in this act and shall be labeled "Revised Illustration." The statement shall be signed and dated by the policy owner and producer no later than the time the policy is delivered. A copy shall be provided to the policy owner no later than the time the policy is delivered and to the insurer as soon as practical after the policy is delivered;

(iii) 40 P.S. §625-8(e)(2)(ii), which applies if a computer screen illustration is displayed by a producer. Where a computer screen illustration is used, the producer shall certify in writing on a form provided by the insurer that a computer screen illustration was displayed. Such form shall require the producer to provide, as applicable, the generic name of the policy and any riders illustrated, the guaranteed and non-guaranteed interest rates illustrated, the number of policy years illustrated, the initial death benefit, the premium amount illustrated and the assumed number of years of premiums. On the same form, the applicant shall further acknowledge that an illustration matching that which was displayed on the computer screen will be provided no later than the time the application is provided to the insurer. A copy of this signed form shall be provided to the applicant at the time it is signed;

(iv) 40 P.S. §625-8(e)(2)(iii), which applies if a computer screen illustration is displayed by a producer. If the policy is issued, a basic illustration conforming to the policy as issued shall be sent with the policy and signed by the policy owner no later than the time the policy is delivered. A copy shall be provided to the policy owner at the time the policy is delivered and to the insurer;

(v) 40 P.S. §625-8(e)(3)(ii), which applies if an illustration is used by a producer in the sale of a life insurance policy but the policy applied for is other than as illustrated. If the policy is issued, a basic illustration conforming to the policy as issued shall be sent with the policy and signed by the policy owner no later than the time the policy is delivered. A copy shall be provided to the policy owner no later than the time the policy is delivered and to the insured as soon as practical after the policy is delivered;

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

(vii) 31 Pa. Code §83.3, which requires written disclosure. A life insurance agent, broker or insurer soliciting life insurance shall provide a prospective purchaser with a written disclosure statement clearly labeled as such;

(viii) 31 Pa. Code §§83.3(a) (1), (2), (3), (4), (5), (6) and (7), which requires a disclosure statement to be a document which shall describe

the purpose and importance of the disclosure and describe the significant elements of the policy and riders being offered;

(ix) 31 Pa. Code §83.4(a), which states the agent shall submit to the insurer with or as a part of the application for life insurance a statement, signed by him, certifying that the written disclosure statement was given no later than the time that the application was signed by the applicant;

(x) 31 Pa. Code §83.4(b), which requires the insurer to maintain the agent's certification of disclosure statement delivery in its appropriate files for at least three (3) 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;

(xi) 31 Pa. Code §§83.55(a) and 83.55(b), which requires (a) the agent to submit to the insurer a statement, signed by him, certifying that the surrender comparison index disclosure was given upon delivery of the policy or earlier at the request of the life insurance applicant; and (b) the insurer shall maintain the agent's certification of surrender comparison index disclosure delivery in its appropriate files for at least three (3) years or until the conclusion of the next succeeding regular examination by the insurance department of its domicile, whichever is later. The

absence of the agent's certification from the files of the insurer shall constitute *prima facie* evidence that no surrender comparison index disclosure was provided to the prospective purchaser of life insurance;

(xii) 31 Pa. Code §88.181, states no policy may be delivered or issued for delivery in this Commonwealth unless an appropriate outline of coverage, as prescribed by this chapter, either accompanies the policy or contract or is delivered at the time application is made;

(xiii) 31 Pa. Code §146.5(a), which requires every insurer, upon receiving notification of a claim, shall within ten (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;

(xiv) 31 Pa. Code §146.6, which 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;

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

(i) On July 16, 2012 through November 8, 2012, the Department performed a validation review to determine the accuracy of the Respondent's self-audit report and noted the same violations reported by Respondent and referenced in items (h)(i) through (h)(xv) above.

(j) During its validation review, the Department also noted the following additional violations:

(i) 40 P.S. §625-8(c)(4)(i), which requires a statement to be signed and dated by the applicant or the policy owner in the case of an illustration provided at time of delivery, reading as follows: "I have received a copy of this illustration and understand that any non-guaranteed elements illustrated are subject to change and could be either higher or lower. The producer has told me they are non-guaranteed.";

(ii) 31 Pa. Code §83.55(c), which requires that if it is the practice of the insurer to mail the policy directly to the applicant, the appropriate officer of the insurer shall certify, in conjunction with the annual

statement of the insurer, that in accordance with this subchapter surrender comparison index disclosures have been included with policies at delivery or provided earlier upon request. Failure to certify shall constitute *prima facie* evidence that surrender comparison index disclosures have not been provided to prospective purchasers of life insurance.

(k) From May 2015 through July 2015, a market conduct re-examination of Respondent, formerly known as Monumental Life Insurance Company, was conducted by a representative of the Insurance Department covering an experience period from November 1, 2013 through October 31, 2014. The re-examination was to review compliance with the nine (9) recommendations in the December 17, 2010, Examination Report.

(l) On July 17, 2015, the Insurance Department issued a Market Conduct Examination Report to Respondent.

(m) A response to the Examination Report was provided by Respondent on August 17, 2015.

(n) The Re-Examination Report notes violations of the following:

(i) 40 P.S. §310.71(c), which requires an insurer that appoints an insurance producer shall file with the Department a notice of appointment. This notice shall state for which companies within the insurer's holding company a group the appointment is made;

(ii) 40 P.S. §310.71(d), which states once appointed, an insurance producer shall remain appointed by an insurer until such time as the insurer terminates the appointment in writing to the insurance producer's license is suspended, revoked or otherwise terminated;

(iii) 40 P.S. §625-4, which requires when the individual policy or annuity is delivered to the policyholder by the producer by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set and state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery receipt, and such date shall commence any applicable policy or annuity examination period. Copies of the delivery receipt must be provided to the policyholder on the date of policy or annuity delivery and to the issuing insurer. When the individual policy or annuity is delivered by a means other than by hand- delivery by the producer, the insurer shall establish appropriate means of verifying delivery by the producer of the policy or annuity and

of establishing the date from which any applicable policy or examination period shall commence;

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

(v) 31 Pa. Code §146.5, which requires every insurer, upon receiving notification of a claim, shall within 10 working days, acknowledge the receipt of such notice unless payment is made within such period of time. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgement shall be made in the claim file of the insurer and dated;

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

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

CONCLUSIONS OF LAW

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

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

(b) Respondent's violations of Section 40 P.S. §310.71(c) and 310.71(d) 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 Sections 40 P.S. §§625-4 and 625-8 are punishable by the following, under 40 P.S. §625-10: Upon determination by hearing that this act has been violated, the commissioner may issue a cease and desist order, suspend, revoke or refuse to renew the license, or impose a civil penalty of not more than $5,000 per violation.

(d) Respondent's violations of 31 Pa. Code §§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.

(e) 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).

<u>ORDER</u>

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

(a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.

(b) Respondent shall file an affidavit stating under oath that it will provide each of its directors, at the next scheduled directors meeting, a copy of the adopted Report and related Orders. Such affidavit shall be submitted within thirty (30) days of the date of this Order.

(c) Respondent shall comply with all recommendations contained in the attached Report.

(d) Respondent shall develop and implement a Corrective Action Plan. The Corrective Action Plan shall include procedures necessary to address and remediate all recommendations in the attached Report. This Corrective Action Plan shall be submitted within thirty (30) days of the date of this Order.

(e) Respondent shall pay Forty Thousand Dollars ($40,000.00) to the Commonwealth of Pennsylvania in settlement of all violations contained in the Report.

(f) Payment of this matter shall be made by check payable to the Pennsylvania Insurance Department. Payment should be directed to April Phelps, Bureau of Market Actions, 1311 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.

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

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

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

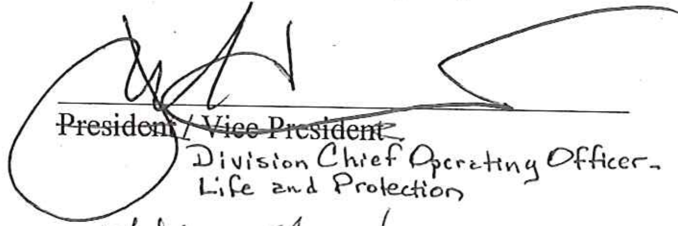
10. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

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

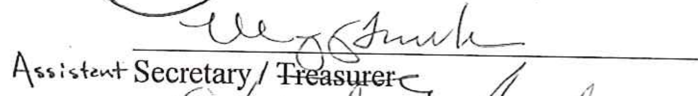
12. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegee is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law

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

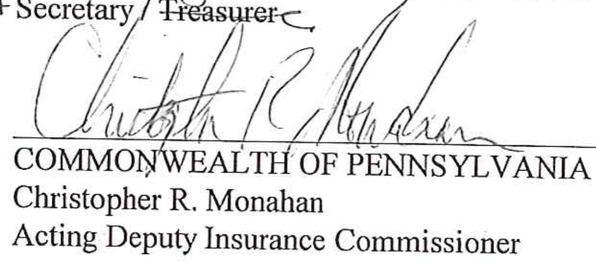
BY: TRANSAMERICA PREMIER LIFE INSURANCE COMPANY, Respondent



~~President / Vice President~~ Division Chief Operating Officer - Life and Protection



Assistant Secretary / ~~Treasurer~~



COMMONWEALTH OF PENNSYLVANIA
Christopher R. Monahan
Acting Deputy Insurance Commissioner

I. INTRODUCTION

The Market Conduct Re-examination was conducted on Monumental Life Insurance Company, which entity name was changed to Transamerica Premier Life Insurance Company, hereafter referred to as "Company;" by Examination Resources, LLC (ER), a contract examination firm headquartered in Atlanta, GA. The re-examination was conducted, at the Company's office located in Cedar Rapids, Iowa, May 4, 2015 through May 8, 2015. Subsequent review and follow-up was conducted remotely from the offices of the contracting examiners.

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 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 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 re-examination, Company officials were provided written summaries, 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 re-examination and review exit written summaries.

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

The following examiners participated in the Re-examination and in the preparation of this Report:

Deborah Lee, Market Conduct Division Chief, PA Insurance Dept.
Ann McClain, CIE, AMCM, CICSR, FLMI, FLHC, AIRC, CCP, Examiner-in-Charge
Tim Kelley, MCM, J.D., Examiner
Parker Stevens, FLMI, AIRC, AMCM, CIE, MPM, Data/ACL Specialist
Craig L. Leonard, CPCU, CCP, CIE, FLMI, ARC, AIAF, ARM, Exam Supervisor

II. SCOPE OF EXAMINATION

The Market Conduct Re-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 November 1, 2013 through October 31, 2014, unless otherwise noted. The purpose of the re-examination was to ensure compliance with Pennsylvania insurance laws and regulations.

The re-examination focused on the Company's operations in the following areas: Producer Licensing, Underwriting Practices and Procedures, and Claim Handling Practices and Procedures. The Department defined the product areas to be included in the review, and limited the practices and procedures to be tested based on the nine (9) recommendations included in the 2010 Market Conduct Examination Report, conducted by the Pennsylvania Insurance Department.

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 re-examination. Sample sizes were pre-determined by the Department.

III. COMPANY HISTORY AND LICENSING

Maryland Mutual Life and Fire Insurance Company incorporated in accordance with the laws of the State of Maryland on March 5, 1858. Operations commenced on May 22, 1860. In 1870, the name changed to Mutual Life Insurance Company of Baltimore. The Company converted to a stock company in 1928 and changed its name to Monumental Life Insurance Company during 1935. On July 31, 2014, the Company adopted its current name, Transamerica Premier Life Insurance Company.

In 1986 AEGON N.V., a Netherlands Corporation purchased Monumental Life Insurance Company, which became an indirectly wholly owned subsidiary of AEGON USA, Inc. (now AEGON USA, LLC). Commonwealth General Corporation currently owns 100% of Transamerica Premier Life Insurance Company. Commonwealth General Corporation is owned by AEGON USA, LLC. AEGON USA, LLC is a subsidiary of AEGON U.S. Holding Corporation, an indirect, wholly owned subsidiary of AEGON N.V.

On November 30, 1998, three affiliated life insurance companies merged into Monumental Life Insurance Company. The names and states of domicile of these three companies are as follows: Capital Security Life Insurance Company (North Carolina), Commonwealth Life Insurance Company (Kentucky), and Peoples Security Life Insurance Company (North Carolina).

On October 1, 2004 an affiliated life insurance company, Pension Life Insurance Company of America (New Jersey) merged into Monumental Life Insurance Company.

On April 1, 2007, Monumental Life Insurance Company re-domiciled from Maryland to Iowa. The Company's main administrative offices are located in Cedar Rapids, Iowa.

On October 1, 2007, an affiliated life insurance company, Peoples Benefit Life Insurance Company (Iowa), merged into Monumental Life Insurance Company.

On July 31, 2014, Monumental Life Insurance Company's name was changed to Transamerica Premier Life Insurance Company.

On October 1, 2014, an affiliated life insurance company, Western Reserve Life Assurance Co. of Ohio (Ohio), merged into Transamerica Premier Life Insurance Company.

As of their 2014 Annual Statement for Pennsylvania, Transamerica Premier Life Insurance Company reported Life Insurance Direct Premium and Annuity Considerations in the amount of $93,423,013.

The Company's Certificate of Authority to write business in the Commonwealth of Pennsylvania was last issued on April 15, 2015. The Company is licensed in all states with the exception of New York.

IV. PROCEDURES AND GUIDELINES

The Company was requested to provide documentation of procedure revisions and confirmation of producer training in response to the 2010 Market Conduct Examination Report recommendations. The documentation was reviewed to determine procedures were revised to bring the practices into compliance with statutes and regulations.

The following procedures and training documentation were reviewed:

1. Basic Claims Examination and Review Process Guidelines;
2. Disclosure Forms Requirements;
3. Replacement Procedures; and
4. Producer Training and Producer Certificates of Completion.

The examiners requested the Company detail the steps taken to reach compliance with the findings of the 2010 examination report. The response provided by the Company was reviewed to determine whether appropriate steps were taken to comply.

The review determined the Company made the revisions and took the necessary steps required to comply with the recommendations in the 2010 examination report.

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 if terminated for cause.

The Company provided a list of 36 active and terminated producers. A random sample of 25 producers was compared to departmental records of producers to verify appointments, terminations and licensing. The following violations were noted:

1 Violation - 40 P.S. §310.71

(c) Notification to department. – An insurer that appoints an insurance producer shall file with the department a notice of appointment. The notice shall state for which companies within the insurer's holding company system or group the appointment is made.

The Company failed to file a notice of appointment for the following producer. The Company listed the producer as active; however, Department records did not indicate the appointment.

PRODUCER
Charlotte Hillegas

1 Violation - 40 P.S. §310.71

(d) Termination of appointment. – Once appointed, an insurance producer shall remain appointed by an insurer until such time as the insurer terminates the appointment in writing to the insurance producer or until the insurance producer's license is suspended, revoked or otherwise terminated.

The Company failed to provide one producer with the required notification of termination.

PRODUCER
Charlotte Hillegas

VI. UNDERWRITING

The Underwriting review was performed in nine (9) general product areas.

A. Accident and Sickness Policies Issued
B. Whole Life Policies Issued
C. Term Life Policies Issued
D. Interest Sensitive Whole Life Policies Issued
E. Mortgage Life Policies Issued
F. Whole Life Replacements Issued
G. Term Life Replacements Issued
H. Interest Sensitive Whole Life Replacements Issued
I. Whole Life Conversion Policies Issued

Each product was reviewed for compliance with underwriting practices. Such review was limited to those procedures determined by the Department in conjunction with the recommendations specified in the 2010 Market Conduct Examination Report.

A. Accident and Sickness Policies Issued

The Company was requested to provide a list of all policies issued during the experience period. The Company identified a list of 92 accident and sickness policies issued. A random sample of 50 policy files was requested, received and reviewed. The policy files were reviewed to determine compliance with 31 Pa. Code §88.181, which states that, "No policy may be delivered or issued for delivery in this commonwealth unless an appropriate outline of coverage, as prescribed by this chapter, either accompanies the policy or contract or is delivered at the time the application is made." No violations were noted in the files reviewed.

B. Whole Life Policies Issued

The Company was requested to provide a list of policies issued during the experience period. The Company identified a universe of 649 whole life policies issued during the experience period. A random sample of 50 policy files were requested, received and reviewed. The policy files were reviewed to determine compliance specifically with statutory and regulatory requirements related to producer solicitation disclosures and proof of policy delivery. The following violations were noted:

16 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 16 files noted.

C. Term Life Policies Issued

The Company was requested to provide a list of policies issued during the experience period. The Company identified a universe of 300 term life policies

issued during the experience period. A random sample of 50 policies was requested, received and reviewed. The policy files were reviewed to determine compliance specifically with statutory and regulatory requirements related to the policy delivery. The following violations were noted:

8 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 eight (8) files noted.

D. Interest Sensitive Whole Life Policies Issued

The Company was requested to provide a list of policies issued during the experience period. The Company identified a universe of 1,480 interest sensitive life policies issued during the experience period. A random sample of 50 policy files was requested, received and reviewed. The policy files were reviewed to determine compliance specifically with statutory and regulatory requirements related to the producer solicitation disclosures, the delivery of illustrations, and the

surrender comparison index disclosure. No violations were noted in the files reviewed.

E. Mortgage Life Policies Issued

The Company was requested to provide a list of all policies issued during the experience period. The Company did not have any Mortgage Life policies issued during the timeframe of the exam. The product that was coded during the last exam as mortgage life is decreasing term life insurance, that has the marketing name of 15 or 30 year Mortgage Protection. This decreasing term life insurance had sales discontinued at year end 2012.

F. Whole Life Replacements Issued

The Company was requested to provide a list of whole life policies issued as replacements during the experience period. The Company identified a universe of 75 whole life policies issued as replacements during the experience period. A random sample of 30 policies were requested, received and reviewed. The policy files were reviewed to determine compliance specifically with statutory and regulatory requirements related to producer solicitation disclosures, surrender comparison index disclosures, and proof of policy delivery. The following violations were noted:

6 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 the date of policy delivery could not be established in the six (6) files noted.

G. Term Life Replacements Issued

The Company was requested to provide a list of term life policies issued as replacements during the experience period. The Company identified a universe of 36 term life policies issued as replacements during the experience period. A random sample of 30 policies were requested, received and reviewed. The policy files were reviewed to determine compliance specifically with statutory and regulatory requirements related to producer solicitation disclosures and delivery of illustrations. The following violations were noted:

2 Violations – 40 P.S. §625-8

If the policy is applied for as illustrated, a copy of that illustration, signed in accordance with this section, shall be submitted to the insurer no later than the time the policy application is sent to the insurer. A copy shall also be provided to the applicant no later than the time the application is signed by the applicant. Evidence of the signed certification and acknowledgement of an illustration was not found in the two (2) files noted.

H. Interest Sensitive Whole Life Replacements Issues

The Company was requested to provide a list of policies that were issued as replacements during the experience period. The Company identified a universe of 147 life policies issued as replacements (interest sensitive) during the experience period. A random sample of 30 files were requested, received and reviewed. The policy files were reviewed to determine compliance specifically with statutory and regulatory requirements related to producer solicitation disclosure, replacement forms, replacement letters to company, and proof of policy delivery. No violations were noted in the files reviewed.

I. Whole Life Conversion Policies Issued

The Company was requested to provide a list of policies issued during the experience period. The Company identified a universe of 388 whole life term conversion policies during the experience period. A random sample of 30 files were requested, received and reviewed. The policy files were reviewed to determine compliance specifically with statutory and regulatory requirements related to delivery of illustrations and proof of policy delivery. The following violations were noted:

11 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 the date of policy delivery could not be established in the 11 files noted.

VII. CLAIMS

The claim file review was performed in seven (7) general product areas.

A. Accident and Sickness Insurance Claims
B. Hospital Expense Insurance Claims
C. Specified Disease Insurance Claims
D. Whole Life Insurance Claims
E. Endowment Insurance Claims
F. Hospital Indemnity Insurance Claims
G. Hospital Surgical Insurance Claims

All claim files sampled were reviewed for compliance with requirements of the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171) and 31 Pa. Code, Chapter 146, Unfair Claims Settlement Practices.

A. Accident and Sickness Insurance Claims

The Company was requested to provide a list of claims received during the experience period. The Company identified 133 accidental sick claims received. A random sample of 25 claims was requested, received and reviewed. The claim files were reviewed to ensure that the Company's claims adjudication process was adhering to the provisions of the policy contract, as well as complying with pertinent state insurance laws and regulations. The following violations were noted:

1 Violation – 31 Pa. Code §146.5

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.

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. Verification of acknowledgement within 10 working days could not be established in the claim noted.

1 Violation - 31 Pa. Code §146.7

Within 15 working days after receipt by the insurer of properly executed proofs of loss, the insurer shall advise the first-party claimant of the acceptance or denial of the claim. Verification of acceptance or denial within 15 working days could not be established in the claim noted.

B. Hospital Expense Insurance Claims

The Company was requested to provide a list of hospital expense insurance claims received during the experience period. The Company identified 4 hospital expense claims received. All four claims were requested, received and reviewed. The claim files were reviewed to ensure that the Company's claims adjudication process was adhering to the provisions of the policy contract, as well as complying with pertinent state insurance laws and regulations. The following violations were noted:

1 Violation - 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. 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. Verification of acknowledgement within 10 working days could not be established in the claim noted.

1 Violation - 31 Pa. Code §146.7

Within 15 working days after receipt by the insurer of properly executed proofs of loss, the insurer shall advise the first-party claimant of the acceptance or denial of the claim. Verification of acceptance or denial within 15 working days could not be established in the claim noted.

C. Specified Disease Insurance Claims

The Company was requested to provide a list of specified disease insurance claims received during the experience period. The Company identified 43 specified disease received. A random sample of 25 claims was requested, received and reviewed. The claim files were reviewed to ensure that the Company's claims adjudication process adhered to the provisions of the policy contract, as well as complying with pertinent state insurance laws and regulations. The following violations were noted:

1 Violation - 31 Pa. Code §146.5

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. 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. Verification of acknowledgement within 10 working days could not be established in the claim noted.

1 Violation - 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. Verification of a 30 day timely status letter could not be established in the claim noted.

1 Violation – 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. Verification of a 45 day timely status letter could not be established in the claim noted.

4 Violations - 31 Pa. Code §146.7

Within 15 working days after receipt by the insurer of properly executed proofs of loss, the insurer shall advise the first-party claimant of the acceptance or denial of the claim. Verification of acceptance or denial within 15 working days could not be established in the four (4) claims noted.

D. Whole Life Insurance Claims

The Company was requested to provide a list of whole life insurance claims received during the experience period. The Company identified 5,756 whole life claims received. A random sample of 75 claims was requested, received and reviewed. The claim files were reviewed to ensure that the Company's claim adjudication process was adhering to the provisions of the policy contract, as well

as complying with pertinent state insurance laws and regulations. The following violations were noted:

4 Violations – 31 Pa. Code §146.5

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. 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. Verification of acknowledgement within 10 working days could not be established in the four (4) claims noted.

15 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. Verification of acceptance or denial within 15 working days could not be established in the 15 claims noted.

E. Endowment Insurance Claims

The Company was requested to provide a list of endowment insurance claims received during the experience period. The Company identified 3 endowment insurance claims received. All 3 claims were requested, received and reviewed. The claim files were reviewed to ensure that the Company's claims adjudication process was adhering to the provisions of the policy contract, as well as complying with pertinent state insurance laws and regulations. The following violation was noted:

1 Violation – 31 Pa. Code §146.7

Within 15 working days after receipt by the insurer of properly executed proofs of loss, the insurer shall advise the first-party claimant of the acceptance or denial of the claim. Verification of acceptance or denial within 15 working days could not be established in the claim noted.

F. Hospital Indemnity Insurance Claims

The Company was requested to provide a list of hospital indemnity insurance claims received during the experience period. The Company identified 44 hospital indemnity claims received. A random sample of 12 claims was requested, received and reviewed. The claim files were reviewed to ensure that the Company's claims adjudication process was adhering to the provisions of the policy contract, as well as complying with pertinent state insurance laws and regulations. The following violations were noted:

1 Violation - 31 Pa. Code §146.5

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. 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 Verification of acknowledgement within 10 working days could not be established in the claim noted.

1 Violation - 31 Pa. Code §146.7

Within 15 working days after receipt by the insurer of properly executed proofs of loss, the insurer shall advise the first-party claimant of the acceptance or

denial of the claim. Verification of acceptance or denial within 15 working days could not be established in the claim noted.

G. Hospital Surgical Insurance Claims

The Company was requested to provide a list of hospital surgical insurance claims received during the experience period. The Company double checked its records and verified there were not any Hospital Surgical claims submitted, paid or denied during the timeframe of the exam.

VIII. 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 statutory or regulatory violations, noted in the Report.

1. The Company must review Licensing procedures to ensure compliance with 40 P.S. §310.71.

2. The Company must implement procedures to ensure compliance with the policy delivery receipt requirements of 40 P.S. §625-4.

3. The Company must review internal control procedures to ensure compliance with illustration certification and delivery requirements of 40 P.S. §625-8.

4. The Company must increase quality control and internal control procedures to ensure compliance with requirements of 31 Pa. Code, Chapter 146, Unfair Claims Settlement Practices.

RESPONSE OF

MONUMENTAL LIFE INSURANCE COMPANY
(N/K/A Transamerica Premier Life Insurance Company)

To

Report of Examination

Prepared by the Pennsylvania Insurance Department

Examination Warrant Number: 15-M21-001

I. Introduction

Monumental Life Insurance Company (n/k/a Transamerica Premier Life Insurance Company and hereinafter "the Company") does not have any comments regarding this section of the Report of Examination.

II. Scope of Examination

The Company does not have any comments regarding this section of the Report of Examination.

III. Company History and Licensing

Immediately after the 6th paragraph, the Company respectfully requests that the Report be amended as follows to reflect the subsequent event of the change in the Company's name:

On July 31, 2014, Monumental Life Insurance Company's name was changed to Transamerica Premier Life Insurance Company.

The last paragraph of this section contains an error regarding the states in which the Company is licensed. The Company is licensed in all states except the state of New York. The Company respectfully requests that the last sentence be amended as follows:

The Company is licensed in all states with the exception of New York.

IV. Procedures and Guidelines

The Company does not have any comments regarding this section of the Report of Examination.

V. <u>Producer Licensing</u>

In response to the allegation that the Company violated Insurance Department Insurance Department Act, No. 147, Section 671-A (40.P.S §310.71(c)), the Company acknowledges it was unable to verify the appointment for one producer of 25 sampled by the examiner. The Company contracts with a third party vendor to submit appointment and termination transactions to the state. In one instance, the Company received documentation from its vendor showing that the state accepted the appointment request of 2/23/2011 on 3/21/2011. The Company acted in good faith by using the documentation provided by the vendor and has not identified other instances where the requested appointment was not accepted by the state. The Company has no knowledge of why this single appointment transaction was not recorded with the Department of Insurance, but considers this an anomaly as no other violations were reported. Upon further review, please be advised that the producer in question did not

submit any business to the Company. Further, the Company's process is to order the producer's appointment electronically and once confirmation from the state is received, it is maintained in the producer file.

In response to the allegation that the Company violated Insurance Department Insurance Department Act, No. 147, Section 671-A (40.P.S §310.71(d)), the Company acknowledges it was unable to locate a copy of the termination letter sent to one producer of the 25 termination files reviewed by the examiner.

A single alleged violation of an appointment not being recorded by the Department of Insurance and not sending a letter to a terminated producer resulted in a 4% error ratio for each category tested which is within the 10% error ratio set forth in the NAIC Market Regulation Handbook. In light of the allegations, the Company reinforced its appointment and termination procedures with the Producer Licensing Department.

VI. Underwriting

(A) Accident and Sickness, (D) Interest Sensitive Whole Life Issue, (E) Mortgage Life Issued and (H) Interest Sensitive Whole Life Replacements Issued.

The Company does not have any comments regarding these sections of the Report of Examination.

(B) Whole Life Polices Issued, (C) Term Life Policies Issued, (F) Whole Life Replacement Issued, and (I) Whole Life Conversion Policies Issued.

In response to the allegation that the Company violated 404 A (§40 P.S. 625-4), the Company acknowledges that it could not provide documentation that it had mailed the policies contained in the Report. Subsequent to the prior examination, the Company had implemented a new procedure to track the information. Unfortunately it was a labor intensive process and has allowed for human error. In light of the change in the regulation which is effective September 9, 2015, the Company will seek an alternative procedure or enhance the current one in place to ensure that it can satisfy the Department of Insurance that policies are being mailed for delivery.

(G.) Term Life Replacements Issued

In response to the allegation that the Company violated 404 A (40 P.S. §625-8), the Company acknowledges it was unable to locate the signed illustration certification and acknowledgement for one policy and an illustration certification form was not completed appropriately in another policy. This resulted in two violations of 30 policy files reviewed by the examiner.

These violations resulted in a 6.6% error rate which is within the 10% error ratio set forth in the NAIC Market Regulation Handbook. The Company has reinforced its illustration procedures with the New Business and Underwriting Departments.

VII. Claims-Life Claims

(D) Whole Life

In response to the allegation that the Company violated 31Pa. Code § 146.5, the Company acknowledges that four whole life policy claims of 75 claim files reviewed were not acknowledged within 10 working days of receipt of notice. These violations result in an error rate of 5% for Whole Life policy claims which is within the 7% error ratio set forth in the NAIC Market Regulation Handbook.

(E) Endowment Claims

In response to the allegation that the Company violated 31 Pa. Code §146.7, the Company acknowledges that the Company did not pay or deny within 15 days of receipt of proof of loss one endowment claim of 3 claims reviewed by the examiner. This single violation is not reflective of the Company's practices.

Health Claims

(A) Accident and Sickness Claims

In response to the allegation that the Company violated 31Pa. Code § 146.5, the Company acknowledges that one claim of the 25 Accident and Sickness claim files reviewed was not acknowledged within 10 working days of receipt of notice. This single violation results in an error rate of 4% for Accident and Sickness claims which is within the 7% error ratio set forth in the NAIC Market Regulation Handbook.

In response to the allegation that the Company violated 31 Pa. Code §146.7, the Company acknowledges that the company did not pay or deny within 15 days of receipt of proof of loss in a single claim file of the 25 Accident and Sickness claim files reviewed. The error rate is 4% and is within the 7% tolerance threshold set forth in the NAIC Market Regulation Handbook. Please be advised that the allegations involve the same claim file and have the appearance of inflating the number of violations.

(B) Hospital Expense Insurance Claims.

In response to the allegation that the Company violated Title 31, PA Code Section 146.5, the Company acknowledges that in one instance of 4 Hospital Expense claims reviewed, a single claim was not acknowledged within 10 working days.

In addition, the Company also acknowledges that for the same claim file that the claim was not denied or paid within 15 working days as required by Title 31, P.A. Code Section 146.7

While the violation resulted in a 25% error ratio due to the small sample size that was reviewed this is not an accurate reflection of it business practice. In addition, because the allegations arose from the same claim file there is an inflated appearance of error ratio in that a single Hospital Expense claim file was not handled timely.

(C) Specified Disease Insurance Claims

In response to the allegation that the Company violated Title 31, PA Code Section 146.5, the Company acknowledges that in one instance of 25 the Specified Disease claim files reviewed, a single claim was not acknowledged within 10 working days. In addition, the Company acknowledges that a 45 day status letter was not sent as required by Title 31, P.A. Code Section 146.6. The investigation was not completed within 30 days after the notification of the claim. The violation resulted in a 4% error ratio, which is below 7% error ratio set forth in the NAIC Market Regulation Handbook.

In response to the allegation that the Company violated 31 Pa. Code §146.7, the Company acknowledges that it did not pay or deny within 15 days of receipt of proof of loss for 4 of the Specified Disease claims reviewed. Please be advised that in 3 of the 4 claim files, the claims were processed on the 16th day after receiving proof of loss.

(F) Hospital Indemnity Insurance Claims

In response to the allegation that the Company violated 31Pa. Code § 146.5, the Company acknowledges that one Hospital Indemnity claim of 12 claims sampled was not acknowledged within 10 working days of receipt of notice. The Company's error rate was 7.6% and minimally outside the 7% error ratio set forth in the NAIC Market Regulation Handbook. In response to the allegation that the Company violated 31 Pa. Code §146.7, the Company acknowledges that in the handling of the same claim file, that the claim was not paid or denied within 15 days of receipt of proof of loss. The error rate is 7.6% and minimally outside the 7% tolerance threshold. Due to the small sample size that was reviewed, this is not an accurate reflection of the Company's business practice. In addition, because the allegations arose from the same claim file

there is an inflated appearance of error ratio in that a single Hospital Indemnity claim file was not handled timely.

(G) Hospital Surgical Claims

The Company does not have any comments regarding these sections of the Report of Examination.

General Response to Life and Health Claims Violations

The scope of this examination was November 2013 through October 2014. TPLIC began implementing the Global Resolution Agreement which was entered into in June of 2013 with the state unclaimed property administrators. As a result, the Company experienced an increase in claims volumes. In addition, the Regulatory Settlement Agreement (RSA) with the state insurance departments which requires ongoing matching and 'Thorough Search' was entered into in September 2013. Ongoing matching generates approximately 1800 new claims per quarter.

To address the increased number of claims pending due to these two initiatives, the claims staff was increased by 8 claim examiners. In addition to hiring additional claim examiners, the Company implemented numerous improvements in training, technology and processes. It should be noted that as of the date of this response, life claims are being processed within the Company's target of 10 days.

Currently, the number of full time staffed experienced in processing health and cancer claims is 7 individuals. To increase capacity for claim examiners to process health claims, cross training of life claim examiners will enable them to process health claims. The Company's goal is to decrease the health claims processing time to 10 days by end of the 3rd quarter of 2015.

VIII. Recommendations

1. **Company must review Licensing procedure to ensure compliance with 40 P.S § 40 P.S§310.71**

   It is the Company's position that a single occurrence is an anomaly. The Company's current process is to order the producer's appointment electronically and once confirmation from the state is received, it is maintained in the producer file. In light of the allegations, the Company reinforced its appointment and termination procedures with the Producer Licensing Department.

2. **The Company must implement procedures to ensure compliance with the policy delivery receipt requirements of 40 P.S §625-4.**

The Company previously implemented a procedure to track delivery receipts. In light of the change in the statute which is effective September 9, 2015, the Company will seek an alternative procedure or enhance the current one in place to ensure that it can satisfy the Department of Insurance that policies are being mailed in the normal course of business.

3. **The Company must review internal control procedures to ensure Compliance with illustration certification and delivery requirements of 40 P.S §625-8.**

   As noted by the examiner in Section IV of the report, the Company updated its procedures regarding disclosure form requirements as required by the recommendation in the 2010 Market Conduct Report. As stated previously, the two violations resulted in a 6% error rate, which is within the 10% error ratio set forth in the NAIC Market Regulation Handbook. The two alleged violations are not reflective of the Company's business practices. The Company has reinforced its illustration procedures with the New Business and Underwriting Departments.

4. **The Company must increase quality control and internal Control procedures to ensure Compliance with requirements of 31 PA. Code Chapter 146, Unfair Claims Settlement Practices.**

   To address the increased number of claims pending due to the Global Resolution Agreement and Regulatory Settlement Agreement, the claims staff was increased by 8 claim examiners. In addition to hiring staff, the Company implemented numerous improvements including training, process improvements, and system improvements. At the time this response was written, life claims are being processed within the Company's target of 10 days. The Claims Department's goal is to decrease the time for health claims processing to 10 days by end of the 3rd quarter of 2015.