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2005 – 07 Market Conduct Initiatives and the Use of "Best Practices" Organization Documentation during the Market Conduct Examination Process

To: All Life Insurers Admitted to do Business in Massachusetts

From: Julianne M. Bowler, Commissioner of Insurance

Date: April 27, 2005

Re: Market Conduct Initiatives and the Use of "Best Practices" Organization Documentation during the Market Conduct Examination Process

The purpose of this Bulletin is to inform all life insurers admitted to do business in the Commonwealth of Massachusetts that the Division of Insurance ("Division") is continuing its efforts to promote high standards in connection with market conduct activities. As part of this process, the Division is reviewing existing marketing and sales, underwriting, complaint handling and claims practices.

The Division will be reaching out to the life insurance industry to obtain its input, and to discuss meaningful market conduct data for effective analysis and the means by which to collect such data; the development of a market conduct analysis function; potential changes and improvements to current market conduct regulatory processes; ongoing and emerging market conduct issues; and the potential role of "best practices" organizations.

The Division has been reviewing the work performed by "best practices" organizations during the market conduct examination process and Form A filings. As part of the current examination process, the Division routinely inquires as to whether companies are members of the Insurance Marketplace Standards Association ("IMSA"). If a company is a member, the Division requests and considers, as part of its initial risk assessment, IMSA information, including IMSA's Supplemental Report, in determining the nature and scope of its review of the marketing and sales practices of the company, including such areas as: agent training and licensing; replacements; and advertising. The Division's initial risk assessment may also make use of IMSA information in certain

other areas such as consumer complaint handling. For purposes of Form A filings, the Division inquires as to whether companies are members of IMSA, and may consider IMSA information, as well as all other relevant factors and documents, in performing the review process.

The Division looks forward to the opportunity to work collaboratively with the industry and best practices organizations such as IMSA to promote high standards in market conduct activities.

Any questions concerning this Bulletin should be addressed to Matthew C. Regan III, Director of Market Conduct, at (617) 521-7306.