

THE COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION
DIVISION OF INSURANCE

Report on the Comprehensive Market Conduct Examination of
Boston Mutual Life Insurance Company

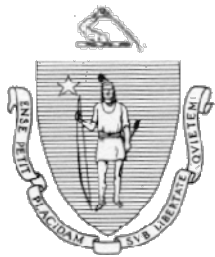
Canton, Massachusetts

For the Period January 1, 2018 through December 31, 2018

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GARY D. ANDERSON
COMMISSIONER OF INSURANCE

May 24, 2022

Honorable Gary D. Anderson
Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
1000 Washington Street, Suite 810
Boston, Massachusetts 02118-6200

Dear Commissioner Anderson:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 175, § 4, a comprehensive examination has been made of the market conduct affairs of

BOSTON MUTUAL LIFE INSURANCE COMPANY

at their home offices located at:

120 Royall Street
Canton, MA 02021

The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Massachusetts Division of Insurance (the “Division”) conducted a comprehensive market conduct examination (“examination”) of the Boston Mutual Life Insurance Company (“Company”), which is a Massachusetts domiciled company, for the period January 1, 2018, to December 31, 2018. The examination was called pursuant to authority in Massachusetts General Laws Chapter (“M.G.L. c.”) 175, § 4. The examination was conducted under the direction, management, and control of the market conduct examination staff of the Division. The Division engaged INS Regulatory Insurance Services, Inc. (“INS”) to complete the examination.

EXAMINATION APPROACH

A tailored examination approach was developed using the guidance and standards of the *2018 NAIC Market Regulation Handbook* (“the Handbook”), the examination standards of the Division, the Commonwealth of Massachusetts’ insurance laws, regulations, and bulletins, and selected federal laws and regulations. All procedures were performed under the supervision of the market conduct examination staff of the Division, including procedures more efficiently addressed in the Division’s separate financial examination of the Company. For those objectives, INS and the market conduct examination staff used procedures performed by the Division’s financial examination staff to the extent deemed appropriate to ensure that the examiners adequately address the market conduct objective. The operational areas reviewed under this examination include company operations/management, complaint handling, producer licensing, policyholder services, underwriting, rating, and claims. This examination report describes the procedures performed in these operational areas and the results of those procedures.

In addition to the processes and procedures guidance in the Handbook, the examination included an assessment of the Company’s related internal controls. The Handbook approach detects deficiencies through transaction testing. At the same time, the internal control assessment provides an understanding of the critical controls that the management uses to operate their business and to meet key business objectives, including complying with applicable laws and regulations related to market conduct activities.

There are three significant steps in internal control assessment: (a) identify controls; (b) determine whether the control as designed can successfully mitigate anticipated risks and (c) verify that the control is functioning as intended (i.e., review or testing of the controls). In addition, the examiners considered the effectiveness of the internal controls when determining sample sizes for transaction testing. The form of this examination report is “Report by Test,” as described in Chapter 15, Section A of the Handbook.

The Division considers a “finding” to constitute a violation of Massachusetts insurance laws, regulations, or bulletins. An “observation” is defined as a departure from an industry best practice. The Division recommends that the Company’s management evaluate any “finding” or “observation” for applicability to other jurisdictions. All unacceptable or non-compliant practices may not have been discovered or noted in this report. Failure to identify inappropriate or non-compliant business practices does not constitute acceptance of such practices. The Company should implement corrective action in all jurisdictions and report such remedial action to the Division when applicable.

EXECUTIVE SUMMARY

This examination summary provides a high-level overview of the examination results highlighting recommendations and required actions. The body of the report provides details of the scope of the examination, the examination approach, internal controls for each standard, review and test procedures conducted, findings and observations, recommendations and required actions, and, if appropriate, subsequent Company actions. Company managerial and supervisory personnel from each operational area should review the examination report for results relating to their specific area of responsibility.

The following is a summary of all findings and observations, related recommendations and required actions, and, if appropriate, subsequent Company actions noted in this examination report. In addition, individuals may review cited Massachusetts laws, regulations, and bulletins on the Division's website at www.mass.gov/doi.

The examination resulted in recommendations regarding company operations and management and claims. However, there were no recommendations for claims handling, producer licensing, marketing and sales, policyholder services, or underwriting and rating.

Recommendations noted in this examination are as follows:

I. COMPANY OPERATIONS/MANAGEMENT

STANDARD I-6

Observations: The examiners reviewed ninety universal life policies. On two of the ninety policies, a TPA exhibited questionable practices, with nine other files indicating a disruption in premium billing or collection. The Company acknowledged that the administrator failed to perform their duties and responsibilities related to policy and policyholder administration. As a result the Company was unable to ensure that accounts were maintained correctly, especially regarding billing and the processing of additional premiums.

In addition, the examiners noted the Company has thirteen TPAs, and the Company has not audited seven of the thirteen. Although the Company did audit the remaining six, only two have been audited since 2014. The Company does receive quarterly reports from four of the TPAs handling claims and disability claims.

Recommendations: The Company must implement procedures to ensure that it can regularly monitor and correct inappropriate actions by TPAs.

Subsequent Company Action: The Company took corrective action regarding the oversight of the ninety universal life policies after this examination and planned to follow-up with a specific audit of the third party administrator tentatively scheduled in 2020. Due to the coronavirus pandemic, the Company could not complete the audits in 2020. The audits were rescheduled for late 2021 and have priority status. The Company was requested to report back to the Division no later than August 1, 2022.

The Company states that it has generally enhanced the process of third-party onboarding and ongoing review with the creation of the Enterprise Risk Management (ERM) department in late 2018. The internal audit team was moved to this department beginning April 2019 to better coordinate process

oversight. The Division requests that the Company provide a report when the 2021 audit is complete or provide a status update by August 1, 2022.

VII. CLAIMS

STANDARD VII-2

Findings: In two claim files, the Company failed to adopt and implement reasonable standards for the prompt investigation of claims.

- One claim file included three policies; the Company paid beneficiaries on two of the policies in 2016 but failed to pay the third policy until 2018.
- The second claim file failed to adequately document timely communications with the insured, including the “acknowledgment” and mailing “proof of loss” forms.
- The late payment and the untimely communication are violations of M.G.L. c. 176D, § 3(9)(c).

Observations: Based on review and testing, INS determined that except for the two instances noted in Findings, the Company’s policies and procedures standards comply with the requirements of M.G.L. c. 176D, § 3(9)(c) for claim investigations.

Recommendations: The Company should adopt and implement procedures to ensure reasonable standards for the prompt investigation of claims. Furthermore, the Company should implement strategies to ensure that multiple policies held by a deceased policyholder settle promptly.

Subsequent Company Action: Examiners verified the policyholder/beneficiary whose claim payment was delayed received appropriate interest. In the second claim involving delayed communications, the Company was unable to locate the complete claim file. As a result, the Company created a duplicate file with information from the information systems, including screenprints, phone conversations, letters, and a copy of the certificate. The Company continues to search for the actual file and has reminded claim examiners to send completed files to be imaged immediately upon completion.

COMPANY BACKGROUND

Boston Mutual Life Insurance Company is a mutual company that has traditionally offered small face whole life products for low to middle-income individuals through independent general agents. Some policies are guaranteed issue, but many follow a simplified underwriting method and do not utilize medical examinations or laboratory testing. In addition, the Company employs a voluntary worksite marketing program in which the Company sells life, disability income, critical illness, and accident products to employees, union, and association members who pay the premiums through payroll deduction. The Company also writes group life, accident, and disability income business. The Company utilizes third-party administrators for many operational areas.

The Company is headquartered in Canton, Massachusetts, and domiciled in Massachusetts. The Company is licensed to conduct business in all states and Puerto Rico. In addition, the Company has a wholly-owned subsidiary that is licensed to conduct business only in New York State, Life Insurance Company of Boston & New York. It had approximately \$1.45 billion in admitted assets and \$219 million in surplus as of December 31, 2018. For the year ended December 31, 2018, the Company's net income was \$15.9 million. The Company is rated A (Excellent) by AM Best.

Its Chairman, CEO, and President lead the Company. The Company's management comprises Executive Vice Presidents, Vice Presidents, and certain 2nd Vice Presidents.

The Division determined the key objectives of this examination with emphasis on the following areas.

I. COMPANY OPERATIONS/MANAGEMENT

The evaluation of the Standards in this business area centers on (a) an assessment of the Company's internal control environment, policies, and procedures, (b) the Company's response to various information requests, and (c) a review of several types of files at the Company.

Standard I-1. The regulated entity has an up-to-date, valid internal or external audit program.
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Objective: This Standard addresses the audit function and its responsibilities. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

- The Company has an individual in charge of internal audit; before moving to the Controller's area, this individual was formerly with the Treasury Department.
- The Controller's area reports directly to the Chair of the Board of Directors Audit Committee while reporting functionally to the Chief Operating Officer.
- The Audit Committee receives reports four times annually, but the Chair receives informal reports throughout the year.
- The Audit Committee Chair is a former partner with Deloitte.
- Annual surveys are sent to senior management to identify new procedures or procedures requiring action through internal audits.
- Monthly meetings are held with key members of management to discuss challenges and areas of concern.
- The Controller's area also meets monthly with the Chief Compliance Officer to discuss emergent issues which may benefit from an audit throughout the year.
- The Company conducted twenty audits in 2018, with fifteen completed with report issuance during the year.
- The Company conducts an annual audit of policy replacements, complaints, and needs assessment in compliance with a separate settlement agreement related to policies issued to military members.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed a list of twenty internal audits that the Company completed in 2018. The list shows a steady variety of reviewed topics, and sample reports show the findings are communicated and addressed within reasonable standards.

Transaction Testing Results:

Findings: None.

Observations: The Company's Internal Audit function provides appropriate oversight and appears to communicate issues effectively throughout the organization. Please note that the sole matter related to Third Party Administrator auditing is discussed in Standard I.6.

Recommendations: None.

Standard I-2. The regulated entity has appropriate controls, safeguards and procedures for protecting the integrity of computer information.

No work was performed regarding this Standard. All required activity for this Standard was included in the scope of the statutory financial examination of the Company.

Standard I-3. The regulated entity has antifraud initiatives in place that are reasonably calculated to detect, prosecute, and prevent fraudulent insurance acts.

Objective: This Standard addresses the effectiveness of the Company's anti-fraud plan. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard.

- The Company has adopted a written anti-fraud plan which requires reasonable precautions to prevent, detect and investigate potential insurance fraud.
- The anti-fraud function has been recently enhanced and now includes outsourcing to an external vendor. In addition, the Company's compliance area monitors external reporting of fraud.
- There is a hotline for reporting suspected internal fraud monitored by the chair of the audit committee.
- To prevent the hire of any "prohibited person" (individuals convicted of state or federal felonies involving dishonesty or breach of trust) as defined under 18 U.S.C. §1033, the Company requires and conducts background checks on new employees and producers.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the Company policies and procedures regarding identifying and reporting suspected fraud. INS also conducted on-site interviews regarding the Company's fraud oversight and anti-fraud initiatives.

Transaction Testing Results:

Findings: None.

Observations: INS review of the Company anti-fraud plan found that the policies and procedures provide the necessary guidance and resources to detect, prevent, and report suspected fraud effectively.

Recommendations: None.

Standard I-4. The regulated entity has a valid disaster recovery plan.

Objective: The standard addresses whether the entity has a valid disaster recovery plan.

Controls Assessment: The examiners noted the following controls in the review of this standard.

- The Company has a written Disaster Recovery and Business Continuity Plan.
- The Company maintains much of its information in electronic format, including information for producers, policy holders, policy administration, and claims.
- Electronic data storage is maintained both onsite, and backup is held offsite.
- Worksite business before January 2013 and general agency files before 2014 are paper files and maintained in the most secure location in the basement. The Company is actively focusing on any additional disaster recovery safeguards necessary for future concerns.

Controls Reliance: Controls tested via documentation inspection, procedure, observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed Company policies and procedures to address the adequacy of the Company's disaster recovery plan. INS also conducted on-site interviews.

Transaction Testing Results:

Findings: None.

Observations: The Company has adequate disaster recovery plans in place.

Recommendations: None.

Standard I-5. Contracts between the regulated entity and entities assuming a business function or acting on behalf of the regulated entity, such as, but not limited to, MGAs, GAs, TPAs, and management agreements, must comply with applicable licensing requirements, statutes, rules, and regulations.

Objective: This Standard addresses the Company's contracts with entities assuming a business function and compliance with licensing and regulatory requirements. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

- The Company contracts with thirteen third-party administrators ("TPAs") to perform various operational or administrative functions. The TPAs service many of the Company's product lines, including claims, premium collection, and other policyholder services.
- The Company has no relationship with Managing General Agents.
- The Company also contracts with producers who sell the Company's products.
- All thirteen TPAs are authorized to sell for the Company.

Controls Reliance: Controls tested via documentation inspection, procedure observation, or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the Company's contracts in effect with third parties and checked for appropriate licenses of the TPAs to sell the Company's products. INS also conducted on-site interviews.

Transaction Testing Results:

Findings: None

Observations: Except as noted under Standard I-6, the review indicated the conduct of the TPAs assuming business functions of the Company complies with Company policies, procedures, and statutory requirements.

Recommendations: None.

Standard I-6. The regulated entity is adequately monitoring the activities of any entity that contractually assumes a business function or is acting on behalf of the regulated entity.
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Objective: This Standard addresses the Company's efforts to adequately monitor the activities of the contracted entities that perform business functions on its behalf. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

- The Company contracts with thirteen TPAs to provide various functions in one or more operational or administrative areas, including claims, premium collection, and other policyholder services.
- The contracts give the Company the right to conduct audits of these TPAs.
- The Company's internal audit function conducts periodic audits of these entities and quarterly reviews and reports from claim-related third-party vendors.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed ninety universal life policies serviced by a TPA. INS also reviewed the Company policy and procedures provided to the TPAs for guidance in performing Company functions. In addition, INS reviewed the Company's internal audit reports and contracts in effect with third parties and conducted on-site interviews.

Transaction Testing Results:

Observations: The examiners reviewed ninety universal life policies. On two of the ninety policies, a TPA exhibited questionable practices, with nine other files indicating a disruption in premium billing or collection. The Company acknowledged that the administrator failed to perform their duties and

responsibilities related to policy and policyholder administration. As a result the Company was unable to ensure that accounts were maintained correctly, especially regarding billing and the processing of additional premiums.

In addition, the examiners noted the Company has thirteen TPAs, and the Company has not audited seven of the thirteen. Although the Company did audit the remaining six, only two have been audited since 2014. The Company does receive quarterly reports from four of the TPAs handling claims and disability claims.

Recommendations: The Company must implement procedures to ensure that it can regularly monitor and correct inappropriate actions by TPAs.

Subsequent Company Action: The Company took corrective action regarding the oversight of the ninety universal life policies after this examination and planned follow-up with a specific audit of the third party administrator tentatively scheduled in 2020. Due to the coronavirus pandemic, the Company could not complete the audits in 2020. The audits were rescheduled for late 2021 and have priority status. The Company was requested to report back to the Division no later than August 1, 2022.

The Company states that it has generally enhanced the process of third-party onboarding and ongoing review with the creation of the Enterprise Risk Management (ERM) department in late 2018. The internal audit team was moved to this department beginning April 2019 to better coordinate process oversight. The Division requests that the Company provide a report when the 2021 audit is complete or provide a status update by August 1, 2022.

Standard I-7. Records are adequate, accessible, consistent, and orderly and comply with record retention requirements.

Objective: This Standard addresses the adequacy and accessibility of the Company's records. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

- The Company has adopted written procedures regarding record and document retention that specify an acceptable timeframe for document retention. Generally, the Company retention period is seven years.
- Management has oversight responsibilities for the record destruction process.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed Company policies and procedures that address record retention by the Company. INS also conducted on-site interviews. In addition, the Company produced records requested in other parts of the examination on a timely basis.

Transaction Testing Results:

Findings: None.

Observations: The Company's record retention policies are reasonable. There were no concerns about record availability occurring during the examination.

Recommendations: None.

Standard I-8. The regulated entity is licensed for the lines of business that are being written.

Objective: The Standard addresses whether the lines of business written by the Company are in accordance with the lines of business they are authorized to write with the Division.

Controls Assessment:

- The examiners interviewed Company personnel regarding their lines of business.
- New business issue lists were requested and reviewed.
- The Company provided a copy of their license to do business in Massachusetts.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the Company's certificate of authority and compared it to the lines of business the Company writes in Massachusetts.

Transaction Testing Results:

Findings: None.

Observations: The Company holds appropriate state licenses for the lines of business it solicits in Massachusetts.

Recommendations: None.

Standard I-9. The regulated entity cooperates on a timely basis with INS performing the examinations.
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Objective: This Standard is concerned with the Company's cooperation during the examination. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The Company provided all information sought by the examiners promptly and as requested.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of

transaction testing procedures.

Transaction Testing Procedure: The examiners assessed the Company's level of cooperation and responsiveness to INS requests throughout the examination.

Transaction Testing Results:

Findings: None.

Observations: The Company's level of cooperation and responsiveness to INS requests was excellent. There were no concerns about Company responsiveness arising during the examination.

Recommendations: None.

Standard I-10. The regulated entity has procedures for collecting, using, and disclosing information gathered in connection with insurance transactions to minimize any improper intrusion into the privacy of applicants and policyholders.

Objective: This Standard addresses the Company's policies and procedures to ensure it minimizes improper intrusion into the privacy of individuals. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard, and Standards I-11 through I-16:

- The Company complies with Massachusetts Insurance Information and Privacy Protection law, M.G.L. c. 175I, §§ 1-22.
- The Company does not ask specific questions on the application designed to obtain information for marketing or research purposes.
- The Privacy Notice states that certain types of nonpublic personal financial and health information are collected from third parties and gives examples of such third parties and such types of information. Further, the Privacy Notice indicates that information may be disclosed in some cases and that a right of access and correction exists.
- The Company does not share nonpublic personal financial information with other financial service providers and non-financial companies for marketing purposes. Thus, the Company is not required to offer an opt-out for such information sharing.
- At least annually, the Company mails the Privacy Notice to each customer.
- The Company provides applicants a written Notice of Adverse Underwriting Decision ("Adverse Underwriting Notice") when it declines to provide coverage, elects to provide a reduced amount of coverage, or offers to provide insurance at higher than standard rates. The Adverse Underwriting Notice includes all statutory requirements.
- Company policy does not base an adverse underwriting decision on the existence of a previous adverse underwriting decision, based on sexual orientation or perceived orientation, or on personal information obtained from an insurance support organization.
- Company policy is to disclose nonpublic personal information only as required or permitted by law to regulators and law enforcement agencies. In addition, the Company may provide nonpublic personal information to third parties who assist the Company in processing customer business transactions only if expressly authorized by the applicant.

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- The Company provides its privacy policy on the Company's website.
- Company policy requires that its information technology security practices safeguard nonpublic personal financial and health information. In addition, the Company communicates the security practices to employees and producers in training using educational programs, compliance presentations, and various memoranda.
- The Company does not use pretext interviews.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the applications in the fifty refund files provided for review (found in the Policyholder Services Section) and found that all applications in the examination period had appropriate advisory language for acknowledgment of privacy procedures. INS also reviewed processes for privacy and information security compliance provided by the Company. INS conducted on-site interviews. In addition, as part of policyholder services, underwriting, and claims testing, INS also found no evidence that the Company improperly provided nonpublic personal or health information to other parties.

Transaction Testing Results:

Findings: None.

Observations: Based upon review and testing, INS determined that the Company's privacy practices comply with statutory requirements and the Company's policies and procedures.

Recommendations: None.

Standard I-11. The regulated entity has developed and implemented written policies, standards, and procedures for the management of insurance information.

The objective of this Standard relates to written policies, standards, and procedures to protect privacy information, also included in Standard I-10.

Standard I-12. The regulated entity has policies and procedures to protect the privacy of nonpublic personal information relating to its customers, former customers, and consumers that are not customers.

The objective of this Standard relates to written policies, standards, and procedures to protect privacy information, also included in Standard I-10.

Standard I-13. The regulated entity provides privacy notices to its customers and, if applicable, to its consumers who are not customers regarding the treatment of nonpublic personal financial information.

The objective of this Standard relates to written policies, standards, and procedures to protect privacy

information, also included in Standard I-10.

Standard I-14. When the regulated entity discloses information subject to an opt-out right, the company has policies and procedures in place so that nonpublic personal financial information will not be disclosed when a consumer who is not a customer has opted out. The company provides opt-out notices to its customers and other affected consumers.

The objective of this Standard relates to privacy matters and is included in Standard I-10.

Standard I-15. The regulated entity's collection, use and disclosure of nonpublic personal financial information are in compliance with applicable statutes, rules and regulations.

The objective of this Standard relates to privacy matters and is included in Standard I-10.

Standard I-16. In states promulgating the health information provisions of the NAIC model regulation, or providing equivalent protection through other substantially similar laws under the jurisdiction of the insurance department, the regulated entity has policies and procedures in place so that nonpublic personal health information will not be disclosed except as permitted by law unless a customer or a consumer who is not a customer has authorized the disclosure.

The objective of this Standard relates to privacy matters and is included in Standard I-10.

Standard I-17. Each licensee shall implement a comprehensive written information security program for the protection of nonpublic customer information.

Objective: This Standard addresses the Company's efforts to maintain a written information security program to protect nonpublic customer information. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The following controls were noted in the review of this Standard as enumerated in the Company's comprehensive Written Information Security Program ("WISP"):

- The Company designates individuals to oversee and maintain the "WISP."
- The designated "WISP" overseers, analyzes foreseeable risks to the security, confidentiality, and integrity of records in any form that contains personal information, the effectiveness of any current safeguards for limiting those risks, and the need to develop improved safeguards.
- Specific policies and procedures related to employee training on the importance of the WISP, its particular requirements, the consequences of failure to comply with those requirements, and prevention of access by former employees.
- Guidance on paper records is specific to ensure secure storage of materials containing personal information, including safety restrictions on physical access to such records and, for electronic documents, control measures that restrict access and include secure user authentication protocols.
- Encryption of personal information is required.
- Provisions ensure that any electronic records system is protected with firewall and operating system security patches if connected to the internet.

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- Third-party service providers who have access to personal information must maintain appropriate security measures consistent with 201 CMR 17.00.
- The Company conducts monitoring to ensure both paper and electronic records are protected. In addition, the system can detect unauthorized use of or access to personal information and identify any areas where upgraded safeguards are needed.
- The WISP is updated at least annually, and whenever there is a material change in business practices that may reasonably impact the protection of personal information.
- Requires the documentation of responses to any breach of security and any actions taken after that to change practices relating to the protection of personal information.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the Company's procedures for the Company's comprehensive written information security program to verify compliance with Massachusetts law.

Transaction Testing Results:

Findings: None.

Observations: Based upon review and testing, INS determined that the Company's comprehensive WISP is sufficient.

Recommendations: None.

Standard I-18. All data required to be reported to departments of insurance is complete and accurate.
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No work was performed regarding this Standard. All required activity for this Standard was included in the scope of the statutory financial examination of the Company.

II. COMPLAINT HANDLING

Evaluation of the Standards in this business area is based on (a) an assessment of the Company's internal control environment, policies, and procedures, (b) the Company's response to various information requests, and (c) a review of several types of files at the Company.

Standard II-1. All complaints are recorded in the required format on the regulated entity's complaint register.

Objective: This Standard addresses whether the Company formally tracks complaints or grievances as required by statute. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in conjunction with the review of this Standard:

- Written Company policies and procedures govern the complaint handling process.
- The Company defines a complaint as any written or documented verbal communication received by the Company or its distributors which primarily expresses a grievance.
- The Company's complaint register includes the required information for compliance such as the date received, the date acknowledged, the response date, the date closed, the complaint number, the resident state code, the policy number, the group number. The register identifies the complaint filer, the policyholder, the producer and the producer debit number, the nature of the complaint, and so forth,
- The complaint department reports to the Chief Compliance Officer within the office of general counsel.
- The Company monitors complaint activity in that it reviews open complaints regularly. It enhanced the monitoring process in late 2017.
- An open complaint memo circulates weekly to those with unresolved items and the Chief Compliance Officer while the Company monitors complaint response times through a monthly reporting system. The monthly report goes to the complaint administrator, chief compliance officer, and general counsel. In addition, a quarterly analysis report looks at yearly complaint trends. Finally, the analysis report allows the chief compliance officer to review and discuss issues or concerns with the audit committee of the Board of Directors at each of its quarterly meetings.
- The Company requires all employees to review and acknowledge the Company's corporate complaint policy as part of their onboarding at hire. In addition, all employees receive a yearly notice reminding them of the corporate complaint policy.
- The Company provides contact information to customers in various ways. For example, there is language in customer policy pages that advises them on contacting the Company with any grievance. The Company's website also provides consumers with contact information. In addition, the Company address is on the annual privacy notice mailing. Finally, letters sent to policyholders regarding denied claims include contact information.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: The Company received nine complaints in the examination period. INS reviewed all nine complaints to determine if the complaint was complete and recorded correctly in the Company's Complaint Register. The examiners matched the Company's complaint records to the Division's complaint records to ensure that the Company's records were complete. In addition, INS conducted on-site interviews to assess the system.

Transaction Testing Results:

Findings: None.

Observations: The Company received eight direct complaints and one Division complaint. Except for the finding in the review of Standard II-4, INS determined the Company's complaint handling processes are sufficient.

Recommendations: None.

Standard II-2. The regulated entity has adequate complaint handling procedures in place and communicates such procedures to policyholders.

Objective: This Standard addresses whether the Company has adequate complaint handling procedures and communicates those procedures to policyholders and consumers. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: See Standard II-1.

Controls Reliance: See Standard II-1.

Transaction Testing Procedure: See Standard II-1.

Transaction Testing Results:

Findings: None.

Observations: Based on review and testing, INS determined that the Company has adequate complaint procedures in place and communicates those procedures to policyholders.

Recommendations: None.

Standard II-3. The regulated entity takes adequate steps to finalize and dispose of the complaint in accordance with applicable statutes, rules and regulations, and contract language.

Objective: This Standard addresses whether the Company's response to the complaint fully addresses the issues raised and whether the Company treats policyholders or consumers with similar fact patterns consistently and fairly. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: See Standard II-1.

Controls Reliance: See Standard II-1.

Transaction Testing Procedure: See Standard II-1.

Transaction Testing Results:

Findings: None.

Observations: Based on review and testing, INS determined that the Company's complaint handling requirements are sufficient.

Recommendations: None.

Standard II-4. The time frame within which the regulated entity responds to complaints is in accordance with applicable statutes, rules and regulations.

Objective: This Standard addresses the time required for the Company to process each complaint. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: See Standard II-1.

Controls Reliance: See Standard II-1.

Transaction Testing Procedure: See Standard II-1.

Transaction Testing Results:

Findings: None

Observations: Based on review and testing, INS determined that the Company's complaint handling requirements are sufficient.

Recommendations: None

III. MARKETING AND SALES

Evaluation of the Standards in this business area is based on (a) an assessment of the Company's internal control environment, policies, and procedures, (b) the Company's response to various information requests, and (c) a review of several types of files at the Company.

Standard III-1. All advertising and sales materials are in compliance with applicable statutes, rules and regulations.

Objective: This Standard addresses whether the Company maintains a control system over the content, form, and method of dissemination for all advertising materials. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The following controls were noted in the review of this Standard:

- The Company provided the written policies and procedures used in the review and use of advertising and sales materials, including print and other channels including social media and internet materials.
- The policies and procedures require advertising and sales materials to be reviewed and approved by the Company prior to use.
- The policies and procedures provide guidelines for producers who create marketing materials. However, the Company stated producers did not generate advertising materials during the examination period.
- The Company provided the advertising material approved for use by field personnel. This material included brochures, benefit summaries, corporate flyers, and social media.
- Typically, the creative advertising department develops general advertising through the Company's Corporate communications department. The Company also posts to social media.
- The Company discloses its name and address on its website.
- The Company exited the military sales market in 2006 and does not market long-term care, variable life insurance, or annuity products.
- Required disclosures under 211 CMR 42.09, §§ (3) & (4) for individual accident and sickness policies are included within the policy.

Controls Reliance: Controls tested via documentation inspection, procedure observation or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed advertising materials and policies and procedures. INS also conducted on-site interviews.

Transaction Testing Results:

Findings: None.

Observations: Based on the testing and review, INS determined that the Company's advertising material complies and the policies and procedures for producing, approving, and disseminating material are adequate.

Recommendations: None.

Standard III-2. Regulated entity internal producer training materials are in compliance with applicable statutes, rules and regulations.

Objective: This Standard addresses whether the Company's producer training materials comply with state statutes, rules and regulations. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The following controls were noted in the review of this Standard:

- The Company producers in the general agencies and worksite business are provided training by either the Regional Sales Director or their Internal Sales Coordinator on products and procedures.
- The Company training utilizes approved product presentations as well as presentations on processes including enrollment and premium collections. Training material produced by the Company includes powerpoints, software, videos, and manuals.
- New producers are given a login to the Company agent website to find training manuals, links to training videos, and other Company information.
- The Company uses field communications for compliance matters.

Controls Reliance: Controls tested via documentation inspection, procedure observation or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the training materials and policies, and procedures and conducted on-site interviews.

Transaction Testing Results:

Findings: None.

Observations: Based on the testing and review, INS determined that the Company's internal producer training materials and procedures are compliant.

Recommendations: None.

Standard III-3. Regulated entity communications to producers are in compliance with applicable statutes, rules and regulations.

Objective: This Standard addresses whether the written and electronic communication between the Company and its producers is in accordance with Company policies and procedures. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

- The Company provides its policies and procedures when communicating with producers, including through a series of steps with new producers and continuing communications throughout the company/producer relationship.
- When the Company adds a new producer through the contracting process with the general agency program, a welcome kit is sent to the producer by mail within the week. Next, the Company sends a series of onboarding emails spaced two weeks apart and beginning two weeks after the welcome kit.

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- The general agent commissions team interacts with producers by providing, at their request, any of the following: commissions and renewals procedures, explanation on unpaid production, advances, adjustments, banking changes, Web login issues, Rewrites/replacements, debit balances, and payments, bonus programs, persistency, and application count.
- New producers in the workplace solutions program also receive many emails and communications in the onboarding process.
- After the first ninety days, needed communication is through various departments, including customer service, worksite billing, other worksite issues, and group administration.
- The Company provided specimens of the standard communications that it makes with producers.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS tested the Company's controls by reviewing policies and procedures, specimen communications, and conducting on-site interviews.

Transaction Testing Results:

Findings: None.

Observations: Based on the testing and review, INS determined that the Company's communications with producers are sufficient.

Recommendations: None.

Standard III-4. Company rules pertaining to producer requirements in connection with replacements are in compliance with applicable statutes, rules and regulations.

Objective: This Standard addresses whether the Company rules for replacements comply with the applicable statutes, regulations, and bulletins as outlined in Appendix A.

Controls Assessment: The examiners noted the following controls in the review of this Standard (Please note: the section included under Standard III-5 address this issue further.)

- Written policies and procedures govern replacement handling. The Company's Underwriting Department reviews submitted applications, which require a signed response from the applicant and producer as to whether the policy applied for will replace another policy.
- Life insurance applications ask if the policy will replace or change any life insurance or annuities in force on the life of any proposed covered person. If so, the application instructs them to complete any required state replacement forms.
- The Company's Issue Department monitors the replacement process, including the answers to application-related questions, whether all appropriate forms are complete, and if the replacement policy is in the insured's best interest.
- The Company has guidelines to monitor agent performance regarding replacement applications. Agents that fail to meet these performance guidelines may have their contacts terminated.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: The Company provided a universe of forty replacement files. INS reviewed all the files to determine if the files complied with the applicable replacement requirement. In addition, the examiners considered if the replacement question was part of the initial application and if the files contained complete and appropriate notices. INS also reviewed the forms, policies, and procedures that the Company furnished and conducted on-site interviews. The Company also provided a sample management report used as a monitoring tool for policy replacements.

Transaction Testing Results:

Findings: None.

Observations: Based on the testing and review, INS determined that the Company's policies and procedures related to replacement requirements are in compliance.

Recommendations: None.

Standard III-5. The insurer's rules pertaining to replacements are in compliance with applicable statutes, rules and regulations.
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Objective: This Standard addresses whether the Company's rules for replacements are in compliance. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

- Written policies and procedures govern replacement handling. The Company's Underwriting Department reviews submitted applications, which require a signed response from the applicant and producer as to whether or not the policy applied for will replace another policy.
- Life insurance applications ask if the policy will replace or change any life insurance or annuities in force on the life of any proposed covered person. If so, instructs them to complete any required state replacement forms.
- The Company's Issue Department monitors how questions are answered and ensures the appropriate forms are complete and the replacement policy is in the insured's best interest.
- All replacements are logged into the Replacement Database and include the reason for replacement.
- Internal and external replacements require the state replacement form and the NB104 (Boston Mutual) Company form, and the details and reasons for the replacement. The details should support the requirement that "the replacement is in the client's best interest."
 - External replacement practices require a letter to go to the company being replaced. The letter must include summary pages reflecting the new coverage and advising that replacement is taking place.
 - The monitoring practice of internal replacements aims to make sure the policy underlying the new application is in the applicant's best interest. Reviews look at premiums, face amounts, and the reason for replacement.

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- A monthly replacement activity report is generated and circulated to management quarterly, and the Company prepares annual reports which look at replacements trends over multiple years.
- Management receives a quarterly replacement report and reports to the Audit Committee of the Board of Directors at quarterly meetings.
- The Company has guidelines to monitor agent performance regarding replacement applications. Agents that fail to meet these performance guidelines may have their contacts terminated.

Controls Reliance: Controls tested via documentation inspection, procedure observation, or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: The Company provided a universe of forty replacement files. INS reviewed all the files to determine compliance, including that the replacement question was part of the initial application and that the other appropriate notices were completed. INS also reviewed the forms and policies, and procedures that the Company furnished and conducted on-site interviews. The Company also provided a sample management report used to monitor replacement activity.

Transaction Testing Results:

Findings: None.

Observations: Based on the testing and review, INS determined that the Company's policies and procedures related to replacement requirements are in compliance.

Recommendations: None.

Standard III-6. An illustration used in the sale of a policy contains all required information and is delivered in accordance with statutes, rules and regulations.
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Objective: This Standard addresses compliance for the timely issuance of policy illustrations, as well as other disclosures such as policy summaries and buyer's guides. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

- The Company provided written policies and procedures that address required disclosures, including illustrations, buyers guides, and policy summaries.
- The policies and procedures require the producer to submit signed illustrations with the applications or check off the certification acknowledgment form stating no illustrations were part of the application process.
- The Company provides a buyer's guide incorporated into its life policies at the time of issue for life plans in compliance with 211 CMR 31.05. The policies contain an unconditional refund provision of thirty days.
- Typically, the selling producer presents illustrations at the time of application. However, the producer and applicant may certify that the sales process did not involve illustrations but that illustrations will be part of the policy delivery phase.
- The Company also provided samples of the policies in force during the examination period. All three life policies contain a policy summary and buyers guide. 211 CMR 31.05 provides that a policy summary may be used for policies not marketed with an illustration. In addition, one of the

policies contain the illustration. The sample accident and sickness policy also included the required disclosures.

Controls Reliance: Controls tested via documentation inspection, procedure observation, or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS requested the universe of in-force new business policies during the examination period. A random sample of fifty files proportionally based on product lines was requested and reviewed. INS also reviewed the forms and policies, and procedures that the Company furnished and conducted on-site interviews.

Transaction Testing Results:

Findings: None.

Observations: Based on the testing and review, INS determined that the Company's issuance of illustrations and other disclosures are sufficient for compliance.

Recommendations: None.

Standard III-7. The insurer has suitability standards for its products when required by applicable statutes, rules, and regulations.

Objective: This Standard addresses whether the Company maintains suitability or needs assessment standards for its products. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

- Company policy requires that producers conclude that all sales meet the applicants' needs.
- The Company's life and disability applications require submission of information typically secured in the industry practices such as existing coverage, family member information, occupation, earnings, age, and health questions.
- The Company sells group employer-paid and group voluntary disability policies. The Company limits the amount an employee can be insured not to exceed 60% of their income. The Company states that this is the standard limit throughout the industry and is considered reasonable and suitable.
- The Company does not sell long-term care, annuities, or military policies. As such, none of the statutory or regulatory requirements apply.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: See Standard III-6.

Transaction Testing Results:

Findings: None.

Observations: Based on the testing and review, INS determined that the sales and products appeared to be suitable and meet the needs of the applicants.

Recommendations: None.

Standard III-8. Pre-need funeral contracts or pre-arrangement disclosures and advertisements are in compliance with statutes, rules and regulations.

No work was performed under this market conduct examination as the Company did not offer products related to this Standard during the examination period.

Standard III-9. The Companies policy forms provide required disclosure material regarding accelerated benefit provisions.

Objective: This Standard is concerned with whether the Company's policy forms provide required disclosure material regarding accelerated benefit provisions. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

- The Company offers some accelerated benefit products in their group life business.
- Terminally ill patients with a prognosis of less than one year to live may access life benefits.
- Benefit payment notices detail the impact of accelerated benefits to the Actuarial Department.
- The actuary completes the form and sends it to the claimant to obtain a required doctor's statement.
- There is a fourteen-day period before the acceleration of benefits may be implemented.
- When the acceleration of benefits is for less than the original benefit amount, the Company will send the insured a new specifications page with updated premium and face amount details.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: The Company did not receive any accelerated benefits requested during the examination period.

Transaction Testing Results:

Findings: None.

Observations: Based upon a review of annuity applications, the Company provides a disclosure statement to applicants and complies with 211 CMR 55.11.

Recommendations: None.

Standard III-10. Policy application forms used by depository institutions provide required disclosure material regarding insurance sales.

No work was performed under this market conduct examination as the Company did not offer products related to this Standard during the examination period.

Standard III-11. Policy application forms used by depository institutions provide required disclosure material regarding insurance sales.

Details of the Company's controls and testing related to this standard are included in the Scope of Standards III-7.

Standard III-12. Insurer rules pertaining to requirements in connection with suitability in annuity transactions are in compliance with applicable statutes, rules and regulations.

Details of the Company's controls and testing related to this standard are included in the Scope of Standards III-7.

Standard III-13. The insurer has procedures in place to educate and monitor insurance producers and to provide full disclosure to consumers regarding all sales of products involving fixed-index annuity products, and all sales are in compliance with applicable statutes, rules and regulations.

Details of the Company's controls and testing related to this standard are included in the Scope of Standards III-7.

Standard III-14. The insurer has procedures in place to educate and monitor insurance producers and to provide full disclosure to consumers regarding all sales of products involving index life, and all sales are in compliance with applicable statutes, rules and regulations.

No work was performed under this market conduct examination as the Company did not offer the product covered by this Standard during the examination period.

Standard III-15. The insurer's underwriting requirements and guidelines pertaining to travel are in compliance with applicable statutes, rules and regulations.

Objective: This Standard is concerned with whether the Company's underwriting requirements regarding travel comply with Massachusetts requirements. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

- The Company's policies and procedures provide the necessary oversight regarding the consideration of travel as a part of the underwriting process.

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- To determine the best-suited products for an applicant, the Company uses standardized applications to gather information consistent for each product. The data collected through the application process assists in determining the applicant's needs and the underwriting risk.
- The Company's life underwriting guidelines meet the requirements of M.G.L. c. 175, § 122A.

Controls Reliance: The examiners tested the Company's controls by reviewing policies and procedures, reviewing available documentation, and conducting transaction testing.

Transaction Testing Procedure: The Company is not actively selling new business. As such, the Company only received one life application during the review period and no disability applications. The examiners reviewed the one life application to determine compliance with this standard.

Transaction Testing Results:

Findings: None.

Observations: The Examiners' testing of the one life policy revealed that the application contained the appropriate wording and complied with M.G.L. c. 175, § 122A.

Recommendations: None.

IV. PRODUCER LICENSING

Evaluation of the Standards in this business area is based on (a) an assessment of the Company's internal control environment, policies, and procedures, (b) the Company's response to various information requests, and (c) a review of several types of files at the Company.

Standard IV-1. Regulated entity records of licensed and appointed (if applicable) producers agree with insurance department records.

Objective: This Standard addresses licensing and appointment of the Company's producers. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

- The Company's appointment procedures comply with statutory requirements.
- The Company looks for brokers and producers willing to sell the products that fit within the target markets.
- All producers complete the standard producer application. In addition, the information is verified, reviewed for completeness, and subjected to a third-party background check.
- The Company does appointment reconciliation for all states at least annually to compare data from the states.
- Termination for cause procedures are in place, although there were no for cause terminations in the examination period.
- The Company requires that all newly appointed producers complete Company-developed training before selling business.
- Company policy requires screening for all producers, including criminal and financial background checks and vector checks (amounts owed to other insurers). The screening requirement also applies to worksite marketing enrollers applying for an appointment as a producer.
- Agents are appointed at the state level using the Massachusetts state portal after approval.

Controls Reliance: Controls tested via documentation inspection, procedure observation, or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS tested the producer appointment procedures in conjunction with testing fifty refund files that were in force during the examination period. The testing procedure required INS to verify that the National Producer Registry lists the producer for each policy. INS checked to determine if the initial application fell outside the examination period if the Registry omitted a producer. INS also selected a random sample of ten producers from the Company list of active producers and ten producers from the list of terminated producers and conducted on-site interviews.

Transaction Testing Results:

Findings: None.

Observations: Based on the testing and review, INS determined that Company records of the producers who sold policies during the examination period agree with Division records.

Recommendations: None.

Standard IV-2. The producers are properly licensed and appointed and have appropriate continuing education (if required by state law) in the jurisdiction where the application was taken.

Objective: This Standard addresses the Company's appointment practices, including background checks and continuing education requirements. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: See Standard IV-1.

Controls Reliance: See Standard IV-1.

Transaction Testing Procedure: See Standard IV-1.

Transaction Testing Results:

Findings: None.

Observations: Based on the testing and review, INS determined that the producers who sold policies during the examination period were properly licensed and appointed following Company policies, procedures, and statutory requirements.

Recommendations: None.

Standard IV-3. The termination of producers complies with applicable standards, rules, and regulations regarding notification to the producer and notification to the state.

Objective: This Standard addresses the Company's termination of agents following applicable statutes requiring notification to the state and the agent. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: See Standard IV-1.

Controls Reliance: See Standard IV-1.

Transaction Testing Procedure: INS selected a random sample of ten producers from the Company list of terminated producers during the examination period to verify compliance with producer licensing and termination requirements. In addition, INS reviewed the terminations noting "for cause" terminations and confirming that "for cause" terminations and the related reasons were communicated to the Division. There were no "for cause" terminations. INS conducted on-site interviews.

Transaction Testing Results:

Findings: None.

Observations: Based on the testing and review, INS determined that the Company gives

sufficient and timely notice of termination and adequately documented the reasons.

Recommendations: None.

Standard IV-4. The regulated entity's policy of producer appointments and terminations does not result in unfair discrimination against policyholders.

Objective: This Standard addresses the Company's policy for ensuring that agent appointments and terminations do not unfairly discriminate against policyholders. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standards IV-1 and IV-3.

Controls Reliance: See Standards IV-1 and IV-3.

Transaction Testing Procedure: See Standards IV-1 and IV-3.

Transaction Testing Results:

Findings: None.

Observations: INS found no evidence of unfair discrimination against policyholders resulting from producer appointments and terminations based on the review and testing.

Recommendations: None.

Standard IV-5. Records of terminated producers adequately document the reasons for terminations.

Objective: This Standard addresses the Company's documentation of the reasons for agent terminations. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: See Standards IV-1 and IV-3.

Controls Reliance: See Standards IV-1 and IV-3.

Transaction Testing Procedure: See Standards IV-1 and IV-3.

Transaction Testing Results:

Findings: None.

Observations: Based on the testing and review, INS determined that the Company gives sufficient and timely notice of termination and adequately documents reasons for the action.

Recommendations: None.

Standard IV-6. Producer account balances are in accordance with the producer's contract with the insurer.
--

Objective: Review producer contracts and Company procedures related to debit account balances for Massachusetts producers during the examination period. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

- The Company provides producer applications and contracts that reflect the Company's ethical market conduct principles.
- The Company provided a report entitled "Producer Licensing - Commission Reports," which included producer debit accounts for 2018.
- The Company provided debits from 2018 for sixty-one agents within two agencies and two general agents.
- During the market conduct interviews, the examiners and Company management discussed producer debit balances.

Controls Reliance: Controls tested via documentation inspection, procedure observation, or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the Company's producer contracts, debit reports, commission reports and conducted on-site interviews.

Transaction Testing Results:

Findings: None.

Observations: INS determined that the producer contracts and debit balances are appropriate based on the testing and review.

Recommendations: None.

V. POLICYHOLDER SERVICES

Evaluation of the Standards in this business area is based on (a) an assessment of the Company's internal control environment, policies, and procedures, (b) the Company's response to various information requests, and (c) a review of several types of files at the Company.

Standard V-1. Premium notices and billing notices are sent out with an adequate amount of advance notice.
--

Objective: This Standard addresses whether the Company provides policyholders with sufficient advance notice of premiums due. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

Generally, Agency policyholders receive monthly bills using coupon books while quarterly, semi-annual and annual payments bill directly. Billing procedures for customers who choose methods other than direct bill or EFT are as follows:

- An initial bill is sent fifteen days before the due date for monthly billing accounts. A reminder is sent fifteen days past the due date if no payment is received.
- There is a thirty-one-day grace period.
- If the Company does not receive payment by the forty-fifth day, the unpaid status triggers the nonforfeiture options, although most contracts have an automatic premium loan feature. If there is no value in the contract, the policyholder receives a lapse notice.
- The Company has written service standards to ensure the timely processing of premium billing, reminder, and lapse notices.
- Policies sold through employer worksite marketing arrangements are billed monthly to the employer and paid by insureds via payroll deduction. In addition, if the employee leaves the employer, monthly payment coupon books are mailed to the employee.
- The Company generates and mails billing notices for individual life and accident policies that provide the minimum required statutory notice required by M.G.L. c. 175, § 110B.

Controls Reliance: Controls tested via documentation inspection, procedure observation, or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS tested and reviewed the Company processes throughout the various file reviews, including refunds, cancellations, reinstatements, missing beneficiaries, replacements, and declinations. INS also conducted on-site interviews.

Transaction Testing Results:

Findings: None.

Observations: INS determined that the premium and billing notices were issued timely based on the testing and review.

Recommendations: None.

Standard V-2. Policy issuance and insured-requested cancellations are timely.

Objective: This Standard addresses the Company's procedures to ensure that policyholder cancellation requests are processed timely. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following in the review of this Standard:

- Upon request to cancel an insurance policy, the Company sends the policyholder required forms to be signed. The cancellation is effective on the date the Company receives the signed document and sends a check for any return premium to the policyholder. This process is in effect to meet the requirements of M.G.L. c. 175, §§ 187B and 187C.
- The Company requires a Boston Mutual Life surrender form for all cash surrender requests except for the Worksite block of business policies of less than \$1000, in which case a signed, dated letter is acceptable.
- If a policy has no cash value and the appropriate documentation is received, the policy will lapse with no value.
- The Company returns unearned premium to policyholders in accordance with M.G.L. c. 175, §§ 187B.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed a random sample of twenty-five policies canceled in the examination period. In addition, INS reviewed Company billing policies and procedures and conducted on-site interviews.

Transaction Testing Results:

Findings: None.

Observations: Based on the testing and review, INS determined that the policies were issued timely and unearned premium was returned to policyholders upon cancellation.

Recommendations: None.

Standard V-3. All correspondence directed to the regulated entity is answered in a timely and responsive manner by the appropriate department.

Objective: This Standard addresses the Company's procedures for providing timely responses to customers. Complaints are covered in the Complaint Handling Section, and claims are covered in the Claims Section. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

- Customer inquiries arrive via mail, email, fax, or phone. Phone calls route to the dedicated Customer Service department and queries are responded to as requested by the policyholder. When a form or letter is received, whether by mail, email, or fax, it is routed to the Customer

Service department except for a written cancellation request, which would go directly to the Cancellation department for processing.

- The Company has written policies and procedures to ensure the timely and responsive processing of policyholder service transactions.
- The Company conducts post-sale policyholder service surveys, with 4.7 out of 5 being the score for 2018.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS tested and reviewed the Company processes throughout the various file reviews, including refunds, cancellations, reinstatements, missing beneficiaries, replacements, and declinations. INS also conducted on-site interviews.

Transaction Testing Results:

Findings: None.

Observations: Based upon review and testing, INS determined that the Company has policies and procedures to process customer correspondence timely and responsive. There were no deficiencies or delays in the processing of communications.

Recommendations: None.

Standard V-4. Whenever the regulated entity transfers the obligations of its contracts to another regulated entity pursuant to an assumption reinsurance agreement, the regulated entity has gained the prior approval of the insurance department and the regulated entity has sent the required notices to affected policyholders.

There was no work performed regarding this Standard. The Company did not enter into any assumption reinsurance agreements during the examination period.

Standard V-5. Policy transactions are processed accurately and completely.

Objective: This Standard addresses whether the Company properly completes policy transactions. Policy transactions are also tested for specific functions in other sections, such as billing transactions in Standard V-1, insured-requested cancellations in Standard V-2, return of premium in Standard V-7, and policy issuance in Standard VI-6. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

- The Company has written service standards to ensure the timely and accurate processing of policyholder service transactions.
- The Company policy provides written procedures for beneficiary change requests. In addition, company policy requires a witness signature to process beneficiary change under M.G.L. c. 175, § 123.

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- The Company states that it does not issue policies that are subject to cancellation at age 65 years old requiring notice according to M.G.L. c. 175, § 110H.
- The Company gives written notice to life policyholders before policy maturity and advises them of various settlement options.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS tested and reviewed Company processes throughout the various file reviews for policyholder services, including refunds, cancellations, reinstatements, missing beneficiaries, replacements, and declinations. INS also conducted on-site interviews. In addition, INS tested procedures to ensure that transactions were accurately and wholly processed, timely, and according to statutory requirements and policy provisions throughout the process.

Transaction Testing Results:

Findings: None.

Observations: Based upon review and testing, INS determined that the Company has policies and procedures to process policy transactions accurately and completely.

Recommendations: None.

Standard V-6. Reasonable attempts to locate missing policyholders or beneficiaries are made.

Objective: This Standard addresses efforts to locate missing policyholders or beneficiaries and comply with escheatment and reporting requirements. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

- The Company has policies and procedures to locate missing policyholders and claimants. In addition, the Company utilizes external sources such as the Social Security Death Master file, Google, MSN White Pages, People Finder, Facebook, and other social media sources to confirm whether an insured is deceased.
- The Company policy requires that outstanding checks, including claim payments and premium refunds, be reported as unclaimed property and escheated to the state when efforts to locate the policy owner fail.
- The Company annually reports escheatable funds to the State Treasurer as required under M.G.L. c. 200A, §§ 7-7B and 8A.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed a random sample of fifty policies where the Company's process had identified possible matches for contract holders or beneficiaries. In addition, INS reviewed Company billing policies and procedures and conducted on-site interviews.

Transaction Testing Results:

Findings: None.

Observations: Based on testing and review, INS determined that the Company's processes and procedures for locating missing policyholders or beneficiaries are sufficient.

Recommendations: None.

Standard V-7. Unearned premiums are correctly calculated and returned to the appropriate party in a timely manner and in accordance with applicable statutes, rules, and regulations.
--

Objective: This Standard addresses the return of the correctly calculated unearned premium timely upon policy cancellation. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

- Upon request to cancel an insurance policy, the Company sends the policyholder required forms to sign and return. The cancellation is effective on the date the Company receives the signed form; after receiving the documents, the Company sends a check for any return premium due to the policyholder. In addition, all policyholders have the right to return ("free look") newly purchased policies or certificates issued under a group policy within 10 or 30 days of receiving their policy or certificate, depending on the type of policy or certificate. The Company promptly returns premium refunds to the policyholder.
- The Company has written service standards to ensure the timely processing of new business applications and policyholder service transactions.
- The Company's process is in effect to meet the requirements of M.G.L. c. 175, §§ 187B and 187C.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS selected random samples from policies during the examination period of twenty-five cancellations, fifty reinstatements, and fifty files with refunds due to lapsed policies or other overpayments. The Company had no company-initiated cancellations. INS also reviewed Company policies and procedures and conducted on-site interviews.

Transaction Testing Results:

Findings: None.

Observations: Based upon review and testing, INS determined the Company calculated unearned premium accurately and returned such promptly to the policyholder.

Recommendations: None.

Standard V-8. Reinstatement is applied consistently and in accordance with policy provisions.

Objective: This Standard addresses consistent reinstatement processing in compliance with policy provisions. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

- The processing system logs general agency reinstatements as received and sends reinstatements with policy values over \$35,000 to underwriting for approval. The service area handles transactions of less than \$35,000, with certain exceptions based on responses to questions on the reinstatement application.
- The reinstatement application may be requested or provided when a policyholder makes a payment after a lapse.
- General Agency life & disability income policies
 - There is a thirty-one-day grace period, after which time reinstatement is required.
 - Policy reinstatement timeline
 - five years – lapsed policies with no value and extended-term and reduced paid-up policies
 - thirty days for expired life policies
 - six months for disability policies
- Worksite operates in the same manner as a general agency, except that policies over \$50,000 proceed directly to underwriting. In addition, there are product-specific variations of the reinstatement application.
- The Group reinstatement process includes options that require signed forms and a return of all past-due premiums. The manager in the operations department has approval authority if no prior lapse or pending claims exist; otherwise, underwriting review. In addition, individual policies require underwriting review for all reinstatement applications.
- For worksite life, critical illness and accident policies
 - There is a thirty-one-day grace period, after which time reinstatement is required.
 - Policy reinstatement timeline:
 - five years for lapsed policies with no value and extended and reduced paid-up policies; and
 - six months for expired life plus policies.
 - Accident and Critical Illness Policies
 - Accident Plan: An employee may reinstate a policy, which has lapsed within 60 days, subject to the consumer paying any back premium and a completed Accident application.
 - Critical Illness: An employee may reinstate their coverage if they return from a leave of absence within ninety days of when the leave began, subject to a back premium and a completed critical illness application.
 - Disability certificates cannot be reinstated.
- Under certain conditions, A reinstatement form is not required, such as the paid date of the policy is less than sixty days old.
- A reinstatement application is attached to all lapse notices sent to the policyholder.
- The Company has written service standards to ensure the timely processing of policyholder service transactions.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

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Transaction Testing Procedure: INS selected a random sample of fifty reinstatement files from the examination period. INS also reviewed Company policies and procedures and conducted on-site interviews.

Transaction Testing Results:

Findings: None.

Observations: Based upon review and testing, INS determined that the Company handles reinstatements in compliance with statutory requirements.

Recommendations: None.

VI. UNDERWRITING AND RATING

Evaluation of the Standards in this business area is based on (a) an assessment of the Company's internal control environment, policies, and procedures, (b) the Company's response to various information requests, and (c) a review of several types of files at the Company.

Standard VI-1. The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the Company rating plan.
--

Objective: This Standard addresses whether the Company uses and charges proper premium rates. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

- The Company has written underwriting and rating policies and guidelines designed to assure reasonable consistency in the classification and rating of new business.
- Generally, the Company offers individual life policies in tobacco and non-tobacco classes, with some products using a general class regardless of tobacco use status ("unismoke") for all applicants. In addition, underwriters determine the premium rate based on the applicant's age and health condition. The Company files the CSO mortality tables for each life product to comply with M.G.L. c. 175, § 9; M.G.L. c. 176D, § 3(7); 211 CMR 32.00; 211 CMR 57.04; 211 CMR 39.00 and Division Bulletin 2008-18.
- The Company determines the premium rate for disability income certificates of coverage based on the applicant's occupation, age, and health condition. The rates for Critical Illness certificates are based on age and tobacco use.
- The Company's Group Underwriting Department determines group life, accident, and disability income rates based on the size of the group, age range of the group, and prior claims experience.
- Individual Accident policy rates are flat rates by coverage for all applicants, and the rates are filed with the Division for approval before use.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed twenty-five randomly selected new business policies to determine the correct rating during the examination period. INS also reviewed the Company's processes and procedures and conducted on-site interviews.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing and review, INS determined that premium rates were properly applied.

Recommendations: None.

Standard VI-2. All mandated disclosures are documented and in accordance with applicable statutes, rules, and regulations.

Objective: This Standard addresses mandated underwriting disclosures for insurance policies, as required under statutes, regulations, and Company policy. See Appendix A for applicable statutes, regulations, and bulletins.

Work under this section was performed within other standards, including requirements to provide illustrations and disclosures included in Standard III-6, replacement disclosures included in Standards III-4 and III-5, and adverse underwriting notices contained in Standards VI-7 and VI-8.

Standard VI-3. The Company does not permit illegal rebating, commission-cutting or inducements.

Objective: This Standard prohibits illegal rebating, commission cutting, or inducements in Company commissions to producers and advertising/marketing materials. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

- The Company has procedures for paying producers' commissions per written producer contracts.
- The Company provided specimen producer contracts and agreements effective during the examination period, including the producer application, direct broker's agreement, general agent's agreement, agent's agreement, and a navigator component of each agreement.
- Company policies, procedures, and producer contracts prohibit inappropriate rebating, commission-cutting, or inducements.

Controls Reliance: Controls tested via documentation inspection, procedure observation, or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS randomly selected twenty-five new business policies to review for correctly paid producer commissions.

INS also reviewed:

- Company policies and procedures and conducted on-site interviews;
- Company-provided specimen producer contracts in force during the examination; and
- Company provided producer-related information and materials, including contracts, new business materials, advertising materials, producer training materials, and manuals for indications of rebating improper commission cutting or inducements.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing and review, INS determined that commission payments were proper and the Company's processes for prohibiting rebating, improper commission cutting, or inducements are functioning following its policies, procedures, and statutory requirements.

Recommendations: None.

Standard VI-4. The Company's underwriting practices are not unfairly discriminatory. The Company adheres to applicable statutes, rules and regulations and regulated entity guidelines in the selection of risks.

Objective: This Standard addresses unfair discrimination in underwriting. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

- The Company provided policies and procedures that prohibit unfair discrimination in underwriting under statutory requirements.
- The application does not request discriminatory factors on the applications for insurance such as blindness, deafness, abuse, or genetic information.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed Company policies and procedures and conducted on-site interviews.

Transaction Testing Procedure: INS reviewed a random sample of fifty new business policies proportionally based on product lines in force during the examination period. INS also reviewed anti-discriminatory policies provided by the Company and conducted on-site interviews.

Transaction Testing Results:

Findings: None.

Observations: Based on testing and review, INS determined that the Company's underwriting practices are not unfairly discriminatory, and the Company is complying with all requirements.

Recommendations: None.

Standard VI-5. All forms, including contracts, riders, endorsement forms, and certificates are filed with the insurance department, if applicable.

Objective: This Standard addresses the required filing of all policy forms and endorsements. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

- The Company's written underwriting guidelines and policy forms assure reasonable consistency in the classification of risks.
- The Company obtains Division approval of all policy forms, contract riders, endorsement forms, and illustrations prior to use unless the forms are exempt. This process is in effect to comply with M.G.L. c. 175, §§ 2B, 22, 24, 108, 129, 132, 134 and 139; 211 CMR 42.06; and Division Bulletin 2009-10.

Controls Reliance: Controls tested via documentation inspection, procedure observation, or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed a random sample of fifty new business policies proportionally, based on product lines in force during the examination period. INS selected the most commonly used policy forms and endorsements in these files to ensure that these were approved as required by the Division prior to use. INS also conducted on-site interviews. INS reviewed the complete list of forms and approval dates provided by the Company for the examination period.

Transaction Testing Results:

Findings: None.

Observations: Based on testing and review, INS determined that the company's policies and forms were appropriately filed with the Division before use.

Recommendations: None.

Standard VI-6. Policies, riders and endorsements are issued or renewed accurately, timely, and completely.

Objective: This Standard addresses whether the Company issues insurance policies timely and accurately. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

- The Company has written underwriting guidelines and procedures that require compliance with statutory requirements, including M.G.L. c. 175, §§130 and 131. In addition, company underwriters review all insurance applications and supporting forms to ensure they are complete and internally consistent and obtain any additional information needed to make underwriting decisions.
- The Company's practice is to issue policies and riders in a timely and complete manner.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed a random sample of fifty new business policies proportionally based on product lines in force during the examination period. INS also reviewed Company policies and procedures and conducted on-site interviews.

Transaction Testing Results:

Findings: None.

Observations: Based on testing and review, INS determined that policies were issued timely, accurately, completely, and following Company policies, procedures, and statutory requirements.

Recommendations: None.

Standard VI-7. Rejections and declinations are not unfairly discriminatory.
--

Objective: This Standard addresses whether application denials are fair. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

- The Company has written underwriting guidelines and policies that prohibit unfair discrimination.
- The Company sends applicants an adverse underwriting notice when an application is rejected or declined. The Company provided a specimen letter.
- Applicants receive a specific rights letter regarding the adverse underwriting decision with information regarding the appeal process. An applicant may submit an appeal request in writing within 90 business days from the date of the letter.
- The Company policies and procedures require adverse underwriting notice when the Company declines applications, elects to provide a reduced coverage, or offers coverage at higher than standard rates.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed a randomly selected sample of fifty declinations issued during the examination period. INS also reviewed Company policies and procedures and conducted on-site interviews.

Transaction Testing Results:

Findings: None.

Observations: Based on testing and review, INS determined that the Company's policies and procedures for providing declinations and adverse underwriting notices comply with policies, procedures, and statutory requirements.

Recommendations: None.

Standard VI-8. Cancellation/nonrenewal, discontinuance, and declination notices comply with policy provisions, state laws and the regulated entity's guidelines.

Objective: This Standard addresses whether the non-underwriting reasons for cancellation are valid according to policy provisions and state laws. Compliance with adverse underwriting notice requirements is tested in Standard VI-7. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

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- The Company has written procedures for cancellation of insurance coverage in accordance with statutory requirements such as M.G.L. c. 175, §§ 108 (3)(a)(2), 108C, 108G, 108H, 132(2), 187C and 187D.
- Although rare, the Company may rescind coverage in cases of fraud or material misrepresentation.
- The Company's policy is to give adequate notice in cases where the Company cancels insurance coverage for non-payment.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed a random sample of twenty-five policies canceled in the examination period. INS also reviewed Company policies and procedures and conducted on-site interviews.

Transaction Testing Results:

Findings: None.

Observations: Based on review and testing, INS determined that the Company's policies and procedures for cancellation-related notices comply with policies, procedures, and statutory requirements.

Recommendations: None.

Standard VI-9. Rescissions are not made for non-material misrepresentation.
--

Objective: This Standard addresses whether decisions to rescind and cancel coverage are appropriate. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

- The Company does not have a contractual right to rescind insurance coverage absent the conditions set forth in statutes or regulations.
- The Company policies and procedures meet statutory requirements prohibiting a company from rescinding a policy for fraud before the first two years of coverage have passed.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: The Company reported rescinding three policies during the examination period. INS reviewed the rescissions, and all three were for nondisclosure of serious medical conditions. The underwriters concluded that the Company would not have issued the policy if the applicant disclosed the conditions.

Transaction Testing Results:

Findings: None.

Observations: Based on testing and review, INS determined that the Company's policies and procedures for providing rescissions complied with its policies, procedures, and statutory requirements.

Recommendations: None.

Standard VI-10. Pertinent information on applications that form a part of the policy is complete and accurate.

Objective: This Standard addresses whether required information on the application is complete and accurate with verification of information as required coverage is issued as requested and the applications are signed. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls as part of this Standard:

- The Company's individual life applications generally require submission of information regarding the applicant's existing life insurance coverage, family member information, occupation, monthly earnings, age, and the purpose of the applied-for life insurance. A copy of the application is attached to the issued policy.
- The Company's disability income applications require the submission of information regarding the applicant's employment status, occupation, monthly earnings, income, age, existing disability income coverage, and family member information to assist in determining the applicant's needs.
- The Company's group life, critical illness, accident, and disability income applications require submitting information regarding the applicant's nature of employment, type and amount of coverage requested, group eligibility guidelines, employee contributions, waiting periods, benefit termination guidelines, and rate guarantees.
- The underwriting department manager conducts quality reviews of all applications handled by underwriting trainees, junior, and mid-level employees. The manager also reviews a percentage of all other applications monthly.
- Underwriters utilize a standard checklist approach to determine if the underwriting packet contains all required information, including the application.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed a random sample of fifty new business policies proportionally based on product lines in force during the examination period. INS also reviewed Company policies and procedures and conducted on-site interviews.

Transaction Testing Results:

Findings: None.

Observations: Based on review and testing, INS determined that the applications submitted for each sale were signed, issued consistent with the application, and completed per Company policies, procedures, and statutory requirements.

Recommendations: None.

Standard VI-11. The Company complies with the specific requirements for AIDS-related concerns in accordance with statutes, rules, and regulations.

Objective: This Standard addresses procedures to ensure that the Company does not use medical records indicating AIDS-related concerns to discriminate against life and individual disability income insurance applicants and provides the required confidentiality of records. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard:

- The Company policies and procedures address the highly confidential nature of AIDs related information, required informed consent before initiating an AIDs related blood test, and disclosure requirements of positive results intended to comply with 211 CMR 36.04-36.08.
- AIDs testing is conducted whenever a blood or urine test is required, such as factors related to age or requested amounts.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS inspected the policies, procedures, and Company forms for proper compliance.

Transaction Testing Results:

Findings: None.

Observations: Based on review and testing, INS determined that the Company complies with statutory provisions for notice, disclosure, and confidentiality requirements related to AIDs concerns.

Recommendations: None.

VII. CLAIMS

Evaluation of the Standards in this business area is based on (a) an assessment of the Company's internal control environment, policies, and procedures, (b) the Company's response to various information requests, and (c) a review of several types of files at the Company.

Standard VII-1. The initial contact by the Company with the claimant is within the required time frame.
--

Objective: The Standard addresses the timeliness of the Company's initial contact with the claimant. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: The examiners noted the following controls in the review of this Standard, and Standards VII-2 through VII-13:

- The Company has written policies and procedures to provide oversight of the claim handling process.
- The Company accepts a notice of claims from a policies beneficiary, funeral home, policy owner, policyholder, agent, or another party with a legitimate interest in a claim. The notice of claim may be a claim form, telephone call, letter, return mail, or any other evidence that a claim exists.
- The claims examiner confirms coverage for each claim by referring to the policy master file for the type of coverage and mails a claims kit within two business days to the claimant. If the beneficiary prefers and has access to the internet, the Company can provide instructions for obtaining the claims forms from Boston Mutual's website.
- The claims kit includes a claims form, a HIPAA compliant authorization form, Notice of Privacy Practices, and Fraud Warning Notices.
- The Company sets up a claim, and the policy is flagged with an indicator to stop further billing and other related communications from being sent.
- If the Company does not receive the required documentation within thirty days from the claimant, two additional requests occur at thirty-day intervals.
- All claims are to be acknowledged within ten days from the date of receipt if not paid within that time frame.
- The Company should advise the beneficiary within fifteen business days of the acceptance or denial of the claim once all the appropriate documents are received.
- For individual life insurance claims, the claim settlement amount includes the payment of interest. It may also include return premium amounts, pro-rata dividends, or netting of policy loan amounts as applicable. The interest calculation is in the claim file.
- The Company reviews the Massachusetts Department of Revenue website for unpaid child support and taxes for all claims over five hundred dollars.

Controls Reliance: Controls tested via documentation inspection, procedure observation, and corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS tested the Company's controls by reviewing policies and procedures, interviewing Company management, reviewing available documentation, and conducting transaction testing. INS also requested the universe of received or paid claims during the examination period. A random sample of 215 claim files was requested and reviewed.

The number of claims reviewed in the random sample breaks down by product line, claims in each product line were randomly selected as follows:

- Critical Illness - four files
- Group Accident – twenty-five files
- Group Disability Income Protection – four files
- Group Life – twenty-five files
- Group Long Term Disability – twenty-five files
- Group Monthly Disability -twenty-one files
- Group Short Term Disability – twenty files
- Health Screening – twenty-five files
- Individual Accident – twenty-five files
- Individual Disability Income – seven files
- Individual Life – twenty-five files
- Long Term Disability – four files
- Short Term Disability – five files

Transaction Testing Results:

Findings: None.

Observations: Based on review and testing, INS determined that the Company makes timely initial contact with claimants in accordance with Company policies, procedures, and statutory requirements.

Recommendations: None.

Standard VII-2. Timely investigations are conducted.

Objective: This Standard addresses the timeliness and completeness of the Company's claim investigations. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: See Standard VII-1.

Transaction Testing Results:

Findings: In two claim files, the Company failed to adopt and implement reasonable standards for the prompt investigation of claims.

- One claim file included three policies; the Company paid beneficiaries on two of the policies in 2016 but failed to pay the third policy until 2018.
- The second claim file failed to adequately document timely communications with the insured, including the "acknowledgment" and mailing "proof of loss" forms.
- The late payment and the untimely communication are violations of M.G.L. c. 176D, § 3(9)(c).

Observations:

Based on review and testing, INS determined that except for the two instances noted in Findings, the Company policies and procedures standards comply with the requirements of M.G.L. c. 176D, § 3(9)(c) for claim investigations.

Recommendations:

The Company should adopt and implement procedures to ensure reasonable standards for the prompt investigation of claims. Furthermore, the Company should implement strategies to ensure that multiple policies held by a deceased policyholder settle promptly.

Subsequent Company Action:

Examiners verified the policyholder/beneficiary whose claim payment was delayed received appropriate interest. In the second claim involving delayed communications, the Company was unable to locate the complete claim file. As a result, the Company created a duplicate file with information from the information systems, including screenprints, phone conversations, letters, and a copy of the certificate. The Company continues to search for the actual file and has reminded claim examiners to send completed files to be imaged immediately upon completion.

Standard VII-3. Claims are resolved in a timely manner.
--

Objective: This Standard addresses the timeliness of the Company's claim settlements. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: See Standard VII-1.

Transaction Testing Results:

Findings: None.

Observations: Based on review and testing, INS determined that the Company resolved claims timely following Company policies, procedures, and statutory requirements.

Recommendations: None.

Standard VII-4. The Company responds to claims correspondence in a timely manner.
--

Objective: The Standard addresses the timeliness of the Company's response to all claim correspondence. See Standard VI-6 for testing of statutorily required non-claim correspondence. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: See Standard VII-1.

Transaction Testing Results:

Findings: None.

Observations: Based on review and testing, INS determined that the Company responds to claim correspondence promptly and follows Company policies, procedures, and statutory requirements.

Recommendations: None.

Standard VII-5. Claims files are adequately documented.
--

Objective: The Standard addresses the adequacy of information maintained in the Company's claim records. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: See Standard VII-1.

Transaction Testing Results:

Findings: None.

Observations: Based on review and testing, INS determined that the Company adequately documents claim files following Company policies, procedures, and statutory requirements.

Recommendations: None.

Standard VII-6. Claims are properly handled in accordance with policy provisions and applicable statutes (including HIPAA), rules and regulations.

Objective: This Standard addresses whether the claim appears to have been paid for the appropriate amount to the correct claimant or payee and whether the Company adequately protects confidential information. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: See Standard VII-1.

Transaction Testing Results:

Findings: None.

Observations: Based on review and testing, INS determined that the Company properly handled claims under Company policies, procedures, and statutory requirements.

Recommendations: None.

Standard VII-7. The Company claim forms are appropriate for the type of product.

Objective: This Standard addresses the Company's use of claim forms that are proper for the product type. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: See Standard VII-1.

Transaction Testing Results:

Findings: None.

Observations: Based on review and testing, INS determined that the Company used the appropriate claim forms in resolving claims in accordance with Company policies, procedures, and statutory requirements.

Recommendations: None.

Standard VII-8. Claim files are reserved in accordance with the regulated entity's established procedures.

Objective: The Standard addresses the Company's reserving practices. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: See Standard VII-1.

Transaction Testing Results:

Findings: None.

Observations: Based on review and testing, INS determined the Company uses appropriate reserving practices when processing claims.

Recommendations: None.

Standard VII-9. Denied and closed without payment claims are handled in accordance with policy provisions and state law.

Objective: This Standard is concerned with the adequacy of the Company's decision-making and its documentation of denied and closed-without-payment claims. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: See Standard VII-1.

Transaction Testing Results:

Findings: None.

Observations: Based on review and testing, INS determined that the Company properly denied and closed claims without payment following Company policies, procedures, and statutory requirements.

Recommendations: None.

Standard VII-10. Canceled benefit checks and drafts reflect appropriate claim handling practices.

Objective: The Standard addresses the Company's procedures for issuing claim checks. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: See Standard VII-1.

Transaction Testing Results:

Findings: None.

Observations: Based on review and testing, INS had no concerns with Company policies, procedures, and statutory requirements.

Recommendations: None.

Standard VII-11. Claim handling practices do not compel claimants to institute litigation, in cases of clear liability and coverage, to recover amounts due under policies by offering substantially less than is due under the policy.

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Objective: The Standard addresses whether the Company's claim handling practices force claimants to: (a) institute litigation for the claim payment or (b) accept a settlement that is substantially less than what the policy contract provides. See Appendix A for applicable statutes, regulations, and bulletins.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: See Standard VII-1.

Transaction Testing Results:

Findings: None.

Observations: Based on review and testing, INS determined that the Company adequately resolved all claims directly with the claimant or appointed representative with none of the claims placed in litigation under Company policies, procedures, and statutory requirements.

Recommendations: None.

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BOSTON MUTUAL LIFE INSURANCE COMPANY

SUMMARY

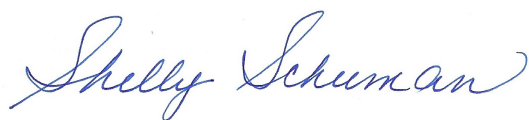
Based upon the procedures performed in this examination, INS has reviewed and tested company operations/management, complaint handling, marketing and sales, producer licensing, policyholder service, underwriting and rating, and claims following the standards as outlined in the *2018 NAIC Market Regulation Handbook*, the examination standards of the Division, and the Commonwealth of Massachusetts' insurance laws, regulations and bulletins. The Division has not mandated any required actions.

ACKNOWLEDGMENT

This acknowledgment is to certify that the undersigned is duly qualified and that, in conjunction with INS Regulatory Insurance Services, Inc., applied certain agreed-upon procedures to the corporate records of Boston Mutual Life Insurance Company for the Division of the Commonwealth of Massachusetts to perform a comprehensive market conduct examination of the Company.

The undersigned's participation in this comprehensive examination as the Examiner-In-Charge encompassed responsibility for the coordination and direction of the examination performed, which was in accordance with and substantially complied with, those standards established by the NAIC, the Handbook. In addition, this participation consisted of involvement in the planning (development, supervision, and review of agreed-upon procedures), administration, and preparation of the comprehensive examination report.

The cooperation and assistance of the officers and employees of the Company extended to all examiners during the comprehensive examination is hereby acknowledged.



Shelly Schuman
Supervising Insurance Examiner,
The INS Companies
Market Regulation Division
Philadelphia, Pennsylvania