



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

*Report on the Comprehensive Market Conduct Examination of*

*The Savings Bank Mutual Life Insurance  
Company of Massachusetts*

*Woburn, Massachusetts*

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

**NAIC COMPANY CODE: 70435**

**EMPLOYER ID NUMBER: 04-3117253**

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**COMMONWEALTH OF MASSACHUSETTS**  
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COMMISSIONER OF INSURANCE

December 18, 2020

The Honorable Gary D. Anderson  
Acting 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

**THE SAVINGS BANK MUTUAL LIFE INSURANCE**  
**COMPANY OF MASSACHUSETTS**

at their home offices located at:

One Linscott Street  
Woburn, MA 01801

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 Savings Bank Mutual Life Insurance Company of Massachusetts (“Company”) for the period January 1, 2018 to December 31, 2018, with a focus on individual business. 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. Representatives from the firm of Rudmose & Noller Advisors, LLC (“RNA”) were engaged to complete certain agreed upon procedures.

## 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 financial examination of the Company. For those objectives, RNA and the market conduct examination staff relied on procedures performed by the Division’s financial examination staff to the extent deemed appropriate to ensure that the market conduct objective was adequately addressed. The operational areas that were reviewed under this examination include company operations/management, complaint handling, marketing and sales, producer licensing, policyholder service, underwriting and 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. While the Handbook approach is designed to detect incidents of deficiency through transaction testing, the internal control assessment provides an understanding of the key controls that the Company’s management uses to operate their business and to meet key business objectives, including complying with applicable laws and regulations related to market conduct activities.

The internal control assessment is comprised of three significant steps: (a) identifying controls; (b) determining whether the control has been reasonably designed to accomplish its intended purpose in mitigating the risk; and (c) verifying that the control is functioning as intended (i.e., review or testing of the controls). The effectiveness of the internal controls was considered 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 be a violation of Massachusetts insurance laws, regulations or bulletins. An “observation” along with a recommendation is considered a departure from an industry best practice. The Division recommends that Company 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 unacceptable or non-compliant business practices does not constitute acceptance of such practices. When applicable, corrective actions should be taken in all jurisdictions. The Company shall report to the Division any such corrective actions taken.

## EXECUTIVE SUMMARY

This summary of the examination of the Company is intended to provide a high-level overview of the examination results highlighting where recommendations were made or required actions were noted. 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 applicable, subsequent Company actions. Company managerial and supervisory personnel from each operational area should review the examination report for results relating to their specific area.

The following is a summary of all findings and observations, along with related recommendations and required actions and, if applicable, subsequent Company actions noted in this examination report. All Massachusetts laws, regulations and bulletins cited in this report may be viewed on the Division's website at [www.mass.gov/doi](http://www.mass.gov/doi).

The examination resulted in no recommendations or required actions with regard to company operations/management, complaint handling, marketing and sales, underwriting and rating, or policyholder service. The examination indicated that the Company is in compliance with all tested Company policies, procedures and statutory requirements addressed in these areas. Further, the tested Company practices appear to meet industry best practices in these areas.

Recommendations and required actions noted in this examination are as follows:

## SECTION IV-PRODUCER LICENSING

### STANDARD IV-1

**Findings:** New business testing identified three sales where the producers were licensed but not appointed as agents within 15 days of the sale dates despite each having agent contracts. Each of these is a violation of M.G.L. c. 175, § 162S, which requires that the producer be appointed as agent within 15 days of the sale, when the insurer elects to contractually appoint producers as agents.

**Observations:** RNA tested 110 life insurance and three fixed annuity sales during the examination period. For those sales which were sold by agents appointed in 2018, except as noted above, the appointment dates on the Division's and the Company's databases matched within 15 days. Further, all the producers who sold policies during the examination period were properly licensed and were included on the Division's database of the Company's appointed agents.

**Required Actions:** The Company shall review its controls and procedures and make any necessary changes to ensure timely appointment of an agent in the Division's On-line Producer Registration and Appointment System ("OPRA") within 15 days of the sale date. Also, the Company shall provide training and guidance to staff about agent appointments. Finally, the Company shall conduct an internal audit by June 30, 2021, or another date acceptable to the Division, to ensure that these required actions have been properly implemented. The Company shall provide the internal audit report to the Division.

**Subsequent Actions:** The Company states that beginning in April 2020, the Company implemented procedures to record the appointment in the Company's appointment and licensing system the same date that the appointment is entered in OPRA, and began completing a daily reconciliation between the Company's system and OPRA. Training also has been conducted on the new procedures.

## SECTION VII-CLAIMS

### STANDARD VII-6

Findings: For two claims, there was no documentation that Department of Revenue intercept checks were timely completed as required by M.G.L. c. 175, § 24D and 24F. Also, for four claims, there was no documentation that policy searches were performed when claims were reported as required by Division Bulletin 2001-07.

Observations: Based upon testing, except as noted above, the Company properly handles claims in accordance with policies, procedures and statutory requirements.

Required Actions: The Company shall review its controls and procedures and make any necessary changes to ensure that timely Department of Revenue checks and policy searches are completed. Also, the Company shall provide training and guidance to staff about these matters. Finally, the Company shall conduct a detailed internal audit by June 30, 2021, or another date acceptable to the Division, to ensure that these required actions have been properly implemented. The Company shall provide the internal audit report to the Division.

Subsequent Company Actions: The Company states that it conducted training for employees in April 2020 and has submitted technology requirements for automated search capability to assist with the required checks and searches.

## COMPANY BACKGROUND

The Savings Bank Mutual Life Insurance Company of Massachusetts (“SBLI” or the “Company”) is a mutual life insurance company organized under the laws of Massachusetts. The Company converted from a stock insurer to a mutual insurer in July 2017, using surplus notes to purchase the equity interests of the stockholders. The Company’s primary product offering is term life insurance. Supplemental products such as whole life, bank-owned life insurance, and fixed deferred annuities are also offered.

The Company is licensed in the District of Columbia and all states except New York. Historically, much of the Company’s business was sold in Massachusetts; however the Company has expanded its geographical footprint to many other states over the past several years, and as such, in 2019, life insurance sales outside of Massachusetts represented 54% of total life insurance sales. As of December 31, 2019, life insurance in-force on policies outside of Massachusetts was \$118.3 billion compared to \$62.3 billion in Massachusetts. The Company’s business is produced through three distribution channels: direct employee agents, independent general agencies, and on-line direct marketing aggregators.

The Company is rated A- (Strong) by A.M. Best. The Company has \$3.4 billion in assets and \$193.9 million in surplus as of December 31, 2019.

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

## I. COMPANY OPERATIONS/MANAGEMENT

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.

<b>Standard I-1. The regulated entity has an up-to-date, valid internal, or external, audit program.</b>
--

*Objective:* This Standard addresses the audit function and its responsibilities. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company's statutory financial statements are audited annually by an independent auditor.
- The Company's Board of Directors ("Board") currently consists of ten members, including nine independent directors. The Company's By-Laws allow for between seven and 15 board members. There are four committees - Audit Committee, Compensation Committee, Governance and Nominating Committee and Investment Committee.
- The Director of Internal Audit has a direct and independent reporting relationship to the Audit Committee and reports administratively to the General Counsel.
- Internal audit's main focus is operational audits utilizing a three-year audit plan with an audit rotation based on risk level. The audit plan is updated and approved annually by the Board. Internal audit reports quarterly to the Audit Committee relative to progress on the audit plan, issues, findings, and follow-up matters. Annual information technology ("IT") testing is performed by internal audit as part of the independent audit. In addition, an IT audit is outsourced to a CPA firm with IT audit experience every two to three years.
- The Company has an enterprise risk management ("ERM") program that is led by internal audit. The ERM program is coordinated through a management Internal Risk Committee ("IRC"). The ERM program uses surveys taken by middle and senior management to identify risks in their areas. Risk owners in business units are responsible for implementing and reporting on risk mitigation processes. Internal audit, with assistance from business unit management, identifies and assesses key risks in all business units. Identified risks are reported through metrics and a balanced scorecard. A quarterly balanced scorecard is distributed for discussion to members of the IRC, senior management, and the Audit Committee. As part of its oversight role, the Chairman of the Audit Committee provides quarterly updates to the Board on ERM topics.
- The Company's compliance function reports to the General Counsel. The compliance department serves in a corporate advisory and training role for the business units who are responsible for implementing compliance requirements into business processes. Key areas of compliance involvement include policy form drafting and filing, review of advertising materials, privacy notices, licensing and appointment of agents, Office of Foreign Asset Control ("OFAC") anti-money laundering processes, annuity suitability review, and review of policy illustrations, if used in connection with sales quotes. The compliance department is also responsible for monitoring regulatory activity and disseminating appropriate information to business units.
- The Company retains an outside underwriting consultant to conduct semi-annual reviews of the underwriting department. A minimum of ten cases are randomly selected for each underwriter and reviewed by the consultant.



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: RNA interviewed Company personnel with responsibility for internal auditing, ERM, compliance activities, and quality assurance processes. RNA reviewed selected internal audit, corporate compliance and contracted audit reports issued in 2018 and 2019, the ERM balanced scorecard for the quarter ended September 30, 2019, and the Company's Board of Directors minutes for 2018 and 2019. Issues noted in such reports and minutes were further investigated and reviewed with management.

Transaction Testing Results:

Findings: None.

Observations: The internal audit, corporate compliance and contracted reports provided detailed information on the audit procedures performed, findings, actions taken, and recommendations for improvements. The review of these audits indicated that the Company is generally in compliance with policies, procedures, and regulatory requirements. The ERM balanced scorecard documented the results of metrics used to assess identified risk categories within and outside the Company's established targets. The Company has documented its corporate decisions in its Board of Directors minutes.

Recommendations: None.

<b>Standard I-2. The regulated entity has appropriate controls, safeguards and procedures for protecting the integrity of computer information.</b>
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No work performed. All required activity for this Standard is included in the scope of the Division's financial examination of the Company.

<b>Standard I-3. The regulated entity has antifraud initiatives in place that are reasonably calculated to detect, prosecute, and prevent fraudulent insurance acts.</b>
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Objective: This Standard addresses the effectiveness of the Company's antifraud plan. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company has a written Antifraud Plan, which requires management and employees to take reasonable precautions to prevent, detect, and investigate potential insurance fraud.
- The Company has a Special Investigation Unit ("SIU") that is responsible for establishing all fraud training, investigation and reporting requirements, which are included in the Anti-Fraud Plan. The Company reports suspected fraud to the Massachusetts Insurance Fraud Bureau.
- Officers and Directors must annually complete a conflict of interest questionnaire and disclose any conflicts of interest.
- All employees are annually required to attest that they are in compliance with the Company's Code of Conduct and Ethics, including the conflict of interest policy, and to attest that they have not been

convicted of a felony involving dishonesty or breach of trust. Any such convictions must be reported immediately. The Company's Anti-Money Laundering Policy requires employee signoff every two years.

- Criminal background checks are completed for all prospective employees. The Company does not consider anyone convicted of a felony, as defined in the Federal Violent Crime Control and Law Enforcement Act, to be eligible for hire.
- OFAC checks of all the Company's business relationships are completed daily against the Specially Designated Nationals ("SDN") list, with any matches timely investigated. The payees for all claim disbursements are checked against the OFAC SDN list.

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: RNA interviewed Company personnel with responsibility for antifraud initiatives, compliance procedures, and Code of Conduct and Ethics policies. RNA reviewed the Antifraud Plan and the Company's OFAC procedures. Finally, RNA reviewed antifraud procedures applicable in complaints, claims, and underwriting testing as applicable.

Transaction Testing Results:

Findings: None.

Observations: The Company has adopted reasonable procedures related to antifraud initiatives, Code of Conduct and Ethics compliance, and OFAC requirements. RNA also confirmed that the Company completes criminal background checks for new employees. During complaints, claims, and underwriting testing, any fraud concerns appeared to be properly and timely investigated. Based upon our review of the Company's policies and procedures, it appears that the Company has antifraud initiatives in place that are reasonably calculated to detect, prosecute, and prevent fraudulent insurance acts.

Recommendations: None.

<b>Standard I-4. The regulated entity has a valid disaster recovery plan.</b>
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No work performed. All required activity for this Standard is included in the scope of the Division's financial examination of the Company.

<b>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, managing general agents (MGAs), general agents (GAs), third party administrators (TPAs) and management agreements must comply with applicable licensing requirements, statutes, rules and regulations.</b>
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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 following controls were noted in review of this Standard and Standard I-6:

- The Company uses third parties to conduct medical examinations of certain life applicants. These contracts designate responsibilities and duties, restrictions, general confidentiality, and privacy requirements for all medical information and lab specimens.
- The Company uses independent general agencies and on-line direct marketing aggregators (“DMA”) to sell the Company’s products. The general agency and DMA contracts describe the duties of the parties, licensing and appointment requirements, limitations of authority, compensation, terminations and reappointments, continuing education responsibilities, compliance with the Company’s replacement requirements and errors and omissions coverage requirements.
- The Company uses third parties to perform IT and underwriting audits.

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: RNA interviewed management about its use of third parties to perform Company functions, and reviewed a sample of third-party contracts. RNA also reviewed audits performed by third parties.

Transaction Testing Results:

Findings: None.

Observations: Based upon review and testing, it appears that the Company’s contracts with entities assuming a business function on its behalf comply with statutory and regulatory requirements.

Recommendations: None.

<b>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.</b>
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Objective: This Standard addresses the Company’s efforts to 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: See Standard I-5.

Controls Reliance: See Standard I-5.

Transaction Testing Procedure: RNA interviewed management about its monitoring of third parties who perform Company functions.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, it appears that the Company is adequately monitoring the activities of third parties assuming a business function, in compliance with statutory and regulatory

requirements.

Recommendations: None.

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

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 following controls were noted in review of this Standard:

- The Company has adopted record retention requirements for various documents and records.
- The record retention requirements generally include guidelines for management, maintenance and disposal of records, and the length of time specific documents must be retained.

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: RNA obtained a summary of the Company's record retention policies and procedures, and evaluated them for reasonableness.

Transaction Testing Results:

Findings: None.

Observations: The Company's record retention policies appear reasonable. Testing results relating to documentation evidence are also noted in the various examination standards.

Recommendations: None.

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

Objective: This Standard addresses whether the lines of business written by the Company are in accordance with the lines of business authorized by the Division. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: Due to the nature of this Standard, no controls assessment was performed.

Controls Reliance: Not applicable.

Transaction Testing Procedure: RNA reviewed the Company's certificate of authority, and compared it to the lines of business, which the Company writes in the Commonwealth.

Transaction Testing Results:

Findings: None.

Observations: The Company is licensed for the lines of business being written.

Recommendations: None.

<b>Standard I-9. The regulated entity cooperates on a timely basis with examiners performing the examinations.</b>
--

Objective: This Standard addresses Company's cooperation during the course of the examination. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: Due to the nature of this Standard, no controls assessment was performed.

Controls Reliance: Not applicable.

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

Transaction Testing Results:

Findings: None.

Observations: The Company's level of cooperation and responsiveness to examiner requests was very good.

Recommendations: None.

<b>Standard I-10. The regulated entity has procedures for the collection, use and disclosure of information gathered in connection with insurance transactions so as to minimize any improper intrusion into the privacy of applicants and policyholders.</b>
---

Objective: This Standard addresses the Company's policies and procedures to ensure it minimizes improper intrusion into the privacy of individuals. Testing of compliance with Adverse Underwriting Decision Notice requirements is completed in Standards VI-7 and VI-8. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in conjunction with the review of this Standard and Standards I-11 through I-17:

- The Company's definitions of "adverse underwriting decision," "personal information" and "pretext interview" comply with Massachusetts law. Company policy prohibits pretext interviews except as allowed by law.
- The Company's policy is to provide the notice of privacy practices ("Privacy Notice") at the application date as part of the policy application. The notice states that personal information may

be collected from other persons, and that information may in certain circumstances be disclosed to third parties without authorization.

- The Privacy Notice is also provided with the insurance policy or annuity contract, and each year with the annual statement. For reinstatements where new underwriting procedures are completed, the Privacy Notice is provided at the application date. The Privacy Notice states that the personal information collected or maintained, and the source of such information, are available to the individual within 30 days of receipt of a written request for such information. The Privacy Notice also discloses how a consumer can correct, amend, or delete such information.
- The Company shares personal information with business partners, who perform a function on behalf of the Company. Beginning in 2019, the Company began a joint marketing relationship with a third-party electronic site that can be used by customers to securely accumulate and store their personal financial data. Accordingly, the Company's 2019 Privacy Notice includes an opt-out provision using an 800 number or a website link. Once a customer has opted out, they remain so unless the customer changes his or her election to opt-in. Annually, all customers have the opportunity to opt-out.
- Company policy is to provide the Adverse Underwriting Decision Notice, including all statutory requirements, as required by law. Company policy prohibits basing an adverse underwriting decision on the existence of a previous adverse underwriting decision. The Company's policy prohibits seeking information concerning any previous adverse underwriting decision received by an individual unless the inquiry also requests the reasons for the previous adverse underwriting decision.
- The Company has summarized its privacy policies on its website.
- Company policy is to disclose nonpublic personal information only as required or permitted by law to regulators and law enforcement agencies.
- Company policy requires that its IT security practices safeguard nonpublic personal financial and health information. The Company annually conducts information systems risk assessments to consider, document and review information security threats and controls, and to continually improve information systems security.
- Only individuals approved by Company management are granted access to the Company's key electronic and operational areas where nonpublic personal, financial, and health information is located. Access is frequently and strictly monitored.

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: RNA interviewed Company personnel with responsibility for privacy compliance, and reviewed documentation supporting its privacy policies and procedures. RNA also reviewed life claims documentation for any evidence of the use of pretext interviews.

Transaction Testing Results:

Findings: None.

Observations: The Company's privacy practices appear to minimize any improper intrusion into applicants' and policyholders' privacy, and are disclosed to policyholders in accordance with the Company's policies and procedures. Further, based upon the results of life claims testing, RNA noted no evidence of the use of pretext interviews.

Recommendations: None.

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

*Objective:* This Standard addresses whether the Company has developed and implemented written standards for the management of insurance information. This standard relates to privacy matters and is evaluated in Standards I-10 and I-12 through I-17.

**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.**

*Objective:* This Standard addresses policies and procedures to ensure privacy of nonpublic personal information. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* See Standard I-10.

*Controls Reliance:* See Standard I-10.

*Transaction Testing Procedure:* RNA interviewed Company personnel with responsibility for privacy compliance, and reviewed documentation supporting its privacy policies and procedures. As part of underwriting and claims testing, RNA sought any evidence that the Company improperly provided personal information to parties other than the applicant or claimant as part of new business and claims testing.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Based upon RNA's review, the Company's policies and procedures adequately protect consumers' nonpublic personal information. RNA noted no instances where the Company improperly provided personal information to inappropriate parties in conjunction with new business and claims testing.

*Recommendations:* None.

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

*Objective:* This Standard addresses the Company's practice of providing privacy notices to customers and consumers. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* See Standard I-10.

*Controls Reliance:* See Standard I-10.

Transaction Testing Procedure: RNA reviewed the Company's policies and procedures for providing the Privacy Notice to all applicants, and annually thereafter to policyholders and contract holders. Further, RNA evaluated compliance with these privacy disclosure requirements in conjunction with testing of 110 life insurance and three fixed annuity sales during the examination period.

Transaction Testing Results:

Findings: None.

Observations: The Privacy Notice was provided with each of the applications tested. RNA also noted that the Company has procedures for providing the Privacy Notice annually thereafter to policyholders and contract holders.

Recommendations: None.

<b>Standard I-14. If the regulated entity discloses information subject to an opt out right, the regulated entity 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, and the regulated entity provides opt out notices to its customers and other affected consumers.</b>
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Objective: This Standard addresses policies and procedures with regard to opt out or opt in rights. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard I-10.

Controls Reliance: See Standard I-10.

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for privacy compliance, and reviewed documentation supporting its privacy policies and procedures including those for the use of opt out or opt in notices.

Transaction Testing Results:

Findings: None.

Observations: During the examination period, the Company did not provide opt out or opt in notices to consumers, as nonpublic personal financial information was not shared for marketing purposes. Beginning in 2019, the Company began a joint marketing relationship with a third-party electronic site that can be used by customers to securely accumulate and store their personal financial data. Accordingly, the Company's 2019 Privacy Notice includes an opt-out provision using an 800 number or a website link. Once a customer has opted out, they remain so unless the customer changes his or her election to opt-in. Annually, all customers have the opportunity to opt-out. These opt-in procedures appear reasonable.

Recommendations: None.



**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.**

*Objective:* This Standard addresses the Company's collection and use of nonpublic personal financial information. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* See Standard I-10.

*Controls Reliance:* See Standard I-10.

*Transaction Testing Procedure:* RNA interviewed Company personnel with responsibility for privacy compliance, and reviewed documentation supporting its privacy policies and procedures. RNA also reviewed new business and claims documentation for any evidence that the Company improperly collected, used, or disclosed nonpublic personal financial information in conjunction with testing of new business and claims.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Based upon RNA's review and testing in conjunction with new business and claims, the Company's policies and procedures provide reasonable assurance that the Company properly collects, uses and discloses nonpublic personal financial information.

*Recommendations:* None.

**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.**

*Objective:* This Standard addresses efforts to maintain privacy of nonpublic personal health information. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* See Standard I-10.

*Controls Reliance:* See Standard I-10.

*Transaction Testing Procedure:* RNA interviewed Company personnel with responsibility for privacy compliance, and reviewed supporting documentation. RNA also sought evidence that the Company improperly disclosed nonpublic personal health information in conjunction with testing of underwriting and claims. RNA reviewed compliance with Health Insurance Portability and Accountability Act ("HIPAA") authorization disclosure requirements in conjunction with testing of 110 life insurance sales during the examination period. Finally, RNA reviewed compliance with HIPAA authorization disclosure requirements in conjunction with testing of 95 life and 13 annuity death claims submitted during the examination period.

Transaction Testing Results:

Findings: None.

Observations: RNA noted no instances where the Company improperly disclosed nonpublic personal health information in conjunction with testing of underwriting and claims. Based upon testing, RNA noted that the HIPAA authorization disclosure was signed by new business applicants, claimants, and beneficiaries.

Recommendations: None.

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

Objective: This Standard addresses the Company's information security efforts to ensure that nonpublic consumer information is protected. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard I-10.

Controls Reliance: See Standard I-10.

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for privacy compliance, and reviewed documentation supporting its privacy policies and procedures. Review of IT access and authorization controls is also included in the scope of the Division's financial examination of the Company.

Transaction Testing Results:

Findings: None.

Observations: Based upon RNA's review of the Company's information security policies and procedures, it appears that the Company has implemented an information security program, which provides reasonable assurance that its information systems protect nonpublic customer information.

Recommendations: None.

<b>Standard I-18. All data required to be reported to departments of insurance is complete and accurate.</b>
--

Objective: This Standard addresses the Company's filing of the MCAS for individual life and annuity business. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company's policy administration and claims systems compile and retain life and annuity sales and claims data for inclusion in the MCAS.
- The Company states that it has developed controls and procedures to evaluate the accuracy and completeness of life and annuity sales and claims data for regulatory reporting.

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: RNA interviewed Company personnel with responsibility for life and annuity new business and claims operations. RNA reviewed the Company's 2018 MCAS submissions and compared that information to detailed examination data requested, for any unusual results and concerns.

Transaction Testing Results:

Findings: None.

Observations: RNA's review of the Company's 2018 Massachusetts MCAS data indicated that underwriting and claims data appeared reasonable and consistent with examination data.

Recommendations: None.

<b>Standard I-19. The regulated entity files all certifications with the insurance department as required by statutes, rules, and regulations.</b>
--

Objective: This Standard addresses the Company's efforts to file certifications with the Division as required. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: Due to the nature of this Standard, no controls assessment was performed.

Controls Reliance: Not applicable.

Transaction Testing Procedure: RNA requested evidence that the illustration actuary filed a 2018 actuarial certification with the Division for life products requiring an illustration.

Transaction Testing Results:

Findings: None.

Observations: The Company has filed the 2018 actuarial certification with the Division.

Recommendations: None.

## 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.

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

*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 following controls were noted in review of all complaint Standards:

- Written Company policies and procedures govern the complaint handling process.
- The Company considers a complaint any written grievance against the Company received from a consumer, the Division or Attorney General, including grievances received by email, or through social media.
- The Company logs all complaints received in its complaint register in a consistent format.
- The Company monitors various social media sites, and when negative comments are noted, the Company responds asking the consumer to contact the Company, so the concern may be addressed privately. Once the consumer contacts the Company privately, the concern is treated as a complaint.
- The Company uses a sales customer satisfaction survey. Survey responses rated two stars or below, out of five, are treated as a complaint.
- The complaint register includes the date received, the date closed, the person making the complaint, the insured, the policy number, state of residence, the nature of the complaint and the complaint disposition.
- The Company's policy is to respond to Division complaints within 14 calendar days of receipt when possible, and in a timely manner once it receives and evaluates all required information.
- The Company provides a telephone number and address in its written responses to consumer inquiries and on its web site.
- The Company monitors complaint handling activity and reports to senior management as needed.

*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:* RNA interviewed management responsible for complaint handling, and examined evidence of the Company's related processes and controls. RNA reviewed the Company's complaint registers for 2018-2019, to evaluate the Company's compliance with statutory complaint requirements. RNA also reviewed the Company's complaint registers for 2018-2019, to determine whether they properly contained all Division complaints.

*Transaction Testing Results:*

*Findings:* None.

Observations: Based on testing, the Company's complaint registers included all statutorily-required database elements. Also, the Company's complaint registers properly included all Division complaints.

Recommendations: None.

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

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: RNA interviewed management responsible for complaint handling, and examined evidence of the Company's related processes and controls. From 2018 and 2019 complaint activity, RNA tested eight complaint files to evaluate the Company's compliance with statutory complaint requirements. In addition, RNA reviewed the Company's website and communications to consumers, to determine whether the Company provides contact information for consumer inquiries.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, RNA noted that the Company has adequate procedures to address complaints, and adequately communicates such procedures to consumers.

Recommendations: None.

<b>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.</b>
--

Objective: This Standard addresses whether the Company's response to the complaint fully addresses the issues raised, and whether policyholders or consumers with similar fact patterns are treated 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: RNA interviewed management responsible for complaint handling, and examined evidence of the Company's related processes and controls. From 2018 and 2019 complaint activity, RNA tested eight complaint files to evaluate the Company's efforts to properly dispose of complaints.

Transaction Testing Results:

Findings: None.

Observations: RNA noted that the Company fully addressed the issues raised in the complaints tested. Documentation for the complaints appeared complete, including the original complaints and related correspondence.

Recommendations: None.

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

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: RNA interviewed management responsible for complaint handling, and examined evidence of the Company's related processes and controls. From 2018 and 2019 complaint activity, RNA tested eight complaint files to evaluate the Company's complaint response times.

Transaction Testing Results:

Findings: None.

Observations: The Company addressed the tested regulatory complaints within 14 days as allowed by the Division, and consumer complaints appeared to be addressed timely. The Company appears to respond to complaints in a timely manner in accordance with its policies, procedures, and regulatory requirements.

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.

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

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

*Controls Assessment:* The following controls were noted as part of this Standard:

- The Company has adopted written policies and procedures for review and use of advertising and sales materials, including a provision in agency and producer contracts requiring adherence to such procedures.
- The legal department maintains a log of all submitted advertising and marketing materials, which are to be reviewed and approved by the Company's legal department prior to use. The log documents the date of the reviewer's approval.
- The Company discloses its name and address on its website.
- The Company's internal audit department periodically conducts audits of the Company's compliance with policies and procedures with regard to the use of sales and marketing materials.

*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:* RNA interviewed Company personnel with responsibility for review, approval, and maintenance of sales and advertising materials, and obtained supporting documentation. RNA obtained a list of advertising and sales materials utilized during the examination period, and selected ten home office sales materials for accuracy, reasonableness, and evidence of approval prior to use. RNA also reviewed the Company's website for disclosure of its name and address. Finally, RNA sought evidence of the use of unapproved sales and marketing materials as part of new business testing.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Based upon testing, the Company's process for approving advertising and sales materials prior to use is functioning in accordance with its policies, procedures and statutory requirements. The Company's website disclosure complies with Division Bulletin 2001-02. Finally, the results of new business testing showed no evidence of the Company's or its agents' use of unapproved advertising and sales materials.

*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 are in compliance with state statutes, rules and regulations. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* The following controls were noted as part of this Standard:

- The Company's business is produced through three distribution channels: direct employee agents, independent general agencies, and on-line DMAs. The Company's 15 employee agents in the sales call center primarily support the direct to consumer sales, where consumers contact the Company via phone call or the website. The general agencies, which includes approximately 270 active agencies, sell the Company's products along with other insurers' products. Certain experienced producers, third-party marketing organizations and depository institutions, are contracted with as general agents, and charged with seeking sub-producers, who report to the general agents in exchange for paying an override commission to the general agent. The DMA channel includes five to seven on-line aggregators who offer SBLI's products.
- The Company's employee agents receive in-depth training about the sales and underwriting process, and are supervised by a Vice President of Direct Distribution and a Direct Sales Operations Manager. The new business leads for this channel are heavily focused in Massachusetts and other New England states where the Company has strong brand awareness. The Company uses recorded phone interviews with customers for training purposes.
- Newly-appointed independent agents and DMAs receive an on-boarding presentation regarding the Company's sales practices and underwriting guidelines. Each of the independent agencies and DMAs are managed by the Company's two Sales Executives and two Directors in the independent distribution department.
- The Company conducts "How to Do Business Conference Calls" with general agencies and DMAs to ensure that they understand the Company's products, policies, and procedures.

*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:* RNA interviewed Company personnel with responsibility for review, approval, and maintenance of producer training materials, and obtained supporting documentation.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Based upon review, the Company's producer training process appears reasonable and appropriate.

*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: See Standard III-2.

Controls Reliance: See Standard III-2.

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for developing and distributing producer communications. RNA also reviewed producer compliance materials in conjunction with new business testing.

Transaction Testing Results:

Findings: None.

Observations: Based on our review, procedures for communications to producers generally appear appropriate and reasonable.

Recommendations: None.

<b>Standard III-4. The insurer's rules pertaining to producer requirements in connection with replacements are in compliance with applicable statutes, rules and regulations.</b>
---

Objective: This Standard addresses appropriate replacement handling by the producer, including identification of replacement transactions on applications and use of appropriate replacement-related forms. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted as part of this Standard and Standard III-5:

- Written policies and procedures govern replacement handling.
- The Company's applications require a response from the applicant and agent as to whether or not the insurance or annuity applied for will replace another policy or contract.
- Agents are required to submit applications to the Company that include copies of the Massachusetts replacement disclosure form provided to, and signed by, the applicant on the application date. The Company reviews submitted application packages for evidence of properly completed applications and signed replacement disclosure forms.
- Company policy requires that notice to the replaced carrier be sent within two to seven business days from the date the application is received "in good order" in the home office.
- Reduced commissions are paid on internal life insurance replacements when the existing policy has been in-force less than 8 years. In such cases, the commission is only paid on the difference between the original and new premium.
- The Company provides a 20 day free look on all life and annuity replacement sales.
- The Company has established a Replacement Committee which consists of the General Counsel, Chief Compliance Officer, Assistant Vice President Compliance, and representatives from the new business, direct distribution and independent distribution departments. The Replacement Committee meets bi-monthly to review recent sales for disclosed and undisclosed replacements. The Company's definition of replacement includes any lapsed or surrendered policies as early as four months before the new sale, or as late as 13 months after the new sale. The Replacement Committee selects transactions for detailed review and evaluation. The results of the review are

reported to the producing agent and to Company management for agent training and disciplinary action, when needed.

- For underwriting quality assurance, new underwriters are closely supervised until the underwriter is qualified to complete the analyses without supervisory review. Also, the Company retains an outside underwriting consultant to conduct semi-annual reviews of the underwriting department. A minimum of ten cases are randomly selected for each underwriter for review by the consultant. A report is then prepared for management which reviews the findings for each of the underwriters, and comments on the overall underwriting operations. The comments and recommendations from the consultant are used in training. Also, the underwriting department's operations are reviewed by the Company's reinsurer every three years.

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: RNA interviewed Company personnel with responsibility for new business processing, and obtained supporting documentation. As part of new business testing, RNA selected a sample of 45 life insurance replacement sales from the examination period for testing, including 29 internal and 16 external replacements. The Company did not have Massachusetts annuity replacement sales during the examination period. RNA reviewed the applications to ensure that the replacement questions on the applications were properly answered, reviewed evidence that the replacement disclosure forms were properly signed by the applicants at the application dates, and evaluated whether the replacement sales appeared to be suitable for, or meet the needs of, the applicants. RNA also reviewed the Company's replacement percentage report for December of 2018 and June of 2019, which were used by the Replacement Committee for its evaluation of replacement transactions.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, replacement sales tested appeared to meet the Company's replacement rules and were appropriate for the customers' needs. Further, the Company appears to monitor replacement processes to evaluate customers' and needs product suitability.

Recommendations: None.

<b>Standard III-5. The insurer's rules pertaining to insurer requirements in connection with replacements are in compliance with applicable statutes, rules and regulations.</b>
--

Objective: This Standard addresses appropriate replacement handling by the Company, including identification of replacement transactions on applications, use of appropriate replacement-related forms, and timely notice of replacements to existing insurers. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard III-4.

Controls Reliance: See Standard III-4.

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for new business processing, and obtained supporting documentation. RNA selected a sample of 45 life insurance replacement sales from the examination period for testing, including 29 internal and 16 external replacements. The Company did not have Massachusetts annuity replacement sales during the examination period. RNA reviewed the notices to the replaced carriers for the life insurance replacements for timeliness, and evaluated the commissions paid on internal replacements to ensure that they were reduced in accordance with Company policy.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, all notices to replaced carriers were timely provided. The Company reduced commissions on internal replacements in compliance with Company policy.

Recommendations: None.

<b>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.</b>
--

Objective: This Standard addresses issuance of policy illustrations, policy summaries, outlines of coverages, and buyer's guides that contain all required information, and are timely provided to applicants. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company has written policies and procedures addressing the use and distribution of life insurance policy illustrations, summaries, outlines of coverages, required disclosure forms, and buyer's guides at the application date, and disclosure by the agent that he or she is acting as producer in the sale.
- The Company has written policies and procedures addressing the distribution of Company-required annuity disclosure forms, including 1035 exchange forms, and other transfer forms, at the application date.
- The Company reviews all submitted life insurance and annuity applications to ensure that required forms and disclosures are provided to the applicants.

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: RNA interviewed Company personnel with responsibility for new business processing, and obtained supporting documentation. RNA selected a sample of 110 life insurance and three fixed annuity applications from the examination period for testing. RNA reviewed the life insurance illustrations and other required disclosures, and verified that they were timely provided to the applicants. RNA also reviewed the annuity disclosures, and verified that they were timely provided to the applicants. Finally, RNA noted whether the contracts received were consistent with those applied for, and that any changes resulted in full written disclosure to applicants.

Transaction Testing Results:

Findings: None.

Observations: Based on testing, RNA noted that all life policy illustrations and/or summaries, buyer's guides and annuity disclosures were timely provided to the applicants when required. Contracts received by applicants were issued consistent with their applications, or any changes resulted in full written disclosure to the applicants.

Recommendations: None.

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

Objective: This Standard addresses whether the Company maintains suitability or needs assessment standards for its products. See Standards III-4 and III-5 for testing of replacement suitability and needs assessment, and Standards III-11 through III-12 for testing of annuity suitability and needs assessment. See Appendix A for applicable statutes, regulations and bulletins.

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

- Agents are required to submit complete applications to the Company that are signed by the applicant on the application date.
- Company policy requires that agents conclude that all sales are suitable and meet the applicants' needs.
- Most of the Company's life applications require submission of information regarding the applicant's income, net worth, liquidity, family status, and source of funds to assist in determining their needs.

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: RNA interviewed Company personnel with responsibility for new business processing, and obtained supporting documentation. As part of new business testing non-replacement sales testing, RNA selected a sample of 65 life insurance and three fixed annuity sales from the examination period for testing, to evaluate whether the sales appeared to be suitable and meet the applicants' needs.

Transaction Testing Results:

Findings: None.

Observations: RNA noted that each of the non-replacement sales tested appeared to meet the applicants' needs.

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 performed. This Standard is not covered in scope of examination because the Company does not offer such products.

**Standard III-9. The regulated entity's policy forms provide required disclosure material regarding accelerated benefit provisions.**

*Objective:* This Standard addresses the required disclosures related to accelerated benefits coverage. See Standard VI-5 for testing of use of filed policy forms. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* The following controls were noted as part of this Standard and Standard VI-5:

- The Company obtains Division approval of all policies, contracts and endorsement forms prior to use.
- The Company provides life applicants at the time of application with an Accelerated Benefit Disclosure Form. The applicant and agent must sign this form.

*Transaction Testing Procedure:* RNA interviewed Company personnel to understand the process for requesting accelerated benefits coverage under life insurance. As part of new business testing of 110 life insurance sales, we confirmed that such disclosures were completed and signed by the producers and applicants, as applicable.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* All tested life insurance applications had properly signed and completed accelerated benefit disclosure riders, as applicable. The Company appears to have procedures to provide proper accelerated benefit disclosures upon request for accelerated benefits.

*Recommendations:* None.

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

*Objective:* This Standard addresses policy application forms used by depository institutions with required disclosures. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* The following controls were noted as part of this Standard:

- The Company has written policies and procedures for sales of life insurance and fixed annuities by depository institutions, and the Company reviews all new business submissions from depository institutions for completeness and use of Company-required forms.

- Company policy requires that depository institutions disclose that the fixed annuity is not a deposit or other obligation of, or guaranteed by, the depository institution, the FDIC, or any other agency of the United States.
- Company policy requires that depository institutions disclose risks including the possible loss of value for products involving investment risk.
- The Company prohibits depository institutions from tying fixed annuity sales to extensions of credit when selling Company products.

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: RNA interviewed Company personnel with responsibility for new business processing and contract issuance. As few of the Company's sales are generated by producers at depository institutions, business generated from the depository institutions was not specifically identified for testing, and none of the new business files tested were submitted by producers at depository institutions.

Transaction Testing Results:

Findings: None.

Observations: Based on our review, it appears that the Company has adopted procedures to ensure that depository institutions make required sales disclosures.

Recommendations: None.

<b>Standard III-11. Insurer rules pertaining to producer requirements with regard to suitability in annuity transactions are in compliance with applicable statutes, rules and regulations.</b>
---

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

Controls Assessment: The following controls were noted in this Standard and Standards III-12 through III-14:

- Company policy requires that producers conclude that all fixed annuity sales are suitable and meet the applicants' needs.
- The Company requires that producers obtain the applicant's financial status, tax status and investment objectives, and any other necessary information, to ensure that the annuity is suitable for the applicant.
- The Company reviews all submitted fixed annuity applications to ensure that Company-required forms and disclosures are provided to the applicants, and that the applications are complete and consistent.
- The Company has provided producer training regarding its fixed annuity products. All training materials are approved by the Company prior to their use.

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: RNA interviewed Company personnel with responsibility for fixed annuity new business processing, and obtained supporting documentation. RNA tested three senior non-replacement sales from the examination period, to evaluate whether the agents made appropriate suitability and needs assessments.

Transaction Testing Results:

Findings: None.

Observations: The fixed annuity sales tested showed that agents obtained the required financial information and investment objectives, and made appropriate suitability and needs assessments.

Recommendations: None.

<b>Standard III-12. Insurer rules pertaining to suitability in annuity transactions are in compliance with applicable statutes, rules and regulations.</b>
--

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: See Standard III-11.

Controls Reliance: See Standard III-11.

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for fixed annuity new business processing and obtained supporting documentation. RNA tested three senior non-replacement sales from the examination period, to evaluate the Company's efforts to review the applications for suitability and needs assessment.

Transaction Testing Results:

Findings: None.

Observations: The fixed annuity sales tested showed that the Company reasonably evaluated the applications for suitability and needs assessment.

Recommendations: None.

<b>Standard III-13: The insurer has procedures in place to educate and monitor compliance with insurer-specific education and training requirements and with applicable statutes, rules and regulations regarding the solicitation, recommendation and sale of annuity products.</b>
--

Objective: This Standard addresses whether the Company has procedures to educate and monitor compliance with Company training requirements related to annuity products. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard III-11.

Controls Reliance: See Standard III-11.

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for fixed annuity new business processing and producer training, and obtained supporting documentation. RNA reviewed procedures for monitoring compliance with Company training requirements related to fixed annuity products.

Transaction Testing Results:

Findings: None.

Observations: Based on review, the Company appears to have reasonable procedures in place for monitoring compliance with Company training requirements related to fixed annuity products.

Recommendations: None.

**Standard III-14. The insurer has product-specific training standards and materials designed to provide producers with adequate knowledge of the annuity products recommended prior to soliciting the sale of annuity products. The insurer also must have reasonable procedures in place to require its producers to comply with applicable producer training requirements.**

Objective: This Standard addresses whether the Company has annuity product training requirements for producers prior to selling such products, and whether the Company monitors compliance with such requirements. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard III-11.

Controls Reliance: See Standard III-11.

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for fixed annuity new business processing and producer training, and obtained supporting documentation. RNA reviewed procedures for monitoring compliance with Company training requirements related to fixed annuity products.

Transaction Testing Results:

Findings: None.

Observations: Based on review, the Company appears to have reasonable procedures in place for monitoring compliance with Company training requirements related to fixed annuity products.

Recommendations: None.

**Standard III-15: The insurer has procedures in place 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.**

No work performed. This Standard is not covered in scope of examination because the Company does not



offer such products.

**Standard III-16: The insurer has procedures in place 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 performed. This Standard is not covered in scope of examination because the Company does not offer such products.

**Standard III-17: The insurer's underwriting requirements and guidelines pertaining to travel are in compliance with applicable statutes, rules and regulations.**

Objective: This Standard addresses whether the Company's life insurance underwriting guidelines related to travel are in compliance with statutory requirements. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in this Standard:

- The Company's life insurance underwriting guidelines do not allow higher premium rates or declination of coverage solely because of past or anticipated lawful travel outside of the United States.
- The Company reviews all submitted life insurance applications to ensure that required forms and disclosures are provided to the applicants.

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: RNA interviewed Company personnel with responsibility for life insurance underwriting, and obtained supporting documentation. RNA tested 110 life insurance applications for compliance with statutory requirements related to past or anticipated lawful travel outside of the United States.

Transaction Testing Results:

Findings: None.

Observations: Based on testing, the life insurance applications were underwritten in compliance with statutory requirements related to past or anticipated lawful travel outside of the United States.

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.

<b>Standard IV-1. Regulated entity records of licensed and appointed (if applicable) producers and in jurisdictions where applicable, licensed company or contracted independent adjusters agree with insurance department records.</b>
---

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

*Controls Assessment:* The following controls were noted in review of this Standard and Standards IV-2 and IV-4:

- The Company's business is produced through three distribution channels: direct employee agents, independent general agencies, and on-line DMAs. The Company's 15 employee agents in the sales call center primarily support the direct to consumer sales, where consumers contact the Company via phone call or the website. The general agencies, which includes approximately 270 active agencies, sell the Company's products along with other insurers' products. Certain experienced producers and third-party marketing organizations and depository institutions, are contracted with as general agents and charged with seeking sub-producers, who report to the general agents in exchange for paying an override commission to the general agent. The DMA channel includes five to seven on-line aggregators who offer SBLI's products.
- All employee and non-employee contracted producers are appointed as agents using OPRA. The Company has access to the NAIC's National Insurance Producer Registry ("NIPR"), and third-party appointment software, to assist in managing producer appointments.
- The Company completes criminal and credit background checks for the previous seven years, and NAIC and NIPR licensing checks during the recruiting process. However, credit checks are not completed for agents who are bonded employees of banks. Any unusual activity noted as a result of the background checks requires approval from the Company's legal department before the individual can be hired.
- Proof of errors & omissions ("E&O") coverage is a required condition for all non-employee agents in the agent contracts.
- The Company monitors continuing education compliance for employee agents. All non-employee agents are responsible for monitoring their own continuing education compliance.
- All agent contracts generally describe the duties of the parties, including licensing and appointment requirements, limitations of authority, compensation, terminations and reappointments, continuing education responsibilities, compliance with the Company's replacement requirements and E&O coverage requirements.
- The Company maintains an automated producer database to track all appointments, terminations and other licensing changes related to its agency force.
- The Company completes an annual reconciliation of its agent appointment records with those of the Division.

**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:** RNA interviewed Company employees with responsibility for producer contracting, processing of agent appointments, and reconciliation of agent records. RNA tested agent appointment procedures in conjunction with testing of 110 life insurance and three fixed annuity applications submitted during the examination period. RNA verified that the agent for each application was included in OPRA and verified that the appointment dates in OPRA were within 15 days of the application date for the agents appointed in 2018.

**Transaction Testing Results:**

**Findings:** New business testing identified three sales where the producers were licensed but not appointed as agents within 15 days of the sale dates despite each having agent contracts. Each of these is a violation of M.G.L. c. 175, § 162S, which requires that the producer be appointed as agent within 15 days of the sale, when the insurer elects to contractually appoint producers as agents.

**Observations:** RNA tested 110 life insurance and three fixed annuity sales during the examination period. For those sales which were sold by agents appointed in 2018, except as noted above, the appointment dates on the Division's and the Company's databases matched within 15 days. Further, all the producers who sold policies during the examination period were properly licensed and were included on the Division's database of the Company's appointed agents.

**Required Actions:** The Company shall review its controls and procedures and make any necessary changes to ensure timely appointment of an agent in the Division's OPRA within 15 days of the sale date. Also, the Company shall provide training and guidance to staff about agent appointments. Finally, the Company shall conduct an internal audit by June 30, 2021, or another date acceptable to the Division, to ensure that these required actions have been properly implemented. The Company shall provide the internal audit report to the Division.

**Subsequent Actions:** The Company states that beginning in April 2020, the Company implemented procedures to record the appointment in the Company's appointment and licensing system the same date that the appointment is entered in OPRA, and began completing a daily reconciliation between the Company's system and OPRA. Training also has been conducted on the new procedures.

<p><b>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.</b></p>
--

**Objective:** The Standard addresses licensing and appointment of the Company's producers and continuing education requirements. See Standard IV-1 for testing of producer licensing and agent appointment. See Appendix A for applicable statutes, regulations and bulletins.

**Controls Assessment:** See Standard IV-1.

**Controls Reliance:** See Standard IV-1.

**Transaction Testing Procedure:** RNA interviewed Company employees with responsibility for producer contracting, processing of agent appointments, reconciliation of agent records, and monitoring of agent

continuing education requirements. RNA selected seven Massachusetts resident producers for compliance with Massachusetts producer continuing education requirements, or an appropriate allowed exemption from such requirements.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, Massachusetts resident producers were in compliance with Massachusetts producer continuing education requirements, or received an appropriate allowed exemption from such requirements.

Recommendations: None.

<b>Standard IV-3. Termination of producers complies with applicable standards, rules and regulations regarding notification to the producer and notification to the state, if applicable.</b>
---

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

Controls Assessment: The following controls were noted in review of this Standard and Standards IV-4 and IV-5:

- The Company maintains an automated producer database to track all appointments, terminations and other licensing changes related to its agency force.
- The Company's policy is to notify the Division through OPRA of agent terminations usually within three business days.
- The Company's policy is to notify the Division of the reason for agent terminations when the terminations are "for cause."
- The Company has a process for notifying agents that their appointments have been terminated, which complies with statutory and contractual requirements.
- The Company has a process to reconcile its records of appointed agents with Division records, including OPRA, and NAIC's producer database.

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: RNA interviewed Company employees with responsibility for producer contracting, processing of agent termination, and reconciliation of agent records. RNA selected ten individual agent appointment terminations, and compared that information to corresponding information in the Company's data and in OPRA. The Company did not have any business entity terminations during the examination period. Finally, RNA reviewed evidence that notices to the Division and the agents, as applicable, complied with statutory requirements.

Findings: None.

Observations: The Company properly notified Division through OPRA, and the agents about the

terminations, as applicable, in compliance with statutory requirements.

Recommendations: None.

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

Objective: The 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: RNA interviewed individuals with responsibility for producer contracting, appointments and terminations. In conjunction with testing of 110 life insurance and three fixed annuity applications submitted during the examination period, and ten individual agent appointment terminations, RNA reviewed documentation for any evidence of unfair discrimination against policyholders resulting from the Company's agent appointment and termination policies.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, no evidence of unfair discrimination against policyholders was noted as a result of the Company's agent appointment and termination policies.

Recommendations: None.

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

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

Controls Assessment: See Standard IV-3.

Controls Reliance: See Standard IV-3.

Transaction Testing Procedure: RNA interviewed Company employees with responsibility for producer contracting, processing of agent termination, and reconciliation of agent records. RNA selected ten individual agent appointment terminations and reviewed the reasons for each appointment termination. RNA also inquired about any agent that was terminated "for cause" during the examination period.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company's internal records adequately document reasons for appointment terminations. None of the terminations tested was "for cause."

Recommendations: None.

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

Objective: The Standard addresses whether the Company's contracts with producers limit excessive balances with respect to handling funds. Reduced commissions paid on internal replacements are tested in Standard III-5. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company's policies are direct billed, mitigating the possibility for excessive balances owed by producers.
- The Company pays producers' commissions in accordance with written producer contracts, and permits draws against future commissions.
- The Company actively monitors producers' account balances to ensure that outstanding amounts are within limits it deems reasonable.

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: RNA interviewed individuals with responsibility for producer contracting and commission processing. RNA reviewed any evidence of unusual commissions for life and fixed annuity policies sold.

Transaction Testing Results:

Findings: None.

Observations: Based upon review, the Company appears to pay commissions in accordance with contractual provisions.

Recommendations: None.

## V. POLICYHOLDER SERVICE

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.

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

*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 following controls were noted in review of this Standard:

- Life insurance policyholders may elect to pay premiums either quarterly, semi-annually or annually, by either electronic funds transfer or by check.
- The Company generates and mails billing notices for individual life policies 30 days prior to the installment due date. The notices also state that the policies will lapse unless payments are made.
- If life insurance premiums are not received by the due date, an overdue premium notice is mailed after 15 days stating that if the overdue premium is not paid, the policy will contractually lapse for non-payment 30 days after the original due date. If payment is received within two days of lapse, reinstatement is automatic. Thereafter, a reinstatement application is required.
- The Company has written service standards to ensure the timely processing of premium billing, reminder and lapse notices.

*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:* RNA discussed billing procedures with Company personnel, and obtained supporting documentation. RNA selected five life insurance policies, which lapsed for non-payment during the examination period, to test for compliance with policies, procedures and statutory requirements.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* RNA noted that the Company gave adequate notice prior to lapse for each policy tested, in compliance with statutory requirements. Further, premium billing notices appeared to be mailed to the policyholders with adequate advance notice, and included required disclosure of potential lapse in the event of non-payment.

*Recommendations:* None.

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

Objective: This Standard addresses whether the Company has procedures to ensure that policyholder surrender requests are processed accurately and timely. Policy issuance testing is included in Standard VI-6. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard and Standard V-7:

- Upon request to cancel a life insurance policy or fixed annuity contract, the Company sends the owner a form requiring his or her signature. The Company communicates the cancellation request to the agent to enable the conservation of the business. The cancellation request is effective on the date the Company receives the signed form. A check for any return premium and surrender value is sent to the policyholder or annuity contract holder generally within five business days.
- All owners have the right to return, or free look, newly purchased contracts within the time period stated in the contracts, which meet or exceed minimum statutory requirements. Premium refunds are to be promptly returned to the owners.
- The Company has written service standards to ensure the timely processing of policyholder and contract holder requested transactions.
- The Company monitors customer service calls using a recorded line for training and quality assurance purposes. In addition, transaction volume and processing accuracy are tracked against benchmarks and reviewed with management monthly. Finally, the Company's phone system offers callers an option to take a short survey or leave a voicemail at the conclusion of the call. The surveys and voicemails are monitored and acted upon as appropriate.

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: RNA discussed free look and insured-requested cancellation and surrender procedures with Company personnel, and obtained supporting documentation. RNA selected five life and five fixed annuity surrender requests from the examination period, to ensure that requests were processed accurately and timely. Additionally, as part of new business testing, RNA noted one life sale where the applicant exercised their free look option. RNA verified that the Company timely and accurately processed the free look request.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the requested surrenders and free looks were processed accurately and timely, in compliance with statutory requirements.

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 and responsive information to customers by the appropriate department. 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 following controls were noted in review of this Standard:

- The Company's life insurance policyholder and fixed annuity contract holder functions include a post-issue call center to answer questions from customers and agents. In addition, customer service representatives respond to written correspondence and process post-issue transactions.
- The Company has written service standards to ensure the timely processing of policyholder and contract holder correspondence.

*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:* RNA discussed correspondence procedures with Company personnel, and obtained supporting documentation. RNA also evaluated the Company's efforts to correspond with policyholders and contract holders in various policyholder service and underwriting standards.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Based upon the review of the above information and review of general correspondence between insureds and the Company regarding underwriting and policyholder service matters, it appears that the Company has adequate resources and procedures to handle customer inquiries. Correspondence directed to the Company appears to be answered in a timely and responsive manner.

*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 its affected policyholders.**

No work performed. This Standard is not applicable as the Company did not enter into assumption reinsurance agreements during the examination period.

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

*Objective:* This Standard addresses procedures for the accurate and complete processing of policy transactions, including life and annuity beneficiary and owner changes, life and annuity contract loans, and maturities. Billing transactions are tested in Standard V-1. Surrenders are tested in Standard V-2. Return of premium is tested in Standard V-7. Objectives pertaining to policy issuance are included in Standard VI-6. See Appendix A for applicable statutes, regulations and bulletins.

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

- Company policy provides for life and annuity beneficiary and ownership change requests to be effective upon the signing and mailing of a properly completed form. Company policy requires a witness signature to process life beneficiary changes.
- Company policy requires a signed written request to process life insurance policy loans. Other life insurance policy changes may be made in writing or by phone. The call center staff regularly process name and address changes, dividend payments, certain policy coverage changes and policy rider changes.
- The call center staff regularly process annuity contract holder name and address changes.
- The Company gives written notice to life insurance policyholders and annuity contract holders prior to policy maturity, and advises them of various settlement and reinvestment options.
- The Company has written service standards to ensure the timely processing of policyholder and contract holder service transactions.
- The Company monitors customer service calls using a recorded line for training and quality assurance purposes. In addition, transaction volume and processing accuracy are tracked against benchmarks and reviewed with management monthly. Finally, the Company's phone system offers callers an option to take a short survey or leave a voicemail at the conclusion of the call. The surveys and voicemails are monitored and acted upon as appropriate.

*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:* RNA discussed the policies and procedures for processing post-issue transactions with Company personnel, and obtained supporting documentation. RNA selected 11 beneficiary change requests (seven life and four annuity), one annuity ownership change request, two life insurance coverage changes, one life owner name change, and five life insurance loan requests from the examination period, to ensure that the Company processed transactions accurately, timely and in accordance with statutory requirements and policy provisions.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Based upon testing, the Company appears to process policyholder and contract holder transactions accurately and timely in accordance with statutory requirements and policy provisions.

*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 to comply with unclaimed property reporting requirements. See Appendix A for applicable statutes, regulations and bulletins.

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

- Company policy requires that unclaimed maturities, unclaimed premium refunds, uncashed checks for life insurance and annuity death claims be reported and escheated when the owner cannot be found.
- The Company has implemented procedures for locating lost owners through searches of Company records and public databases. Returned mail is forwarded to the business units for investigation. When a more recent address is found, the Company updates its records and re-mails the applicable correspondence. If these efforts fail to locate the policyholder, the in-force records are updated to indicate the policy status as a “lost” policyholder. For checks returned in the mail, returned mail processes are followed to locate a more recent address. When a check has been un-cashed for 90 days, a letter is sent to the payees address to urge the payee to cash the check. This process is repeated again after nine months.
- For owners of checks, endowments and death claims who cannot be located, the Finance Department is responsible for escheating funds as required by law. Upon the property’s dormancy, a final due diligence letter is sent to the property owner’s last known address. The Company annually reports escheatable funds to the State Treasurer on May 1st as required by statute.
- The Company completes a comparison of life and annuity in-force and terminated business against the Social Security Administration Death Master File every six months in an attempt to locate deceased policyholders or contract holders. If the Company’s search efforts fail to locate the policyholder, contract holder or beneficiary, the escheatment process including additional searches are completed by the Finance Department.

*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:* RNA discussed with Company personnel procedures for locating missing policyholders, contract holders and beneficiaries, and procedures for escheatment of funds, and reviewed supporting documentation. RNA reviewed the 2018 escheatment filing made to the State Treasurer.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* The Company appears to have processes for locating missing policyholders, contract holders and beneficiaries, and appears to make reasonable efforts to locate such individuals. The Company appears to report unclaimed items and escheat them as required by statute, when the Company is made aware of such escheatable items.

*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 return of the correctly calculated unearned premium in a timely manner when policies are cancelled. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* See Standard V-2.

*Controls Reliance:* See Standard V-2.

*Transaction Testing Procedure:* RNA discussed surrender and return premium calculation procedures with Company personnel, and obtained supporting documentation. RNA selected five life and five fixed annuity surrender requests from the examination period to ensure that any unearned premiums were properly calculated and timely returned. During life claim testing, RNA ensured that any unearned premium was timely paid.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Based upon review and testing, unearned premium appeared to be properly calculated and timely returned to the policyholder. Unearned premium was timely and properly paid on life claims where such premium was due to the beneficiary.

*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 following controls were noted in review of this Standard:

- Reinstatements are automatic during a two-day grace period. Further reinstatement applications can be approved by the Customer Service Department in limited situations within 90 days of the lapse date. The Company's policy is that rules for each underwriting class are applied to reinstatement applicants on a non-discriminatory basis. A new contestability period is applied to any new information on the reinstatement application. Also, reinstatement may result in a new rate charged the applicant and/or a new exclusion.
- The Company has written service standards to ensure the timely processing of reinstatement requests.

*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: RNA discussed reinstatement procedures with Company personnel, obtained supporting documentation, and reviewed the procedures for reasonableness.

Transaction Testing Results:

Findings: None.

Observations: Based upon review, the Company appears to have reasonable procedures for processing reinstatement requests in accordance with policy provisions.

Recommendations: None.

<b>Standard V-9. Non-forfeiture options are communicated to the policyholder and contract holder and correctly applied in accordance with the policy contract.</b>
--

Objective: This Standard evaluates notification to life policyholders regarding non-forfeiture options, and requires application of these options in accordance with the contract. The selection of life dividend and non-forfeiture options is reviewed in conjunction with new business testing and the procedures noted in Standard VI-10. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company uses life policy forms designed to meet statutory and regulatory requirements, and has filed these with the Division for approval prior to use.
- The Company provides applicants for life policies with several dividend or non-forfeiture options, which are listed on the applications. Upon lapse, the selected non-forfeiture option is to be applied to any cash value remaining in the policy.

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: RNA discussed non-forfeiture procedures with Company personnel, and reviewed supporting documentation. In conjunction with new business testing, RNA reviewed 110 life insurance applications from the examination period, to ensure the applicant was offered and selected a non-forfeiture option, as applicable. During testing of life lapses, RNA sought any evidence of inappropriate application of the policyholders' selected non-forfeiture options.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company appears to communicate non-forfeiture options to policyholders, and to ensure that life insurance applicants select a non-forfeiture option at the application date. RNA found no evidence of inappropriate application of non-forfeiture options.

Recommendations: None.

**Standard V-10. The regulated entity provides each policyowner with an annual report of policy values in accordance with statutes, rules and regulations and, upon request, an in-force illustration or contract policy summary.**

*Objective:* This Standard addresses periodic disclosure to the policyholder of contract information. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company mails annual reports to all life policyholders on the policy anniversary date, disclosing policy cash value, policy insured value, benefits cost, mortality cost, loan amounts, accrued interest, dividends and projected values for the next year.
- The Company mails annual reports to all fixed annuity contract holders, disclosing current contract current value and the projected value for the next year.
- The Company has written service standards to ensure the timely processing of annual reports to policyholders and contract holders.

*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:* RNA discussed annual report disclosure procedures with Company personnel, obtained supporting documentation, and reviewed the procedures for reasonableness.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Based upon testing, the Company appears to have adequate procedures for providing life policyholders and annuity contract holders with timely annual reports, in compliance with Company policies and regulatory requirements.

*Recommendations:* None.

**Standard V-11. Upon receipt of a request from policyholder for accelerated benefit payment, the regulated entity must disclose to the policyholder the effect of the request on the policy's cash value, accumulation account, death benefit, premium, policy loans and liens. The regulated entity must also advise that the request may adversely affect the recipient's eligibility for Medicaid or other government benefits or entitlements.**

This Standard addresses disclosure to the policyholder requesting an accelerated benefit payment. This Standard is the same as Standard VII-12 and is reviewed therein.

## 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 regulated entity's rating plan.**

*Objective:* This Standard addresses whether the Company is charging premiums using properly filed rates and in a non-discriminatory manner. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* The following controls were noted as part of this Standard and Standard VI-4:

- The Company has written underwriting and rating policies and guidelines, which are designed to assure reasonable consistency in classification and rating of new business.
- The Company utilizes a six class underwriting system for its life insurance products. Applicants are categorized as preferred or standard risks according to written guidelines based upon the applicant's tobacco use, medical history, family history, height, weight, and personal history. Premium surcharges or discounts are also used to modify rates based upon the underwriter's evaluation of claim risks and other factors.
- All policy rates are filed with the Division prior to use.

*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:* RNA interviewed Company personnel with responsibility for determining rate classes as part of the underwriting process. RNA selected 110 life insurance and three fixed annuity sales during the examination period, to test Company rate classifications as part of the underwriting processes. Product filings, including rate-setting processes, were reviewed for evidence that they were submitted to, and approved by, the Division. RNA selected ten life insurance applications processed during the examination period, and re-rated the premium charged for each application.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* The Company appears to be charging premiums in accordance with the Company's premium rates and applicable rate information filed with the Division. Thus, the Company's rate classification process appears to comply with statutory requirements.

*Recommendations:* None.

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

This Standard addresses mandated underwriting disclosures for insurance policies, which are required in

accordance with statutes, regulations and Company policy. Replacement disclosures are included in Standards III-4 and III-5. Requirements to provide policy illustrations, policy summaries, outlines of coverages, buyer's guides, and other disclosures are included in Standard III-6. Adverse underwriting notices are included in Standards VI-7 and VI-8.

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

*Objective:* This Standard addresses illegal rebating, commission cutting or inducements in Company correspondence to producers, and in advertising/marketing materials. Reduced commissions paid on internal replacements are tested in Standard III-5. Agent commissions are reviewed in Standard IV-6. See Appendix A for applicable statutes, regulations and bulletins.

*Controls Assessment:* The following controls were noted as part of this Standard:

- The Company pays producers' commissions in accordance with written producer contracts.
- Company policies, procedures and producer contracts prohibit special inducements and rebates.
- Reduced commissions are paid on most internal replacements to discourage such replacements.
- The Company processes commission charge backs for lapsed policies in accordance with contract provisions.

*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:* RNA interviewed company personnel with responsibility for commission processing and producer contracting. RNA inspected producer contracts, new business materials, advertising materials, producer training materials and manuals for indications of rebating, improper commission cutting or inducements. Finally, during testing of 110 life insurance and three fixed annuity applications submitted during the examination period, RNA sought indications of rebating, improper commission cutting or inducements.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Based upon testing, RNA noted no evidence of rebating, improper commission cutting or inducements.

*Recommendations:* None.

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

*Objective:* This Standard addresses unfair discrimination in underwriting primarily related to rating. Also, see Standard VI-1 for testing of premium rating, Standard VI-7 for testing of declined applications and for delivery of adverse underwriting notices. Appendix A for applicable statutes, regulations and bulletins.



Controls Assessment: See Standard VI-1.

Controls Reliance: See Standard VI-1.

Transaction Testing Procedure: RNA interviewed Company personnel with responsibility for determining rate classes as part of the underwriting process. RNA selected 110 life insurance and three fixed annuity applications submitted during the examination period, to verify that the applications were approved by underwriting without discriminatory contract provisions. Further, RNA selected ten life insurance applications processed during the examination period, and re-rated the premium charged for each application.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company's underwriting, rating, and sales practices do not appear to be unfairly discriminatory, and the Company appears to adhere to related statutes, rules and regulations.

Recommendations: None.

<b>Standard VI-5. All forms including policies, contracts, riders, amendments, endorsement forms and certificates are filed with the insurance department, if applicable.</b>
---

Objective: This Standard addresses whether policies, contracts and endorsements are filed with the Division for approval. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard III-9.

Controls Reliance: See Standard III-9.

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: RNA interviewed individuals with responsibility for filing policies, contracts, and endorsements. RNA selected 110 life insurance and three fixed annuity applications submitted during the examination period to test whether policies, contracts and endorsements were approved by the Division.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company utilized policies, contracts, and endorsements approved by the Division prior to their use.

Recommendations: None.

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

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

*Controls Assessment:* The following controls were noted as part of this Standard:

- The Company's new business processing areas review all life and fixed annuity applications and supporting forms to ensure that they are complete and internally consistent, and obtain any additional information needed to make underwriting decisions.
- The Company has written service standards to ensure accurate, complete, and the timely processing of policies, contracts, amendments and endorsement transactions.

*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:* RNA interviewed individuals with responsibility for underwriting and policy issuance. RNA selected 110 life insurance and three fixed annuity sales from the examination period, to determine whether policies and contracts were issued timely, accurately and completely.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Based upon testing, it appears that policies and contracts are issued timely, accurately and completely in accordance with 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, and whether proper notice for adverse underwriting decisions was provided by the Company. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company has written underwriting guidelines and policies that prohibit unfair discrimination in accordance with statutory requirements.
- If a life insurance applicant is declined for coverage, the applicant will receive an Adverse Underwriting Decision Notice.
- If the life applicant is approved for a class at less than standard, the applicant will receive an Adverse Underwriting Decision Notice notifying him or her the reason for the underwriting

decision. Similarly, if a preferred or standard rate class is approved at a rate higher than the rate quoted, the applicant receives a letter and updated illustration that must be signed by the applicant.

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: RNA reviewed written Company policies and procedures requiring that the Adverse Underwriting Notice be provided when the Company declines applications, elects to provide a reduced amount of coverage, or when it offers coverage at higher than standard rates. From a list of declined applications, RNA tested 20 life insurance underwriting declinations for evidence that the Company provided timely Adverse Underwriting Notices, and that the declinations complied with the Company's underwriting guidelines. Additionally, as part of new business testing, RNA noted 32 life insurance applications where the Company offered coverage with exclusions, or offered coverage at higher than standard rates. For these, we evaluated whether the decisions complied with the Company's underwriting guidelines, and we verified that the Company provided timely Adverse Underwriting Notices to the applicants.

Transaction Testing Results:

Findings: None.

Observations: For the applications declined, the decisions were in compliance with the Company's underwriting guidelines, and the Company provided Adverse Underwriting Decision Notices and Fair Credit Reporting Act Notices, as applicable. For the applications where the Company offered coverage with exclusions, or offered coverage at higher than standard rates, decisions were in compliance with the Company's underwriting guidelines, and the Company provided the applicants with Adverse Underwriting Decision Notices. Based upon testing, the Company appears to follow its underwriting guidelines in a non-discriminatory manner, and provides Adverse Underwriting Decision Notices and Fair Credit Reporting Act Notices in accordance with regulatory requirements.

Recommendations: None.

<b>Standard VI-8. Cancellation/non-renewal, discontinuance and declination notices comply with policy provisions, state laws and regulated entity's guidelines.</b>
---

Objective: This Standard addresses whether the reasons for a cancellation are valid according to policy provisions and state laws. Compliance with Adverse Underwriting Notice requirements are tested in Standards VI-7. Declinations and related notices are tested in Standard VI-7. Lapses for non-payment are tested in V-1. See Appendix A for applicable statutes, regulations and bulletins.

<b>Standard VI-9. Rescissions are not made for non-material misrepresentation.</b>
--

Objective: The Standard addresses whether (a) rescinded policies indicate a trend toward post-claim underwriting practices; (b) decisions to rescind are made in accordance with applicable statutes, rules and regulations; and (c) Company underwriting procedures meet incontestability standards. See Appendix A

for applicable statutes, regulations and bulletins.

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

- The Company does not have a right to cancel insurance coverage absent the conditions set forth in the contracts, statutes, or regulations.
- The Company may rescind coverage in cases of fraud or material misrepresentation.
- The Company's underwriting processes consider the risk of material misrepresentation by applicants, and attempts to corroborate information received including health status.
- Cases considered for rescission are reviewed by the Underwriting Department and approved by Legal Department management.

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: RNA interviewed Company personnel with responsibility for new business processing, and obtained supporting documentation. Since grounds for rescission in Massachusetts are limited, and such incidents are rare, RNA did not test the Company's rescission procedures, but sought evidence of improper rescission during testing of complaints, underwriting declinations and claims.

Transaction Testing Results:

Findings: None.

Observations: Based upon review and testing, RNA noted no instances of improper rescission.

Recommendations: None.

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

Objective: This Standard addresses whether (a) the requested coverage is issued; (b) the Company verifies the accuracy of application information; (c) applicable non-forfeiture and dividend options are indicated on the application; (d) changes and supplements to applications are initialed by the applicant; and (e) supplemental applications are used where appropriate. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company's life applications 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 coverage.
- The Company reviews all life insurance and fixed annuity applications to ensure that they are complete and internally consistent.

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: RNA interviewed Company personnel with responsibility for new business processing, and obtained supporting documentation. RNA selected 110 life insurance and three fixed annuity sales from the examination period for testing. RNA verified that each of the applications was signed and completed in accordance with Company policy. RNA further reviewed each application package, and confirmed that the policy or contract was issued consistent with the application, or that any changes resulted in proper disclosure to the applicant.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the application submitted for each sale was signed and completed in accordance with Company policy. Each insurance policy or annuity contract was issued consistent with the application, or any changes resulted in proper disclosure to the applicant.

Recommendations: None.

<b>Standard VI-11. The regulated entity complies with the specific requirements for Acquired Immune Deficiency Syndrome (AIDS)-related concerns in accordance with statutes, rules and regulations.</b>
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Objective: This Standard addresses procedures to ensure that the Company does not use medical records indicating AIDS-related concerns to discriminate against life insurance applicants, without medical evidence of disease. See Appendix A for applicable statutes, regulations and bulletins.

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

- The underwriting department's procedures require that an applicant give prior written informed consent before the Company may conduct an AIDS-related test, and that the applicant acknowledge in writing that he or she understands his or her rights regarding AIDS-related tests.
- A standard form that includes required Massachusetts AIDS-related test disclosures is provided to the applicant at the time an application is taken.
- Applications for lower face value life insurance coverage do not require the applicants to undergo AIDS-related tests.

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: RNA interviewed Company personnel with responsibility for new business processing, and obtained supporting documentation. RNA selected 110 life applications from the examination period to verify that the Company obtained signed Massachusetts AIDS testing disclosure notices from the applicants when necessary. RNA sought evidence of unfair discrimination when testing underwriting declinations.

Transaction Testing Results:

Findings: None.

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Observations: Based upon testing, it appears that the Company obtains the Massachusetts' AIDS testing disclosure notice from applicants in accordance with Company policies, procedures and statutory requirements. RNA noted no evidence of unfair discrimination based on sexual orientation in underwriting declinations.

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.

<b>Standard VII-1. The initial contact by the regulated entity with the claimant is within the required time frame.</b>
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*Objective:* This 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 following controls were noted in review of all claims Standards:

- Written policies and procedures govern the Company's claims handling processes.
- When a life or annuity death claim is reported through an agent, by mail, or through the Company's 800 phone number, the claim is registered in the claim tracking system and acknowledged within three business days. The contract is researched to determine its status, and Company records pertaining to the deceased person are to be researched to determine if other contracts are in-force. The contract is then pended in the applicable policy administration system. A claims adjuster is assigned and a claim form is sent to the claimant. If the claim is filed during the two-year contestability period, an authorization form to request medical information is also sent.
- Once the Company receives the life or annuity death claim form in the home office, the claims adjuster investigates the claim to ensure that it includes the death certificate, a signed claim form, and any other information needed. All paper information received is scanned into an electronic imaging and work flow system. The Massachusetts Department of Revenue website is to be checked for intercept program compliance for unpaid child support and taxes. The payees for all claim disbursements are checked against the OFAC list. Once the claim is in-good-order, the claim is processed to authorize payment to the beneficiary. The Company's goal is to process in-good-order claims within three business days.
- The Company contests few claims, as most are received after the two-year contestable period has passed. When such claims are investigated, reinsurers are notified, medical records are obtained, and a referral may be made to underwriting to review medical information on the application. Any claims with suspected fraud are coordinated with the Company's legal department. Contract rescissions are very rare.
- Life and annuity death claims are paid to the beneficiary according to the beneficiary's instructions. If instructions are not given on the claim form, the Company's default for payment is a lump sum check. The Company does not offer retained asset accounts. Annuity contract beneficiaries have several additional settlement options with some being unique to IRA or other qualified contracts, such as a spousal takeover or an internal/external rollover.
- The Company offers a life insurance accelerated benefit rider, which allows early payment of a death benefit when an insured is living but has a terminal illness. Such claims require an Attending Physician's Statement, certain medical records, and are subject to various contractual and legal requirements. Such requests are reviewed by the Company's medical director. The maximum benefit allowed is \$250,000 or 50% of the policy face value.
- Claims management periodically reviews open claims to evaluate pending issues and ensure appropriate reserves have been established.
- Claims management uses exception reports and performance metrics to measure operational effectiveness and claim processing time.

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: RNA interviewed Company personnel to understand its claims handling processes, and obtained documentation supporting such processes. RNA selected 108 life and annuity death claims from the examination period, to evaluate the Company's compliance with its claim handling policies and procedures. RNA verified the date each selected claim was reported to the Company, and noted whether its initial contact with the claimant was timely acknowledged.

Transaction Testing Results:

Findings: None.

Observations: Based on testing, claim transactions were processed according to the Company's policies and procedures, with timely initial contact from the Company. Based on the results of testing, it appears that the Company's processes for handling life and annuity death claims are functioning in accordance with its policies, procedures and statutory requirements.

<b>Standard VII-2. Timely investigations are conducted.</b>
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Objective: The 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: RNA interviewed Company personnel to understand its claim investigation processes, and obtained documentation supporting such processes. RNA selected 108 life and annuity death claims from the examination period, to evaluate the Company's compliance with its claim handling policies and procedures, to verify that it conducts timely investigations and, when required, to verify that searches for multiple policies involving the claimant are conducted.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, it appears that the Company's processes for investigating claims are functioning in accordance with its policies, procedures, and statutory requirements.

Recommendations: None.



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

Objective: The Standard addresses whether the Company timely resolves claims. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand claim settlement practices and obtained supporting documentation. RNA selected 108 life and annuity death claims from the examination period, to verify that claim resolutions were timely.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company appears to resolve claims timely in accordance with its policies, procedures and statutory requirements.

Recommendations: None.

**Standard VII-4. The regulated entity responds to claim correspondence in a timely manner.**

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

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claims handling processes and obtained supporting documentation. RNA selected 108 life and annuity death claims from the examination period, to verify that claim correspondence was answered timely.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, it appears that the Company timely responds to claim correspondence, in compliance with its policies, procedures and statutory requirements.

Recommendations: None.

**Standard VII-5. Claim files are adequately documented.**

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

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand claim documentation practices and obtained supporting documentation. RNA selected 108 life and annuity death claims from the examination period, to verify that claim files were adequately documented.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company's claim files were properly documented in accordance with their policies and procedures.

Recommendations: None.

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

Objective: This Standard addresses whether appropriate claim amounts, including applicable interest, have been paid to the appropriate beneficiary/payee, and whether the Company is in compliance with specific Massachusetts regulatory requirements. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand claim handling practices and obtained supporting documentation RNA selected 108 life and annuity death claims from the examination period, to verify that claims were handled in accordance with applicable policy provisions, and statutory and regulatory requirements.

Transaction Testing Results:

Findings: For two claims, there was no documentation that Department of Revenue intercept checks were timely completed as required by M.G.L. c. 175, § 24D and 24F. Also, for four claims, there was no documentation that policy searches were performed when claims were reported as required by Division Bulletin 2001-07.

Observations: Based upon testing, except as noted above, the Company properly handles claims in accordance with policies, procedures and statutory requirements.

**Required Actions:** The Company shall review its controls and procedures and make any necessary changes to ensure that timely Department of Revenue checks and policy searches are completed. Also, the Company shall provide training and guidance to staff about these matters. Finally, the Company shall conduct a detailed internal audit by June 30, 2021, or another date acceptable to the Division, to ensure that these required actions have been properly implemented. The Company shall provide the internal audit report to the Division.

**Subsequent Company Actions:** The Company states that it conducted training for employees in April 2020 and has submitted technology requirements for automated search capability to assist with the required checks and searches.

<b>Standard VII-7. Regulated entity claim forms are appropriate for the type of product.</b>
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**Objective:** The Standard addresses the Company's use of claim forms that are proper for the type of product. See Appendix A for applicable statutes, regulations and bulletins.

**Controls Assessment:** Refer to Standard VII-1.

**Controls Reliance:** Refer to Standard VII-1.

**Transaction Testing Procedure:** RNA interviewed Company personnel to understand claim handling practices and obtained supporting documentation. RNA selected 108 life and annuity death claims from the examination period, to verify that claim forms were appropriate for the type of product.

**Transaction Testing Results:**

**Findings:** None.

**Observations:** Based upon testing, appropriate claim forms were used in accordance with the Company's policies and procedures.

**Recommendations:** None.

<b>Standard VII-8. Claim files are reserved in accordance with the regulated entity's established procedures.</b>
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**Objective:** The Standard addresses the Company's process to establish and monitor claim reserves. See Appendix A for applicable statutes, regulations and bulletins.

**Controls Assessment:** Refer to Standard VII-1.

**Controls Reliance:** Refer to Standard VII-1.

**Transaction Testing Procedure:** RNA interviewed Company personnel to understand claim reserving practices and obtained supporting documentation. RNA selected 108 life and annuity death claims from the examination period, to evaluate claims reserving policies and procedures. The Division's financial examiners and actuaries also tested reserving in conjunction with the Division's financial examination of

the Company.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, claim reserves were evaluated, established and adjusted in accordance with the Company's policies and procedures.

Recommendations: None.

<b>Standard VII-9. Denied and closed without payment claims are handled in accordance with policy provisions and state law.</b>
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Objective: The Standard addresses the adequacy of the Company's decision making and documentation of denied claims. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes for denied claims and obtained supporting documentation. The Company reported no denied life or annuity death claims in Massachusetts during the examination period.

Transaction Testing Results:

Findings: None.

Observations: Based upon review, processes for handling denied claims appear to be in compliance with contractual and statutory requirements.

Recommendations: None.

<b>Standard VII-10. Cancelled benefit checks and drafts reflect appropriate claim handling practices.</b>
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Objective: The Standard addresses the Company's procedures for issuing claim checks and general claims handling. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes, and obtained documentation supporting such processes. RNA reviewed procedures regarding the use of claim payment checks for the claimant to attest to full claim settlement by endorsing the claim check.

Transaction Testing Results:

Findings: None.

Observations: RNA noted that the Company does not use claim payment checks for the claimant to attest to full claim settlement by endorsing the claim check. Based upon review, it appears that the Company's processes for issuing claim payment checks are appropriate and functioning in accordance with its policies and procedures.

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.**

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 due under the policy. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes and obtained supporting documentation. RNA selected 108 life and annuity death claims from the examination period, to review claims handling practices. RNA reviewed the file for each selected claim, and noted whether claim practices appeared to compel claimants to institute litigation to recover amounts due under the policies by offering substantially less than would be due under the policies, and whether the Company attempted to settle claims for less than reasonable amounts due under the policies.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company's claim policies and procedures do not compel claimants to institute litigation to recover amounts due under the policies by offering substantially less than would be due under the policies, and do not settle claims for less than reasonable amounts due under the policies.

Recommendations: None.

**Standard VII-12: The regulated entity provides the required disclosure material to policyholders at the time an accelerated benefit payment is requested.**

Objective: The Standard addresses required disclosures when accelerated benefits are requested. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes and obtained supporting documentation related to accelerated benefit payment disclosures.

Transaction Testing Results:

Findings: None.

Observations: Based upon review, it appears that the Company has a process for providing the proper disclosures to policyholders when accelerated benefits are requested.

Recommendations: None.

**Standard VII-13: The regulated entity does not discriminate among insureds with differing qualifying events covered under the policy or among insureds with similar qualifying events covered under the policy.**

Objective: The Standard addressed whether the Company's claim handling practices discriminate against claimants with similar qualifying events covered under its policies. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes and obtained supporting documentation. RNA selected 108 life and annuity death claims from the examination period, to verify that there is no unfair discrimination against claimants.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company's processes do not discriminate against claimants with similar qualifying events covered under its policies.

Recommendations: None.

**Standard VII-14: The regulated entity provides the beneficiary, at the time a claim is made, written information describing the settlement options available under the policy and how to obtain specific details relevant to the settlement options.**

Objective: The Standard addresses whether the Company provides detailed written guidance for life and annuity claim settlement options when the claim is made. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: RNA interviewed Company personnel to understand its claim handling processes and obtained supporting documentation. RNA selected 108 life and annuity death claims from the examination period, to verify that the Company provides written information describing settlement options available under the contract and how to obtain such settlement options.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company provides written information describing settlement options available under the contract and how to obtain such settlement options.

Recommendations: None.

## SUMMARY

Based upon the procedures performed in this examination, RNA has reviewed and tested Company Operations/Management, Complaint Handling, Marketing and Sales, Producer Licensing, Policyholder Service, Underwriting and Rating, and Claims as set forth in the *2018 NAIC Market Regulation Handbook*, the examination standards of the Division, and the Commonwealth of Massachusetts' insurance laws, regulations and bulletins. RNA has provided recommendations and required actions to address standards in Producer Licensing and Claims.



## ACKNOWLEDGEMENT

This is to certify that the undersigned is duly qualified and that, in conjunction with RNA applied certain agreed-upon procedures to the corporate records of the Company in order for the Division to perform a comprehensive market conduct examination of the Company.

The undersigned's participation in this comprehensive market conduct 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 and the Handbook. This participation consisted of involvement in the planning (development, supervision and review of agreed-upon procedures), communication and status reporting throughout the examination, administration and preparation of the examination report.

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



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Mark G. Noller, CIE  
Principal, Rudmose & Noller Advisors, LLC