

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

*Report on the Comprehensive Market Conduct Examination of*  
*Paul Revere Life Insurance Company*

*Portland, Maine*

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

**NAIC COMPANY CODE: 67598**  
**NAIC GROUP CODE: 565**

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### APPENDIX A – LIFE AND ANNUITY EXAMINATION STANDARDS AND MASSACHUSETTS AUTHORITIES



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**GARY D. ANDERSON**  
COMMISSIONER OF INSURANCE

February 17, 2021

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

Dear Commissioner Anderson:

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

**PAUL REVERE LIFE INSURANCE COMPANY**

at their home offices located at:

2211 Congress Street  
Portland, ME 04122

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

## EXAMINATION APPROACH

A tailored examination approach was developed using the guidance and standards of the *2018 NAIC Market Regulation Handbook* (“the Handbook”), the examination standards of the Division, the Commonwealth of Massachusetts’ insurance laws, regulations and bulletins, and selected Federal laws and regulations. All procedures were performed under the supervision of the market conduct examination staff of the Division, including procedures more efficiently addressed in the Division’s separate financial examination of the Company. For those objectives, INS and the market conduct examination staff used procedures performed by the Division’s financial examination staff to the extent deemed appropriate to ensure that the market conduct objective was adequately addressed. The operational areas that were reviewed under this examination include company operations and management, complaint handling, 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 19 of the Handbook.

The Division considers a “finding” to be a violation of Massachusetts insurance laws, regulations or bulletins. An “observation” is defined as a departure from an industry best practice. The Division recommends that the Company’s management evaluate any “finding” or “observation” for applicability to other jurisdictions. All unacceptable or non-compliant practices may not have been discovered or noted in this report. Failure to identify 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 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 three required actions with respect to policyholder services and no recommendations with regard to company operations/management, complaint handling, marketing and sales, underwriting and rating, or claims. The examination indicated that the Company is in compliance with all tested policies, procedures and statutory requirements addressed in the examination. Further, the tested practices appear to meet industry best practices in these areas.

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

## IV. PRODUCER LICENSING

### STANDARD IV-1

Findings: Six individual producers and one agency appointment that were not terminated on the Producer Database ("PDB"). This is a violation of M.G.L. c. 175, § 162T.

Observation: The Company did not market any products during the examination period. However, there were individual producers and one agency appointment that were not terminated on the PDB. The Company confirmed that no business was submitted by any of these six appointed individuals or the one appointed agency. The Company also indicated that as of April 30, 2018 they had put a system edit in place that will not allow the submission of new appointments.

Required Actions: The Company should implement procedures to periodically review appointment information to ensure no additional producers are erroneously appointed.

#### Subsequent Company Action:

The Company provided additional information on August 19, 2019.

*"... 2 of the brokers terminations have been completed in PDB; however, 3 of them did not process and were resubmitted last week. In addition, the one Massachusetts appointment that took place during 2018 had an effective date of March 20, 2018, which was prior to the April 30, 2018 date the Company put a system edit in place that would not allow an appointment to be processed."*

## **V. POLICYHOLDER SERVICES**

### **STANDARD V-2**

*Findings:* Evidence of the policy cancellation notice to the policyholder could not be established in thirty-four of thirty-nine files (fourteen policies cancelled due to death and twenty policies cancelled due to age). This finding is similar to the recommendation that was in the prior Massachusetts examination and in violation of M.G.L c.175 § 187c.

*Observations:* INS determined that the Company has sufficient policies and procedures for providing cancellation notices. However, they need to be consistently followed. The Company did not give cancellation notices for the thirty-four policies mentioned above. This finding is similar to the recommendation that was in the prior Massachusetts examination.

*Required Actions:* The Company should implement procedures to ensure that the Company gives and maintains a copy of an appropriate cancellation notice in compliance with the statutory requirements. In order to ensure that the Company is consistently following its cancellation policies and procedure a reminder should be provided to the appropriate staff of this procedure. In addition, the Division is requiring that self-audits be conducted to ensure that the cancellation notices are going out and a copy is retained. The Company will provide two quarterly self-audit results based on the review of at least ten policy files during that period. These results will be provided to the Division by January 1, 2022.

### **STANDARD V-5**

*Findings:* Five files that cancelled due to the policyholder turning 65 did not receive the contractually obligated sixty-day statutory requirement for notice prior to cancellation in violation of M.G.L. c. 175, § 110H.

*Observations:* Based on review and testing, INS determined that the Company has policies and procedures to process customer correspondence in a timely and responsive manner. However, it has to be consistently followed.

*Required Actions:* Create a process that will ensure all policies cancelling due to age include a notice giving the policyholder at least sixty days' notice of cancellation. A copy of this process should be provided to the Division no later than sixty days after the conclusion of this examination.

## **VI. UNDERWRITING AND RATING**

### **STANDARD VI-8**

*Findings:* INS identified eight files that were cancelled in error. The policies should have converted to allow for a Hospital Confinement Benefit rather than cancel in violation of M.G.L c.175 § 187c.

*Observations:* The Company has written procedures for cancellation.

*Recommendations:* Based on the review, the Company should implement policies and procedures to ensure the insured has been provided proper notice of the opportunity to convert the policy to a Hospital Confinement Benefit.

## **COMPANY BACKGROUND**

The Paul Revere Life Insurance Company is a wholly owned life insurance subsidiary of the Unum Group and the Company is domiciled in Massachusetts. The Company's primary business is disability insurance products. The Company previously sold individual disability insurance products that were designed to be distributed to individuals in a non-workplace setting and that were written prior to the changes in product offerings, pricing, distribution, and underwriting of individual disability insurance that occurred during the period from 1994 to 1998. The majority of PRL's policies are considered to be a closed block of business, with no new sales other than update features such as conversions or increases in coverage that are contractually allowable on existing policies. Substantially this entire closed block of individual disability business has been ceded to Northwind Reinsurance Company, an affiliate, through a modified coinsurance transaction.

PRL had \$3.4 billion in assets and \$191 million in capital and surplus as of December 31, 2018.

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

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

- The Company has an internal audit function completed internally by Unum staff.
- The internal audit department is an independent function operating under a Chief Auditor that reports to the Board of Director's Audit Committee and administratively to the General Counsel.
- The Chief Auditor meets monthly with the Chief Compliance Officer and the Chief Risk Officer.
- The Audit Committee is comprised of four to five financial experts and presents regular reports of the Audit Committee to the Board of Directors.
- The internal audit department issues written reports for each audit performed.
- The reports discuss the procedures performed, findings, actions planned to address findings, and any recommendations.
- The internal audit area shares results with the external auditors, Ernst and Young.
- The Chief Executive Officer, Chief Financial Officer and senior management of the affected business unit receive a copy of all audit reports.
- The methodology and related practices used by Internal Audit are based on the Internal Audit charter and align with the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors (IIA).

*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:* INS reviewed general procedures for internal audits and compliance as well as a listing of internal audits performed between 2014-2018. INS also interviewed the Company's Vice President, who described the audit process and the structure and organization of the Enterprise Audit Department, including reporting to the senior management and Board of Directors. Five audits were selected and reviewed. Although none of the audits were specific to PRL, they included overlapping process areas with affiliate companies.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* Four of the five audits reviewed suggested there was nothing unusual or concerning to the examiners. The one internal audit specific to the Company's fraud process, found issues with respect to the management of an external vendor. INS found that the Company has appropriate policies and processes to guide and monitor its internal audit functions. These functions are shared amongst all Unum companies and not specific to PRL.



Recommendations: None.

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

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

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

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

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

- The Office of the Chief Compliance Counsel is generally responsible for antifraud activities.
- The primary activities of fraud detection and reporting are conducted by a third-party vendor, G4S.
- The investigators assigned to Unum by G4S, all have over ten years' experience, were all previous Unum employees, and are Certified Fraud Examiners.
- The Special Investigations Unit refers via encrypted emails, any individual suspected of fraud.
- Fraud reports are made directly to the Insurance Fraud Bureau (IFB).
- A report of suspected fraud is submitted to the IFB within thirty days.
- Compliance Department personnel and G4S track any changes to statutes, regulations or bulletins that could impact the fraud plan.
- Recommendations are made to adjust the fraud plan as needed.
- Internal Audit includes fraud risk within the common scope elements of their audits.
- Within ten days of being hired, new personnel are required to complete an attestation that they have not been convicted of a felony involving dishonesty or breach of trust.
- New hires are also submitted to Lexis Nexis for a financial and criminal background history report.
- All employees are expected to follow a Code of Conduct that would require reporting if they were ever convicted of a felony.
- Integral employees certify annually that they have not been convicted of any new felonies.
- An extensive background check is also completed on all officers or when promoted to the officer level. Corporate Investigations conducts the background checks for new officers.

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: INS reviewed Company policies and procedures to address antifraud initiatives as part of claims and underwriting testing and reviewed supporting documentation. INS also interviewed the Company's Vice President, Chief Compliance Officer John Garrison. The Office of the Chief Compliance Counsel is generally responsible for antifraud activities.

Transaction Testing Results:

Findings: None.

Observations: INS determined that the Company has a comprehensive audit policy and fraud prevention guidelines designed to provide the employees with the necessary guidance and resources to effectively detect, prevent and report suspected fraud. An internal audit discovered an opportunity to better manage and provide guidance to GS4, the Company's external Fraud vendor.

Recommendations: None.

<b>Standard I-4. The regulated entity has a valid disaster recovery plan.</b>
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Objective: The standard addresses whether the entity has a valid disaster recovery plan.

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

- Unum's Global Incident Management Team, Functional and Site Response Teams, and Business Units have Incident Response and Business Continuity Plans in place.
- Company documents outlining these plans were provided and reviewed.
- Plans are tested annually with an emphasis on identifying and focusing on the greatest risks to the organization.

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: INS reviewed Company policies and procedures to address the adequacy of the Company's disaster recovery plans as well as conducted interviews during an on-site visit.

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

<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, MGAs, GAs, TPAs and management agreements must comply with applicable licensing requirements, statutes, rules and regulations.</b>
--

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.

The Company has an agreement with G4S to handle all SIU and Fraud investigations, as well as provide

the necessary training to PRL's staff.

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

- The Company has no relationship with Managing General Agents.
- A review was conducted of the agreement that PRL has with a company called G4S to handle all SIU and Fraud investigations and internal training for the Company.
- The Chief Compliance Officer is responsible for overseeing the activities performed by G4S.
- The Chief Compliance Officer conducts annual desk audits of TPAs for all Unum companies and may ask for Internal Audi to conduct an onsite audit if necessary.

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: INS reviewed Company policies and procedures to address the adequacy of the Company's disaster recovery plans as well as conducted interviews during an on-site visit.

Transaction Testing Results:

Findings: None.

Observations: The Company's agreement with G4S has been in place since 2015 and runs through 2022. The contract appears to be thorough, addresses compliance, as well as statutory requirements. It is the opinion of INS that this agreement is adequate.

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 adequately monitor the activities of the contracted entities that perform business functions on its behalf. See Appendix A for applicable statutes, regulations and bulletins.

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

- *A review was done of their internal audits.*

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry.

Transaction Testing Procedure: INS reviewed Company policies and procedures to address the adequacy of the Company's disaster recovery plans as well as conducted interviews during an on-site visit.

Transaction Testing Results:

Findings: None.

Observations: The Paul Revere Life Insurance Company has addressed this process through their internal audit programs and identified opportunities in 2018. An appropriate plan was put in place to monitor this process as noted in the audit section of this report.

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 Information Governance Compliance organization is responsible for the oversight of the Company's records retentions requirements.
- In 2015, the Company adopted IBM software called IBM® StoredIQ and IBM® Content Classification to facilitate the automation of this process.
- The record retention requirements include guidelines for the management, maintenance and disposal of records, and provides the length of time specific documents must be retained.
- The Company maintains a retention schedule for electronic, paper and any other media format.
- Information and Records Management ("IRM") provides training to Company personnel about record retention.
- Inactive records are primarily maintained offsite at Iron Mountain.
- Tracking of offsite storage is handled by an internal system as well as the Iron Mountain system.
- Some active files are maintained offsite if their volume prohibits maintenance of the records onsite.
- Retention Schedule is maintained by the IRM team and business areas are charged with following the retention schedule.
- Some inactive paper records are kept onsite.
- The system advises when hard copies are at the end of their retention period.
- Any destruction of hard copies is monitored by the IRM team.
- Electronic information expiration destruction is handled by the individual business areas.
- A Preservation Exception Committee reviews requests to destroy both hard copy and electronic information.
- This committee has been in existence for over 10 years and serves as a checks and balances to ensure that appropriate records are maintained.

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: INS reviewed the Company's record retention policies and evaluated them for reasonableness. INS also interviewed the Assistant Vice President of Records Management, who described the Company's practices for records retention.

Transaction Testing Results:

Findings: None

Observations: There are some paper files that are still in existence with no electronic backup in case of a catastrophic event. The Company advised that they needed to implement a system change before they will be able to start imaging these files. They expect the change should be completed by the end of July 2019 and, at that point the Company can begin the process of imaging the underwriting files. Once the change is completed the Company will be imaging files as they are handled.

The Company's record retention policies are reasonable. There were no concerns about record availability occurring during the examination. The only concern was specific to the paper files mentioned previously.

Recommendations: INS suggests the Company continue with the imaging of the remaining files to ensure they have copies of the complete files in case of a fire or other event that could destroy the paper files.

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

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

Controls Assessment: The Company provided a copy of their license to do business in Massachusetts.

Controls Reliance: Not applicable

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

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

Controls Assessment: All information has been provided in a timely manner and as requested.

Controls Reliance: Not applicable.

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

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

<b>Standard I-10. The regulated entity has procedures for the collection, use and disclosure of information gathered in connection with insurance transactions 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 notice requirements is located in Underwriting and Rating Standard VI-7.

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

- The Privacy Officer shares responsibility with the Chief Compliance Officer for the Company's compliance and oversight with privacy requirements.
- Three attorneys also work in the privacy area.
- There is annual training on privacy requirements and various functional areas are trained throughout the year via electronic and in person communications.
- The Privacy Office and Chief Compliance Officer are responsible for the proper implementation of processes for compliance with privacy requirements.
- All Privacy Notices must be drafted by the Law Department in conjunction with the Privacy Office, and approved by the Chief Privacy Officer prior to use.
- Annual notices are sent and coordinated in an annual mass mailing of privacy notices.
- Notices of privacy practices are sent out, pursuant to the Health Insurance Portability and Accountability Act of 1996 ("HIPAA").
- The Company complies with the Gramm-Leach-Bliley Act requirements.
- Employees shall not disclose nonpublic personal health information about a customer unless an authorization is obtained from the customer whose nonpublic personal health information is sought to be disclosed.
- Nonpublic personal information obtained by the Company is used only for a lawful business purpose.
- As a general rule, the Company may not disclose nonpublic personal financial information about a customer to a nonaffiliated third party, unless the customer has authorized the disclosure and has not revoked the authorization.
- A written request to correct, amend or delete any personal information about an individual within the Company's possession will be acted upon within thirty business days from the date of receipt.

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:* INS reviewed processes for privacy and information security compliance provided by the Company. INS also interviewed the company's Vice President, and Chief Privacy Officer who described the Company's activities to ensure compliance with federal and state privacy requirements.

*Transaction Testing Results:*

*Findings:* None.

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

*Recommendations:* None.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Standard I-18.** All data required to be reported to departments of insurance is complete and accurate.

No work was performed for this Standard. The Paul Revere Life Insurance Company did not market any products during the examination period, and are no longer actively marketing any products.



## II. COMPLAINT HANDLING

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

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

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

*Controls Assessment:* The following controls were noted:

- Written Company policies and procedures govern the complaint handling process.
- The Company defines a complaint as any written and certain oral communications primarily expressing a grievance.
- All complaints are logged and imaged into the complaint tracking database, which includes but is not limited to the following: Policy Number, Insured Name, Complainant Name, State, Line of Business, Product Type, Date Received, Date Due, Response Date, Complaint Reason, and Complaint Resolution/Disposition.
- All complaints are centralized and administered by the Customer Relations area.
- The complaints are received, logged and tracked.
- Upon receipt of a complaint from a broker, the complaint would be logged, tracked and responded to using the standard procedures.
- The Customer Relations area monitors complaint activity for trends, timeliness, follow-ups (multiple) and complaints.
- Trends and timeliness are measured via management reports.
- Complaint data is reported to the Board of Directors, senior management and the business areas.
- Customer Relations and appropriate business area management are made aware of high-profile complaints. Examples of high-profile complaints would be complaints brought forward by legislators.

*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:* INS reviewed the Company's' consumer complaint policy and procedures guidelines provided. In addition, INS interviewed the Customer Relations Manager, who described the complaint handling process for the Company.

*Transaction Testing Results:*

*Findings:* None.

*Observations:* INS determined the Company's complaint handling requirements are sufficient. There were two complaints received involving Massachusetts policies during the examination period for The Paul Revere Life Insurance Company. Based on the company handling and responses, INS determined that the Company has established practices and procedures to adequately handle any complaints received.

Recommendations: None.

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

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

Controls Assessment: See Standard II-1.

Controls Reliance: See Standard II-1.

Transaction Testing Procedure:

INS reviewed the Company's consumer complaint policy and procedures guidelines provided. In addition, INS interviewed the Customer Relations Manager, who described the complaint handling process for the Company.

Transaction Testing Results:

Findings: None.

Observations: Based on INS' review of the complaints handled and the review of the complaint handling requirements, the Company has adequate complaint procedures in place and communicates those procedures to policyholders.

Recommendations: None.

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

Objective: This Standard addresses whether the Company's response to the complaint fully addresses the issues raised, and whether 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: INS reviewed the complaints received by the Company and the complaint policy and procedures guidelines provided. In addition, INS interviewed the Customer Relations Manager, who described the complaint handling process for the Company.

Transaction Testing Results:

Findings: None.

Observations: INS determined the Company's complaint handling requirements are sufficient. There were two complaints received involving Massachusetts policies during the examination period for The Paul Revere Life Insurance Company and both were handled appropriately.

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>
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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: INS reviewed the policies and procedures provided by the Company. There were no complaints reported during the examination period.

Transaction Testing Results:

Findings: None.

Observations: INS determined that the Company's complaint handling requirements are sufficient. There were two complaints received involving Massachusetts policies during the examination period for The Paul Revere Life Insurance Company. INS determined that the Company handled these complaints appropriately and the established practices and procedures adequately handle any complaints received.

Recommendations: None.

### III. MARKETING AND SALES

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

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

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

No work was performed for this Standard. The Paul Revere Life Insurance Company did not market any products in Massachusetts during the examination period, and are no longer actively marketing any products in the state.

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

*Objective:* This Standard is concerned with 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.

No work was performed for this Standard. The Paul Revere Life Insurance Company did not market any products in Massachusetts during the examination period, and are no longer actively marketing any products in the state.

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

*Objective:* This Standard is concerned with 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.

No work was performed for this Standard. The Paul Revere Life Insurance Company did not market any products in Massachusetts during the examination period, and are no longer actively marketing any products in the state.

#### IV. PRODUCER LICENSING

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

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

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

The Paul Revere Life Insurance Company did not market any products during the examination period, and are no longer actively marketing any products. Therefore, there are no new producers being added to the Company.

Controls Assessment: There were no control assessments noted.

Controls Reliance: None.

Transaction Testing Procedure: INS submitted to the Company the list of producers and the single agency appointment provided by the Division that were still on PDB for their review.

Transaction Testing Results:

Findings: Six individual producers and one agency appointment that were not terminated on the PDB in violation of M.G.L. c.175, §162T.

Observation: As mentioned previously, the Company did not market any products during the examination period. However, there were individual producers and one agency appointment that were not terminated on the PDB. The Company confirmed that no business was submitted by any of these six appointed individuals or the one appointed agency. The Company also indicated that as of April 30, 2018 they had put a system edit in place that will not allow the submission of new appointments.

Required Actions: The Company should implement procedures to periodically review appointment information to ensure no additional producers are erroneously appointed.

Subsequent Company Action:

The Company provided additional information on August 19, 2019.

*"... 2 of the brokers terminations have been completed in PDB; however, 3 of them did not process and were resubmitted last week. In addition, the one Massachusetts appointment that took place during 2018 had an effective date of March 20, 2018, which was prior to the April 30, 2018 date the Company put a system edit in place that would not allow an appointment to be processed."*

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

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

No work was performed for this Standard. The Paul Revere Life Insurance Company did not market any products during the examination period, and are no longer actively marketing any products, therefore this standard does not apply.

**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.**

*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.

No work was performed for this Standard. The Paul Revere Life Insurance Company did not market any products during the examination period, and are no longer actively marketing any products.

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

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

No work was performed for this Standard. The Paul Revere Life Insurance Company did not market any products during the examination period, and are no longer actively marketing any products.

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

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

No work was performed for this Standard. The Paul Revere Life Insurance Company did not market any products during the examination period, and are no longer actively marketing any products.

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

No work performed for this Standard. The Paul Revere Life Insurance Company did not market any products during the examination period, and are no longer actively marketing any products.

## V. POLICYHOLDER SERVICES

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

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

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

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

- Bills are sent on any day between the first and twenty-eighth of the month.
- A nightly billing cycle runs and sorts billings by PAC (automatic draft), list bills and direct bills.
- Direct bills are sent twenty days before the premium is due and, if not paid, a second notice is sent twenty days after the premium was due.
- A lapse notice is sent forty-five days after the premium is due and, if not paid, the policy lapses after sixty-two days beyond the due date on direct pay policies.
- List bills are sent for the current month.
- If a month is not paid, the following month the new current bill is produced along with a past due bill.
- If still not paid by the third month, a current month is produced along with a past due bill showing both unpaid months. If this bill is not paid, then the system will auto lapse the policies. If these policies lapse, the individual insureds will receive policy conservation notices.
- 
- The PAC automatic draft is created three days before the premium is due and electronically sent to the bank.
- After sixty-two days past due, any premium received is refunded with a letter explaining that the policy has lapsed.
- A reinstatement application form is sent with the letter.

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: INS reviewed the Company's policies and procedures for providing billing and lapse notices. INS also interviewed the Business Specialist, Client Services, who described the Company's policy administration systems used for customer billing of its in-force business.

Transaction Testing Results:

Findings: None.

Observations: INS determined that the Company has sufficient policies and procedures for issuing premium notices with an adequate amount of advance notice.

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

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

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

- The Company has written policies and procedures for processing of policyholder and contract holder transaction requests.
- The time frames for policy cancellation were tested in a sample of cancelled policies.
- Cancellation requests are handled in a timely manner.

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: INS reviewed the Company's policies and procedures. INS also interviewed the Business Specialist, Client Services, who described the Company's practices for sending timely billing, lapse and cancellation notices.

Transaction Testing Results:

Findings: Evidence of the policy cancellation notice to the policyholder could not be established in thirty-four of thirty-nine files (fourteen policies cancelled due to death and twenty-files cancelled due to age). This finding is similar to the recommendation that was in the prior Massachusetts examination and in violation of M.G.L c.175 § 187c.

Observations: INS determined that the Company has sufficient policies and procedures for providing cancellation notices. However, they need to be consistently followed. The Company did not give cancellation notices for the thirty-four policies mentioned above.

Required Actions: The Company should implement procedures to ensure that the Company gives and maintains a copy of an appropriate cancellation notice in compliance with the statutory requirements. In order to ensure that the Company is consistently following its cancellation policies and procedures a reminder should be provided to the appropriate staff of this procedure. In addition, the Division is requiring that self-audits be conducted to ensure that the cancellation notices are going out and a copy is retained. The Company will provide two quarterly self-audit results based on the review of at least 10 policy files during that period. These results will be provided to the Division by January 1, 2022.

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

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

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



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- Correspondence is received in the Worcester Mail room and routed to the business units for handling.
- The Company's standard is to respond to correspondence within five working days.
- Phone inquiries come in through an 800-number handled by the Portland or Chattanooga office.
- If a response cannot be immediately provided, information is entered into a contact management system and the appropriate business unit handles it at that point.
- Generally, all phone inquiries are handled within five working days.
- The Company has written policies and procedures for timely processing of customer correspondence.
- The company uses an array of e-mail, letters, conversations with agent, etc. in communication with insureds.
- During file reviews, the INS observed that communications were handled in a timely manner and without delay.

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: INS reviewed the Company's policies and procedures for responding to customer correspondence. INS also interviewed the Business Specialist, Client Services, who described the Company's practices and procedures for processing transactions such as free looks, loan requests, insured-requested cancellations or surrenders, fund transfers and beneficiary/owner changes. There were no deficiencies or delays in the processing of communications.

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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

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

Objective: This Standard addresses procedures for processing changes to insurance accounts after policy issuance. Objectives pertaining to policy issuance are included in Standard VI-6. Billing transactions are tested in Standard V-1, and insured-requested cancellations are reviewed in Standard V-2. Return of premium testing is included in Standard V-7. 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 policies and procedures for the timely processing of policyholder and contract holder service transactions.
- All changes are required in writing and any appropriate refunds made to the insured.
- Ownership changes require a specific form to be completed, signed and returned.
- The Company does not offer products with loan requests.
- Transaction requests were considered and responded to in a timely manner.
- INS reviewed policy transactions when reviewing the Company's individual and group policy transactions.
- There were no instances of delays noted by INS during their file reviews.

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: INS reviewed the Company's policies and procedures for responding to customer correspondence. INS also interviewed the Business Specialist, Client Services, who described the Company's practices and procedures for processing transactions such as free looks, loan requests, insured-requested cancellations or surrenders, fund transfers and beneficiary/owner changes.

Transaction Testing Results:

Findings: Five files that cancelled due to the policyholder turning 65 did not receive the contractually obligated sixty-day statutory requirement for notice prior to cancellation in violation of M.G.L. c. 175, § 110H.

Observations: Based on review and testing, INS determined that the Company has policies and procedures to process customer correspondence in a timely and responsive manner. However, it has to be consistently followed.

Required Actions: Create a process that will ensure all policies cancelling due to age include a notice giving the policyholder at least sixty days prior notice of cancellation. A copy of this process should be provided to the Division no later than sixty days after the conclusion of this examination.

<b>Standard V-6. Reasonable attempts to locate missing policyholders or beneficiaries are made.</b>
---

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

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

- If mail is returned, the Benefits Research and Investigation Unit (BRI) conducts third party database searches using databases such as Accurant to determine a new and/or correct address for the missing policyholder/employer.
- It is a very rare situation when the Company cannot locate a policyholder/employer.

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- Payments that are more than one year old go to Corporate Finance for handling.
- A General Ledger entry is made to move the payments to a segregated account.
- They are then entered into a hosted system on an external vendor's service for tracking. Letters to the payees at their last known address are sent.
- If a response is received, the payee is asked to send a notarized letter validating their identity along with a copy of their license.
- Due diligence letters about ninety days before the escheatment period is complete are sent.
- If a response is received but the validity of the beneficiary is not clear (i.e., someone other than the original beneficiary responds), the correspondence would be sent back to the originating department for handling.
- If the account is valued over \$500, an ACCURINT search is conducted.
- If less than \$500, the funds are left to age.
- Due diligence letters are typically sent ninety days before escheatment of the funds to the state.

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: INS reviewed the Company's policies and procedures for locating missing policyholders and beneficiaries. INS also interviewed the Financial Manager, who described: 1) the procedures to escheat unclaimed policy or contract benefits in accordance with state law, and 2) processes for locating missing policyholders, contract holders and beneficiaries, when correspondence such as annual statements, premium notices, privacy notices, etc. is returned as undeliverable.

Transaction Testing Results:

Findings: None.

Observations: INS determined that the Company's Escheatment and Missing Policyholders or Beneficiaries processes were adequate.

Recommendations: None.

<b>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.</b>
---

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

- The Company has written service standards to ensure the accurate and timely processing of unearned premium refunds.
- Requests to discontinue a policy must be signed in writing, or received electronically from the insured or owner of the policy.
- The request can be submitted from the insured, broker or sales office.
- The Company can accept emails directly from a policyholder.
- The email may be forwarded from a producer or plan administrator, but the original request must be from the insured/owner of the policy.

- If a premium is paid past the discontinuance date, the premium will be reversed to the discontinuance date and the unearned premium will be refunded to the payor.
- When an insured passes away, the policy is processed as a death termination.
- The premium is reversed to the date of death and is refunded to the payor of the policy.
- If the payor is the insured, the refund would be made payable to the estate of the insured.
- The Company uses three different systems (BEST, PALLM and Customax) to support and process policy transactions.
- The BEST and Customax systems automatically calculate the unearned premium refund amount due to the policyholder or insured.
- The PALLM system requires a manual calculation, if a refund is other than the modal premium.
- A manual refund is calculated by taking the monthly modal premium and dividing it by thirty, in order to determine the cost per day of the policy.
- If the modal is not monthly, the premium is divided by the number of months in the modal, and then divided by thirty, in order to obtain the cost per day of 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: INS reviewed the Company's premium refund guidelines and unearned premium calculation procedures. INS also reviewed a random sample of twenty-five individual policy premium refunds and all six group premium refunds during the examination period to ensure that unearned premiums were properly calculated and returned timely.

Transaction Testing Results:

Findings: None.

Observations: INS noted that the unearned premium was accurately calculated and returned in a timely manner to the policyholder.

Recommendations: None.

<b>Standard V-8. Reinstatement is applied consistently and in accordance with policy provisions.</b>
--

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:

- Typically, the Company will accept back premiums up to sixty-two days without requiring a reinstatement application.
- Beyond sixty-two days, a reinstatement application is required.
- Once a reinstatement application is submitted, the Company must make an underwriting determination within forty-five days or the policy is automatically reinstated.
- The policyholder has up to six months to submit a reinstatement application.
- If a reinstatement is declined, a notification will be made via an adverse determination letter.
- Any broker involved with the policy will be notified directly of the adverse decision.
- Individual Disability Income Business Operations Reinstatement Procedures.

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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: INS reviewed the Company's procedures for processing reinstatement requests. INS also interviewed the Lead Policy and Procedures Consultant who described the Company's policies and procedures with regard to evaluating reinstatement requests.

Transaction Testing Results: INS reviewed two individual disability income insurance policy reinstatements during the examination period, to ensure that the reinstatements were handled consistently and timely in accordance with the pertinent policy provisions.

Findings: None.

Observations: Based on the files tested, INS determined that the Company processed the reinstatements in accordance with the policy provisions.

Recommendations: None.

## VI. UNDERWRITING AND RATING

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

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

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

No work was performed for this Standard. The Company did not market any products during the examination period, and is no longer actively marketing any products.

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

*Objective:* This Standard addresses mandated underwriting disclosures, which are required in accordance with statutes, regulations and Company policy. See Appendix A for applicable statutes, regulations and bulletins.

No work was performed for this Standard. The Company did not market any products during the examination period, and is no longer actively marketing any products.

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

*Objective:* This Standard addresses whether unfair discrimination is with respect to the rebating or inducement to purchase coverage via commission adjustments. See Appendix A for applicable statutes, regulations and bulletins.

No work was performed for this Standard. The Company did not market any products during the examination period, and is no longer actively marketing any products.

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

*Objective:* This Standard addresses whether unfair discrimination is occurring in insurance underwriting. See Standard VI-7 for testing of declinations. See Appendix A for applicable statutes, regulations and bulletins.

No work was performed for this Standard. The Company did not market any products during the examination period, and is no longer actively marketing any products.

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

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

No work was performed for this Standard. The Company did not market any products during the examination period, and is no longer actively marketing any products.

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

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

No work was performed for this Standard. The Company did not market any products during the examination period, and is no longer actively marketing any products.

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

*Objective:* This Standard addresses the fairness of application rejections and declinations. See Appendix A for applicable statutes, regulations and bulletins.

No work was performed for this Standard. The Company did not market any products during the examination period, and is no longer actively marketing any products.

**Standard VI-8. Cancellation/non-renewal, discontinuance and declination notices comply with policy provisions, state laws and regulated entity guidelines.**

*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 Standard VI-8. 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 procedures for cancellation of insurance coverage in accordance with statutory requirements.
- The Company's policy is to give adequate notice in providing cancellation 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:* INS reviewed the Company's policies and procedures. INS also interviewed the Business Specialist, Client Services, who described the Company's practices for sending timely billing, lapse and cancellation notices.

Transaction Testing Results:

Findings: INS identified eight files that were cancelled in error. The policies should have converted to allow for a Hospital Confinement Benefit rather than cancel in violation of M.G.L c.175 § 187c.

Observations: The Company has written procedures for cancellation.

Recommendations: Based on the review, the Company should implement policies and procedures to ensure the insured has been provided proper notice of the opportunity to convert the policy to a Hospital Confinement Benefit.

<b>Standard VI-9. Rescissions are not made for non-material misrepresentation.</b>
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Objective: This Standard addresses whether decisions to rescind and cancel coverage are made appropriately. See Appendix A for applicable statutes, regulations and bulletins.

No work was performed for this Standard. The Company did not market any products during the examination period, and is no longer actively marketing any products.

<b>Standard VI-10. Credits, debits and deviations are consistently applied on a non-discriminatory basis.</b>
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Objective: This Standard addresses whether credits, debits and deviations are consistently provided in the workers compensation market. See Appendix A for applicable statutes, regulations and bulletins.

No work was performed for this Standard. The Company did not market any products during the examination period, and is no longer actively marketing any products.

<b>Standard VI-11. Schedule rating or individual risk premium modification plans, where permitted, are based on objective criteria with usage supported by appropriate documentation.</b>
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Objective: This Standard addresses whether schedule rating is properly supported. See Appendix A for applicable statutes, regulations and bulletins.

No work was performed for this Standard. The Company did not market any products during the examination period, and is no longer actively marketing any products.



## VII. CLAIMS

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

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

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 this Standard:

- Written policies and procedures govern the Company's claims handling processes.
- Claims are received, by fax, regular mail, through the producer, or are called in to the Company.
- All claims first go to the Intake Unit.
- The Intake Unit assigns all claims to the appropriate area and work lists are generated to the specific area.
- Claims are acknowledged in five days.
- Calls are placed for new claim notifications in ten days or less (not applicable for group life).
- An Explanation of Benefits or adverse determination letter is sent within ten days.
- A call received by 3:00 PM is returned the same day or the next day if after 3:00 PM.
- For disability income, new claims are acknowledged within five days.
- Detailed calls are completed within ten days and a letter is sent explaining any additional information needed or providing verbal notice of claim approval.
- For any claim pending the receipt of additional information, follow-ups are sent every thirty days.
- Claims management periodically reviews claims to evaluate pending issues.

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: INS reviewed the claims handling policies and procedures. INS reviewed all forty-eight claims received during the examination period to determine whether the initial contact with the claimant was timely, where applicable. INS also interviewed the AVP, Group Life Benefits, PRL-Life, who described the Company's general practices and procedures for processing and handling claims.

Transaction Testing Results:

Findings: None.

Observations: INS observed that appropriate contact was made after the notification of claim was received. Based upon testing the Company's processes for providing timely initial contact with claimants are functioning in accordance with its policies, procedures, and statutory requirements.

Recommendations: None.

**Standard VII-2. Timely investigations are conducted.**

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

Controls Assessment: The following controls were noted in review of this Standard and Standards VII-3 and VII-10:

- Written policies and procedures govern the Company's claims handling processes.
- Claims are acknowledged in five days.
- Calls are placed for new claim notifications in ten days or less (not applicable for group life).
- An Explanation of Benefits or adverse determination letter is sent within ten days.
- Status letters are sent to claimants at least every thirty days.
- At least two attempts are made on any adverse determination to communicate the decision via telephone before a letter is sent notifying of the determination.
- For disability income, new claims are acknowledged within five days.
- Detailed calls are completed within ten days and a letter is sent explaining additional information needed or providing verbal notice of claim approval.
- For any claim pending the receipt of additional information, follow-ups are sent every thirty days.
- The Company conducts internal reviews of claim files to review handling practices.

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: INS reviewed claims handling policies and procedures. INS selected all forty-eight claims received during the examination period to determine whether the investigations were conducted in a timely manner and whether the investigations were complete. INS also interviewed the AVP, Group Life Benefits, PRL-Life, who described the Company's performance benchmarks, goals or time and service standards used to measure and monitor claims processing activity.

Transaction Testing Results:

Findings: None.

Observations: INS determined that claims were investigated according to the Company's policies and procedures. Based upon testing, the Company's processes for timely 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: This Standard addresses the timeliness of the Company's claim settlements. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard VII-2.

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: INS reviewed claims handling policies and procedures. INS reviewed all forty-eight claims received during the examination period to determine whether the investigations were conducted in a timely manner and whether the investigations were complete. INS also interviewed the AVP, Group Life Benefits, PRL-Life, who described the Company's performance benchmarks, goals or time and service standards used to measure and monitor claims processing activity.

Transaction Testing Results:

Findings: None.

Observations: INS noted that claims were handled in a timely manner. Based upon testing, the Company's processes for timely handling claims are functioning in accordance with its policies, procedures, and statutory requirements.

Recommendations: None.

<b>Standard VII-4. The regulated entity responds to claim correspondence in a timely manner.</b>
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Objective: The Standard addresses the timeliness of the Company's response to all claim correspondence. See Standard VI-6 for testing of statutorily required non-claim correspondence. See Appendix A for applicable statutes, regulations and bulletins.

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

- Written policies and procedures govern the Company's claims handling processes.
- The Company handles claims in product specific units and all correspondence is handled through those units.

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: INS reviewed claims handling policies and procedures. INS reviewed all forty-eight claims received during the examination period. INS also interviewed the AVP, Group Life Benefits, PRL-Life, who described the Company's performance benchmarks, goals or time and service standards used to measure and monitor claims processing activity.

Transaction Testing Results:

Findings: None.

Observations: There were no instances of delayed claim correspondence noted during the file reviews. Based upon testing, the Company's processes for providing timely responses to claims correspondence are functioning in accordance with its policies, procedures and statutory requirements.

Recommendations: None.

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

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

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

- Written policies and procedures govern the Company's claims handling processes.
- Claim files documentation procedures.
- The Company maintains claim files in the individual areas responsible for claim payment.
- Claim file documentation varies by the area handling the claims activity.

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: INS reviewed claims handling policies and procedures. INS reviewed all forty-eight claims received during the examination period to determine whether documentation was adequate.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, INS determined that the information maintained in the Company's claim files was adequate.

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 the claim appears to have been paid for the appropriate amount to the appropriate claimant or payee and whether the Company provides appropriate protection of confidential information. See Appendix A for applicable statutes, regulations and bulletins.

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

- Written policies and procedures govern the Company's claims handling processes.
- The Company procedures require reference to the policy contract for claim provisions.
- The Company has specific procedures designed to maintain appropriate controls of personal and confidential claimant information.

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: INS reviewed the claims handling policies and procedures. INS reviewed all forty-eight claims received during the examination period to determine proper claims handled in accordance with policy provisions and applicable statutes (including HIPAA), rules and regulations.

Transaction Testing Results:

Findings: None.

Observations: INS determined that the Company properly handled the claims in accordance with policy provisions and applicable statutes (including HIPAA), rules and regulations.

Recommendations: None.

<b>Standard VII-7. Regulated entity claim forms are appropriate for the type of product.</b>
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Objective: This 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: The following controls were noted in review of this Standard:

- Written policies and procedures govern the Company's claims handling processes.
- The Company receives claim notifications from a variety of sources.

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: INS reviewed claims handling policies and procedures. INS also reviewed all forty-eight claims received during the examination period.

Transaction Testing Results:

Findings: None.

Observations: INS determined that the Company is using appropriate claim forms for the product offerings and is in compliance with this Standard.

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: This Standard addresses the Company's process to establish and monitor claim reserves for reported losses. See Appendix A for applicable statutes, regulations and bulletins.

No work was performed for this Standard. This claims handling review was conducted via a separate process and was not to be included in this examination.

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

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

- Written policies and procedures govern the Company's claims handling processes.
- The Company conducts internal reviews of claim files to review handling practices.
- Claim denials are reviewed internally prior to notification to the claimant.
- Any adverse claim determination is reviewed by a Quality Compliance Consultant ("QCC") and a supervisor.
- For disability income, any contested or denied claim is reviewed by a QCC and a manager prior to sending a notification to the insured.
- For life claims, a lead claim specialist or manager must sign-off on any non-compensable claim.
- Appropriate state appeal information is provided to the claimant/beneficiary within the non-compensable letter.
- Appeals are reviewed by a separate appeals department and that department has the authority to uphold or overturn claim decisions.

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: INS reviewed the claims handling policies and procedures. INS reviewed all forty-eight claims received during the examination period. INS also interviewed the AVP, Group Life Benefits, PRL-Life, who described the Company's practices and procedures for handling contested or denied claims, and the procedures for insureds or claimants to appeal unfavorable claims decisions.

Transaction Testing Results:

Findings: None.

Observations: The Company's claim handling and denial practices are reasonable and in accordance with its policies, procedures, and statutory requirements. The two observed instances of claim denial were appropriate for the claim handling process.

Recommendations: None.

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

Objective: This Standard addresses the Company's procedures for issuing claim checks as it relates to appropriate claim handling practices. See Appendix A for applicable statutes, regulations and bulletins.

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

- Written policies and procedures govern the Company's claims handling processes.

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: INS reviewed claims handling policies and procedures. INS reviewed all forty-eight claims received during the examination period. Benefit check payments were considered as part of the file review for the seven life insurance claims. Otherwise, INS verified the Company's proof of claim payment by reviewing the screen print's check number, check date, check payee and check amount.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company's claim check issuance procedures were appropriate and functioning in accordance with its policies and procedures. No significant delays were noted between claim assessment and payment of benefits.

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: This 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: The following controls were noted in review of this Standard:

- Written policies and procedures govern the Company's claims handling processes.
- The Company maintains documented claim files to support claims payment or denial decisions.

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: INS reviewed claims handling policies and procedures. INS reviewed all forty-eight claims received during the examination period.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
PAUL REVERE LIFE INSURANCE COMPANY

Findings: None.

Observations: There were no findings of unfair transactions made by the Company during the claims process that would compel litigation. The Company is in compliance with this Standard.

Recommendations: None.



REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF  
PAUL REVERE LIFE INSURANCE COMPANY

**SUMMARY**

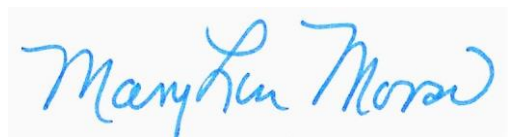
Based upon the procedures performed in this examination, INS has reviewed and tested company operations/management, complaint handling, marketing and sales, producer licensing, policyholder service, underwriting and rating, and claims in accordance with the standards as set forth in the *2018 NAIC Market Regulation Handbook*, the examination standards of the Division, and the Commonwealth of Massachusetts' insurance laws, regulations and bulletins. The Division has mandated required actions to address concerns in the area of producer licensing, policyholder services and underwriting.

## ACKNOWLEDGEMENT

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

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

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



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Mary Lou Moran, Esq., MCM  
Director of Market Conduct  
Commonwealth of Massachusetts  
Division of Insurance  
Boston, Massachusetts