



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

Report on the Comprehensive Market Conduct Examination of
The Paul Revere Life Insurance Company
and
The Paul Revere Variable Annuity Insurance Company

Portland, Maine

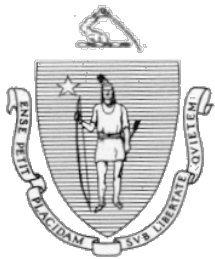
For the Period January 1, 2013 through December 31, 2013

NAIC COMPANY CODES: 67598, 67601
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APPENDIX A – LIFE AND ANNUITY EXAMINATION STANDARDS AND MASSACHUSETTS AUTHORITIES



COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

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ACTING COMMISSIONER OF INSURANCE

December 19, 2014

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 Murphy:

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 PAUL REVERE LIFE INSURANCE COMPANY
THE PAUL REVERE VARIABLE ANNUITY 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 two Massachusetts domiciled companies, which belong to the Unum Group. These companies are: The Paul Revere Life Insurance Company and The Paul Revere Variable Annuity Insurance Company (the “Group” or “Company”) for the period January 1, 2013 to December 31, 2013. The Group did not market any products during the examination period, and are no longer actively marketing any products. Accordingly, standards were not tested in the Producer Licensing, Marketing and Sales or Underwriting and Rating sections of the examination. 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 *2013 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 Group. 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/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 Group’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 Group’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 to be a departure from an industry best practice. The Division recommends that the Group’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 Group 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.

The examination resulted in no recommendations or required actions with regard to 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.

V. POLICYHOLDER SERVICES

Standard V-2

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: None.

Observations: INS noted that although policy cancellation policies and procedures were adequate, evidence of the policy cancellation notice to the policyholder could not be established: in 16 files (Individual Policies Cancelled and 5 files (Individual Policyholder Service

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Transactions). Each of these files were insured-initiated cancellations.

Recommendations: The Company should implement procedures to confirm insured-initiated cancellations.

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COMPANY BACKGROUND

The Paul Revere Life Insurance Company (“PRL”) is a wholly-owned life insurance subsidiary of Unum Group 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 contractually allowable on existing policies. Substantially this entire closed block of individual disability business has been ceded to NWR (Northwind Reinsurance Company – Northwind Re), an affiliate, through a modified coinsurance transaction.

PRL had \$4.3 billion in assets and \$336.1 million in capital and surplus as of December 31, 2013.

The Paul Revere Variable Annuity Insurance Company (“PRVA”) is a wholly-owned life insurance subsidiary of Unum Group. Effective December 3, 2014, the Company changed domicile states from Massachusetts to Maine. Prior to 1998, PRVA offered life insurance and annuity products, which were marketed through branch offices, financial institutions, and independent agents and brokers. In 1998 and 2000, PRVA fully ceded all policies, excluding a small portion of deposit-type contracts, to unrelated reinsurers. PRVA no longer activity markets new business, but continues to service its existing business.

PRVA had \$52.3 million in assets and \$40.1 million in capital and surplus as of December 31, 2013.

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.

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

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 Audit Officer.
- The Chief Audit Officer reports findings to an Audit Committee that reports directly to the Board of Directors.
- The internal audit department issues written reports for each audit performed.
- The reports discuss the procedures performed, findings, actions taken and recommendations.
- The Chief Compliance Officer (CCO) reviews all internal audit reports and meets quarterly to review internal audit findings.
- The CCO makes recommendations about key compliance concerns that may warrant review.
- The internal audit area also shares results with the Group's external auditors.
- The Chief Financial Officer, all senior management and members of the affected business unit receive a copy of the audit report.

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 during 2013. INS also interviewed the Company's Vice President, Chief Auditor, who described the audit process and the structure and organization of the Corporate Audit Department including reporting to the senior management and Board of Directors. Five (5) audits were selected and reviewed.

Transaction Testing Results:

Findings: None.

Observations: None of the internal audits presented any unusual or items of concern to the examiners. The Company has appropriate policies and processes to guide and monitor its internal audit functions. The audits provided and reviewed, however, pertained to the UNUM Group in general and not specific to PRL and/or PRVA.

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 group.

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:

- Unum's Special Investigative Unit ("SIU") is responsible for the development and implementation of Unum's anti-fraud strategies and procedures.
- The SIU operates as a separate and distinct unit of Unum's Internal Audit Department.
- The SIU is comprised of investigators, analysts, and supervisors, who report and are accountable to Unum's general counsel.
- All SIU investigations are conducted separate and apart from Unum's normal claim handling activities.
- The SIU manages the Company's Fraud Risk Management program.
- Within 10 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.
- The SIU 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 30 days.
- A Wolters Kluwer tool called Incompass is utilized by the Compliance Department to track any changes to statutes, regulations or bulletins that could impact the fraud plan.

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 Auditor, who detailed the antifraud activities of the companies.

Transaction Testing Results:

Findings: None.

Observations: INS determined that the companies have 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.

Recommendations: None.

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

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 group.

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.

No work was performed for this Standard. The Paul Revere Life Insurance Company and The Paul Revere Variable Annuity Insurance Company had no Managing General Agents, Third Party Administrators, or Management Agreements that were active during the examination period.

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.

No work was performed for this Standard. The Paul Revere Life Insurance Company and The Paul Revere Variable Annuity Insurance Company had no Managing General Agents, Third Party Administrators, or Management Agreements that were active during the examination period.

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

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

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

- The Company has adopted record retention requirements.
- The record retention requirements include guidelines for management, maintenance and disposal of records, and 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.
- Primarily, inactive records are 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.
- 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.

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- A Preservation Exception Committee reviews requests to destroy both hard copy and electronic information. This committee has been in existence for at least 4-5 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 Vice President, Records Management, who described the Company's practices for records retention.

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

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 group.

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

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: 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 excellent. There were no concerns about Company responsiveness arising during the examination.

Recommendations: None.

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.

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. 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 Privacy Officer shares responsibility with the Chief Compliance Officer for the Company's compliance with privacy requirements.
- Two attorneys also work in this 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.
- The Privacy Office and the Chief Compliance Officer is responsible for oversight of the Company's 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.
- The Companies comply with the Gramm-Leach-Bliley (GLB) 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 is used only for a lawful business purpose.
- As a general rule, the Companies 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 Companies' possession will be acted upon within thirty (30) 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 Chief Privacy Officer who described the Company's activities to ensure compliance with federal and state privacy requirements.

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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 Standards 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 Standards 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 Standards 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 Standards 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 Standards 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 Standards I-10.

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

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

- The Company has developed and implemented information technology security policies and practices to safeguard nonpublic personal and health information.
- The Company has adopted specific information technology controls such as user access controls, utilizes virus prevention and detection tools, and use of an encrypted file transfer protocol.
- Only individuals approved by Company management are granted access to the Company's electronic and operational areas where non-public personal financial and health information is located.

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 interviewed Company personnel and reviewed documentation supporting its information security policies and procedures. Review of information technology controls is also included in the scope of the recently conducted statutory financial examination.

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.

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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 and The Paul Revere Variable Annuity 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 high profile 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.

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 Group consumer complaint policy and procedures guidelines provided. Also, INS interviewed the Customer Relations Manager, who described the complaint handling process for both companies.

Transaction Testing Results:

Findings: None.

Observations: INS determined the Companies' complaint handling requirements to be sufficient. There were no complaints received involving Massachusetts policies during the examination period for the Group. Also, 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 Companies' consumer complaint policy and procedures guidelines provided. Also, INS interviewed the Customer Relations Manager, who described the complaint handling process for both companies.

Transaction Testing Results:

Findings: None.

Observations: INS determined the Companies' complaint handling requirements to be sufficient. There were no complaints received involving Massachusetts policies during the examination period for the Group. INS determined, however, that the Company has established practices and procedures to adequately handle any complaints received.

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 Companies' consumer complaint policy and procedures guidelines provided. Also, INS interviewed the Customer Relations Manager, who described the complaint handling process for both companies.

Transaction Testing Results:

Findings: None.

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Observations: INS determined the Group's complaint handling requirements to be sufficient. There were no complaints received involving Massachusetts policies during the examination period for the Group. INS determined, however, that the Company has established practices and procedures to adequately handle any complaints received.

Recommendations: None.

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

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

Controls Assessment: See Standard II-1.

Controls Reliance: See Standard II-1.

Transaction Testing Procedure: 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 Group's complaint handling requirements to be sufficient. There were no complaints received involving Massachusetts policies during the examination period for the Group. INS determined, however, that the Company has established practices and procedures to adequately handle any complaints received.

Recommendations: None.

V. POLICYHOLDER SERVICES

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

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

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

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

- Bills are sent on any day between the 1st and 28th.
- A nightly billing cycle runs and sorts billings by automatic bank draft, list bills and direct bills.
- Direct bills are sent 20 days before the premium is due and, if not paid, a second notice is sent 20 days after the premium was due.
- A lapse notice is sent 45 days after the premium is due and, if not paid, the policy lapses after 57 days beyond the due date.
- 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.
- A lapse notice is developed 57 days after the original due date.
- The PAC automatic draft is created three days before the premium is due and electronically sent to the bank.
- After 57 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 a Business Specialist in 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 providing billing and lapse notices.

Recommendations: None.

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

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

Controls Assessment: The 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: None.

Observations: INS noted that although policy cancellation policies and procedures were adequate, evidence of the policy cancellation notice to the policyholder could not be established: in 16 files (Individual Policies Cancelled) and 5 files (Individual Policyholder Service Transactions). Each of these files were insured-initiated cancellations.

Recommendations: The Company should implement procedures to confirm insured-initiated cancellations.

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:

- Correspondence is received in the Worcester, Massachusetts mail room and routed to the business units for handling.
- The Company's standard is to respond to correspondence within three working days.
- Phone inquiries that come in through an 800 number are either handled by the Portland, Maine or Chattanooga, Tennessee 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.

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- 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.

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 a Business Specialist in 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: 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. During file reviews, the examiners observed that communications were handled in a timely manner and without delay.

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.

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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 policies and procedures for responding to customer correspondence. INS also interviewed a Business Specialist in Client Services, who described the Company's (Paul Revere Life Insurance Company) practices and procedures for processing transactions such as free looks, loan requests, insured-requested cancellations or surrenders, fund transfers, and beneficiary/owner changes. Transaction requests were considered and responded to in a timely manner. The examiners also reviewed policy transactions when reviewing the Company's individual and group policy transactions.

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-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 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 conducts third party database searches such as Accurant to determine a new and/or correct address for the employer.
- It is a very rare situation when the Company cannot locate a policyholder/employer.
- 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 where 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.
- 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 at more than \$500, an Accurant search is conducted.
- If the account is valued at \$500 or less, the funds are left to age.
- Due diligence letters are typically sent 90 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 policyholder 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 Groups escheatment and missing policyholders or beneficiaries processes were adequate.

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

- The Company has written service standards to ensure the accurate and timely processing 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 30, 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 30, in order to obtain the cost per day of the policy.

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

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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 25 individual policy premium refunds and all 6 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.

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:

- Typically, the Company will accept overdue premiums up to 62 days without requiring a reinstatement application.
- Beyond 62 days, a reinstatement application is required.
- Once a reinstatement application is submitted, the Company must make an underwriting determination within 45 days or the policy is automatically reinstated.
- The policyholder has up to 6 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.

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 Director of Policy and Procedures who described the company's policies and procedures with regard to evaluating reinstatement requests.

Transaction Testing Results: INS reviewed two (2) 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.

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Recommendations: None.

VII. CLAIMS

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

Standard VII-1. The initial contact by the 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 electronically, through fax or 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.
- The appropriate work area acknowledges the claim within 5 days.
- New notification calls are completed within 10 days.
- Explanation of Benefits or adverse determination letters are sent within 10 days.
- Calls received by 3:00 PM are returned the same day or the next day if a call is received after 3:00 PM.
- For disability income, new claims are acknowledged within 5 days.
- Detailed calls are completed within 10 days and a letter is sent explaining additional information needed or claim approval.
- For any claim pending the receipt of additional information, follow-ups are sent every 30 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 also interviewed the Assistant Vice President of Group Life Benefits, PRL-Life, who described the Company's general practices and procedures for processing and handling claims. In addition, INS reviewed all 470 claims received during the examination period to determine whether the initial contact with the claimant was timely, where applicable.

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: The 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.
- The appropriate work area acknowledges the claim within 5 days.
- New notification calls are completed within 10 days.
- Explanation of Benefits or adverse determination letters are sent within 10 days.
- Status letters are sent in 30-day increments.
- 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 5 days.
- Detailed calls are completed within 10 days and a letter is sent explaining additional information needed or claim approval.
- For any claim pending the receipt of additional information, follow-ups are sent every 30 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 the claims handling policies and procedures. INS also interviewed the Assistant Vice President of Group Life Benefits, PRL-Life, who described the Company's general practices and procedures for processing and handling claims. In addition, INS reviewed all 470 claims received during the examination period to determine whether the investigations were conducted in a timely manner and whether the investigations were complete.

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

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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. Also, INS interviewed the Assistant Vice President of 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. In addition, INS reviewed all 470 claims received during the examination period to determine whether the investigations were conducted in a timely manner and whether the investigations were complete.

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.

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 all 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 the claims handling policies and procedures. INS also interviewed the Assistant Vice President of 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. In addition, INS reviewed all 470 claims received during the examination period.

Transaction Testing Results:

Findings: None.

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

- Written policies and procedures govern the Company's claims handling processes.
- The Company maintains claim files documentation requirements and 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 the claims handling policies and procedures. INS also interviewed the Assistant Vice President of Group Life Benefits, PRL-Life, who described the Company's claims documentation process. In addition, INS reviewed all 470 claims received during the examination period.

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: The Standard addresses whether the claim appears to have been paid for the appropriate amount to the appropriate claimant/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.

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- 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 470 claims received during the examination period to determine proper claims handled in accordance with policy provisions and applicable statutes (including HIPPA), 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 HIPPA), rules and regulations.

Recommendations: None.

Standard VII-7. Regulated entity claim forms are appropriate for the type of product.

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: 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 the claims handling policies and procedures. INS also interviewed the Assistant Vice President of Group Life Benefits, PRL-Life, who described the Company's claims forms. In addition, INS reviewed all 470 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.

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

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

Controls Assessment:

- Written policies and procedures govern the Company's claims handling processes.
- The Company conducts internal reviews of claim files to review handling practices.
- The Company systems allow for automated reserves to be established at the time a claim is established.

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 also interviewed the Assistant Vice President of Group Life Benefits, PRL-Life, who described the Company's claims reserve process. In addition, INS reviewed all 470 claims received during the examination period.

Transaction Testing Results:

Findings: None.

Observations: The Company's claim handling and reserving practices are reasonable and in accordance with its policies, procedures, and statutory requirements.

Recommendations: None.

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

Objective: The 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.

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- For life claims, a lead claim specialist and/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 also interviewed the Assistant Vice President of Group Life Benefits, PRL-Life, who described the Company's procedures for handling contested or denied claims, and the procedures for insureds/claimants to appeal unfavorable claims decisions. In addition, INS reviewed all 470 claims received during the examination period.

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.

Recommendations: None.

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

Objective: The 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 the claims handling policies and procedures. INS also interviewed the Assistant Vice President of Group Life Benefits, PRL-Life, who described the Company's claims payment process. In addition, INS reviewed all 470 claims received during the examination period. Benefit check payments were considered as part of the file review for the five (5) life insurance claims. Otherwise, INS verified the Company's proof of claim payment by reviewing the screen prints' check number, check date, check payee and check amount.

Transaction Testing Results:

Findings: None.

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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: 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: 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 the claims handling policies and procedures. INS also interviewed the Assistant Vice President of Group Life Benefits, PRL-Life, who described the Company's claims handling process. In addition, INS reviewed all 470 claims received during the examination period.

Findings: None.

Observations: The examiners did not identify any claims process that would compel litigation.

Recommendations: None.

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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 *2013 NAIC Market Regulation Handbook*, the examination standards of the Division, and the Commonwealth of Massachusetts' insurance laws, regulations and bulletins. The Division has made a recommendation to address concerns in the area of policyholder services.

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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 the 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.

Matthew C. Regan III
Director of Market Conduct &
Examiner-In-Charge
Commonwealth of Massachusetts
Division of Insurance
Boston, Massachusetts