



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

Report on the Comprehensive Market Conduct Examination of

*Primerica Life Insurance Company
Duluth, Georgia*

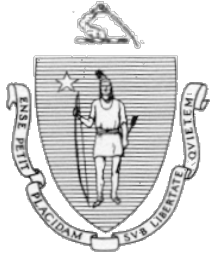
For the Period January 1, 2009 through December 31, 2009

NAIC COMPANY CODE: **65919**

EMPLOYER ID NUMBER: **04-1590590**

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

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March 21, 2011

Honorable Joseph G. Murphy
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, Section 4, a comprehensive examination has been made of the market conduct affairs of

PRIMERICA LIFE INSURANCE COMPANY

at their home offices located at:

3120 Breckinridge Boulevard
Duluth, GA 30099

The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Massachusetts Division of Insurance (the “Division”) conducted a comprehensive market conduct examination of Primerica Life Insurance Company (“PLIC” or the “Company”) for the period January 1, 2009 to December 31, 2009. The examination was called pursuant to authority in Massachusetts General Laws Chapter (“M.G.L. c.”) 175, Section 4. The market conduct examination was conducted at the direction of, and under the overall 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 certain agreed upon procedures.

EXAMINATION APPROACH

A tailored audit approach was developed to perform the examination of the Company using the guidance and standards of the *2009 NAIC Market Regulation Handbook*, (“the Handbook”) the market conduct 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 management, control and general supervision of the market conduct examination staff of the Division, including procedures more efficiently addressed by the concurrent Division financial examination. For those objectives, market conduct examination staff discussed, reviewed and used procedures performed by the Division’s financial examination staff to the extent deemed necessary, appropriate and effective, to ensure that the objective was adequately addressed. The following describes the procedures performed and the findings for the workplan steps thereon.

The basic business areas that were reviewed under this examination were:

- I. Company Operations/Management
- II. Complaint Handling
- III. Marketing and Sales
- IV. Producer Licensing
- V. Policyholder Service
- VI. Underwriting and Rating
- VII. Claims

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

The controls assessment process is comprised of three significant steps: (a) identifying controls; (b) determining if the control has been reasonably designed to accomplish its intended purpose in mitigating risk (i.e., a qualitative assessment of the controls); and (c) verifying that the control is functioning as intended (i.e., the actual testing of the controls). For areas in which controls reliance was established, sample sizes for transaction testing were accordingly adjusted. The form of this report is “Report by Test,” as described in Chapter 15, Section A of the Handbook.

EXECUTIVE SUMMARY

This summary of the comprehensive market conduct examination of the Company is intended to provide a high-level overview of the examination results. The body of the report provides details of the scope of the examination, tests conducted, findings and observations, recommendations and, if applicable, subsequent Company actions. Managerial or supervisory personnel from each functional area of the Company should review report results relating to their specific area.

The Division considers a substantive issue as one in which corrective action on part of the Company is deemed advisable, or one in which a “finding,” or violation of Massachusetts insurance laws, regulations or bulletins was found to have occurred. It also is recommended that Company management evaluate any substantive issues or “findings” for applicability to potential occurrence in other jurisdictions. When applicable, corrective action should be taken for all jurisdictions, and a report of any such corrective action taken shall be provided to the Division.

The following is a summary of all substantive issues found, along with related recommendations and required actions and, if applicable, subsequent Company actions made, as part of the comprehensive market conduct examination of the Company. All Massachusetts laws, regulations and bulletins cited in this report may be viewed on the Division’s website at www.mass.gov/doi.

The comprehensive market conduct examination resulted in no recommendations with regard to Company Operations/Management, Marketing and Sales, Producer Licensing, Policyholder Services or Claims. Examination results showed that the Company is in compliance with all tested Company policies, procedures and statutory requirements addressed in these sections.

SECTION II – COMPLAINT HANDLING

STANDARD II-1

Findings: The Company’s consumer and DOI complaint registers inaccurately reported the date it received 54 of 55 complaints (98%) filed during the examination period. Further, the Company did not accurately record the time it took to process 34 of these 55 complaints (61.8%).

Observations: Consumer Relations representatives record the date the unit receives the complaint on the tracking system, rather than the date it is initially received by the Company, resulting in inaccurate complaint data reporting. Failure to record the actual date the complaint was received resulted in inaccurate reporting of the number of days required to process complaints on the Company’s register.

Required Action: The Company shall revise its complaint handling procedures to ensure that all complaint data is recorded accurately on the complaint register.

Subsequent Action: The Company has implemented new complaint handling procedures which include requirements that the date the complaint is first received will be recorded as the complaint received date on its tracking system.

STANDARD II-2

Findings: The Company’s practice of sending complaints to other Business Units for processing of service requests, prior to sending them to Consumer Relations, results in inaccurate complaint

data reporting and delays in complaint resolutions.

Observations: The Company's practice is to process any policy issuance, premium refund or cancellation request associated with a complaint before it is forwarded to the Consumer Relations area, which is responsible for complaint handling. The Consumer Relations representative records the date the unit receives the complaint on the tracking system, rather than the date it is initially received by the Company, resulting in inaccurate complaint data reporting. Consumer Relations then reviews any Company or agent service related issues that need to be addressed before responding to the complainant. The examiners confirmed this practice during the review of complaints involving policy issuance or cancellation. The Company's process of forwarding the complaint to other business units, prior to handling by a Consumer Relations representative, adds unnecessary delays to the complaint handling process.

Required Action: The examiners recommend that the Company revise its complaint handling practices to require that the Consumer Relations Department receive and log all complaints, prior to processing related service requests. This would help eliminate the response lag time sometimes caused by the business units initial receipt and forwarding of the complaints to Consumer Relations.

Subsequent Action: The Company implemented new complaint handling procedures which include requirements that all complaints received from Massachusetts consumers are resolved within 30 days after receipt.

STANDARD II-4

Findings: The Company did not timely respond to 30 of 54 consumer complaints reviewed within 30 days per the Division's standards. Further, the Company exceeded its own 65 day complaint response standard for 12 complaints (22.2%).

Observations: The Company's standard of 65 days for responding to consumer complaints exceeds the Division's and industry standard of 30 days for timely resolution of complaints.

Required Action: The Company shall revise its complaint procedures to establish a 30-day standard for responding to consumer complaints as required by the Division.

Subsequent Action: The Company implemented new complaint handling procedures which include requirements that all complaints received from Massachusetts consumers are resolved within 30 days after receipt.

SECTION V-POLICYHOLDER SERVICE

STANDARD V-6

Findings: None.

Observations: The Company appears to have reasonable procedures in place for locating missing policyholders and beneficiaries. The examiners confirmed with the Division's financial examiners that the Company filed its 2009 annual report of escheated funds to the State Treasurer by May 1 as required.

Recommendations: The Company should include a review of the Division's *Life Policyholder and Annuity Contract Holder Search and Escheatment Policy and Best Practices* (10/2009) document in its procedures relating to unclaimed funds to ensure that it complies with the requirements for the distribution of unclaimed property.

Subsequent Actions: The Company has distributed the Division's Best Practices document to appropriate business units. Insurance Compliances has revised its monitoring and testing procedures to include a review of the appropriate business unit's policyholder search and escheatment practices to ensure compliance with these Best Practices.

SECTION VI-UNDERWRITING AND RATING

STANDARD VI-4

Findings: None.

Observations: The Company failed to furnish evidence that it required the completion of disclosure form PLA-109 MA to the applicants in 21 of the 50 new business samples reviewed. The examiners found seven samples cited where the applicants were issued at standard rates when they may have been eligible for preferred rates. The examiners also note that the application does not afford the applicant the opportunity to affirmatively decline consideration for preferred rates.

Required Actions: The Company shall train all producers on its policy for utilizing disclosure form PLA-109 MA with all applicants. In addition, the Company is required to maintain copies of the completed disclosure form PLA-109 MA with all applications submitted. Further, the Company shall revise its application to provide customers the opportunity to decline the submission of additional underwriting requirements needed for consideration for preferred rates.

Subsequent Actions: The Company issued a training bulletin to producers requiring the use of form PLA-109 with all Massachusetts applicants. The life application has been revised to include language informing applicants of specific requirements for underwriting.

COMPANY BACKGROUND

The Company was founded as the Fraternal Protective Association of Boston in 1903. The Company incorporated in 1927 in the Commonwealth of Massachusetts under the name of Fraternal Protective Insurance Company. In 1931 the name was changed to Massachusetts Indemnity Insurance Company; the name Massachusetts Indemnity and Life Insurance Company was adopted in 1956. Effective July 1, 1992, the Company changed its name to Primerica Life Insurance Company.

American Can Company acquired ownership of the Company in January 1983. In December 1988, Primerica Corporation (formerly known as American Can Company) was merged into a wholly-owned subsidiary of Commercial Credit Group, Inc. and concurrently the name of Commercial Credit Group was changed to Primerica Corporation. Prior to the merger, both organizations were primarily financial service institutions, with Commercial Credit conducting consumer finance business and Primerica engaging in financial services, which included life insurance, mutual funds and brokerage operations.

In December, 1993, the Travelers Corporation merged into Primerica Corporation, (and the latter's name was changed to The Travelers Inc.) and Primerica Insurance Holdings, Inc., then the direct parent of the Company and an indirect subsidiary of The Travelers Inc., was contributed to the Travelers Insurance Company ("TIC"). On April 26, 1995, The Travelers Inc. name was changed to Travelers Group Inc. In October 1998, Travelers Group merged with Citicorp to form Citigroup Inc. In March 2002, Citigroup completed the sale of a minority interest in Travelers Property Casualty Corp. ("TPC"), formerly The Travelers Insurance Group, Inc. and the parent company of TIC. On June 30, 2005, Citigroup sold its domestic life insurance and annuity life business, primarily TIC, and substantially all of its international insurance subsidiaries, to MetLife. As a result, the Company and its subsidiaries were distributed to TIC's immediate parent, Citigroup Insurance Holding Corporation, an indirect subsidiary of Citigroup.

On March 31, 2010, and April 1, 2010, Citigroup, the Company's ultimate parent, consummated a series of transactions whereby the ownership of specified subsidiaries, including the Company, was restructured. As a result of the transactions, the Company's direct and ultimate parent became Primerica, Inc., a newly formed Delaware corporation, which became public via an initial public offering ("IPO") made by Citigroup on April 1, 2010. While the Company is a wholly owned subsidiary of Primerica, Inc., Citigroup continues to own approximately 39% of the shares of Primerica, Inc. after the IPO, with a goal of continuing to reduce its ownership. In addition, on April 15, 2010, Warburg Pincus Equity X, L.P. and Warburg Pincus X Partners, L.P. acquired approximately 23% ownership in Primerica, Inc.

Also in connection with the restructure and IPO, the Company transferred its interest in its wholly owned subsidiaries CitiLife Financial Limited ("CitiLife") and Primerica Financial Services (Canada) Ltd. ("PFS Canada") to its direct parent company Citigroup Insurance Holding Corporation ("CIHC"). CIHC in turn transferred 100% interest in PFS Canada to Primerica, Inc., the Company's direct parent, making PFS Canada the Company's sister company affiliate instead of its subsidiary. CitiLife remained with CIHC.

The Company is currently licensed to sell insurance in all states except New York, as well as the District of Columbia, Guam, Puerto Rico, the Northern Mariana Islands and the U.S. Virgin Islands.

The Company's A.M. Best rating is A+ (Superior).

The Company's core business philosophy is "buy term and invest the difference." Accordingly, the Company markets term life insurance 100% of the time.

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.

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

- PLIC and Citigroup's internal audit function, the Audit Risk and Review ("ARR"), performs audits of the Company's operational functions. Subsequent to the sale of PLIC on April 1, 2010, Citigroup and PLIC entered into a Transition Service Agreement in which Citi's ARR will continue to perform the internal audit function for the Company.
- The Audit Committee of Citigroup's Board of Directors ("Audit Committee") approves the audit plan and schedule in December of the preceding year, and is apprised of the audit plan progress throughout the year.
- The Audit Committee receives periodic summaries of internal audit results, and monitors the Company's progress implementing ARR's recommended corrective actions, if any.
- The ARR currently has a three-year audit cycle for PLIC operations. The last audit was conducted in 2007. Field work on the current audit began on September 6, 2010.
- The Company's Field Audit Department ("FAD") monitors activities of its sales offices. Annual audits are conducted of each Office of Supervisory Jurisdiction ("OSJ"). All Regional Vice President Offices ("RVPs") are currently audited every two years. The audits include reviews of all sales and marketing materials, as well as overall compliance for the office.
- The Company's Insurance Compliance Department, which includes the Insurance Chief Compliance Officer, reports to the Chief Compliance and Ethics Officer, who reports to the General Counsel in the Office of the General Counsel. The General Counsel reports to the Board of Directors.
- The Company's financial statements are audited annually by an independent auditor, and the Company has received unqualified opinions on these financial statements.

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

Transaction Testing Procedure: The examiners reviewed internal audit procedures, internal audit reports and discussed the audit function with management.

Transaction Testing Results:

Findings: None.

Observations: The internal audit plan and reports reviewed provided detailed information on the plans, procedures performed, audit findings, actions taken and recommendations.

Recommendations: None.

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

No work performed. All required activity for this Standard is included in the scope of the concurrent 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.

Controls Assessment: The following key observations were noted in conjunction with the review of this Standard:

- The Company has a written anti-fraud plan, which requires that the Company take all reasonable precautions to detect, prevent and thoroughly investigate potential insurance fraud.
- The Anti-Fraud Plan defines required procedures for employees to report suspected fraud to the Company's Special Investigative Unit, the Company's Office of the General Counsel and to the Massachusetts Insurance Fraud Bureau.
- The Company completes criminal background checks for all prospective employees prior to hiring them. The Company's policy is to not hire employees who would be prohibited persons under the Act.
- All newly hired employees must complete an Anti-Fraud course within 90 days of commencing their assigned duties. Certain employees in designated business units must complete annual training thereafter.

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

Transaction Testing Procedure: The examiners reviewed Company policies and procedures to address anti-fraud initiatives and employee hiring due diligence.

Transaction Testing Results:

Findings: None.

Observations: The examiners confirmed that the Company has a written anti-fraud plan which requires that the Company take all reasonable precautions to prevent, detect and thoroughly investigate potential insurance fraud. Based upon our review of the Company's policies and procedures, it appears that the Company has anti-fraud initiatives in place that are reasonably calculated to detect, prosecute, and prevent fraudulent insurance acts.

Recommendations: None.

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

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

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

Objective: This Standard addresses the Company's contracts with entities assuming a business function and compliance with licensing and regulatory requirements.

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

- The Company has contractual arrangements with third parties which perform a business function or action on its behalf. These third parties conduct medical examinations of applicants prior to policy issuance, conduct telephonic interviews of applicants in certain instances and complete background checks on prospective new employees and producers prior to their appointment as agents.
- The Company's FAD monitors the activities of its sales offices. Annual audits are conducted of each OSJ. All RVP offices are currently audited every two years. The audits include reviews of all sales and marketing materials, as well as overall compliance for the office.

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

Transaction Testing Procedure: The examiners interviewed management about its use of third parties to perform Company functions, and reviewed seven agreements with vendors contracted to perform functions for the Company.

Transaction Testing Results:

Findings: None.

Observations: The vendor agreements reviewed included required responsibilities, security of documentation, payments required and signed acknowledgement of contract. Based upon testing, it appears that the Company's contracts with entities assuming a business function on their behalf comply with statutory and regulatory requirements.

Recommendations: None.

Standard I-6. The regulated entity is adequately monitoring the activities of any entity that contractually assumes a business function or is acting on behalf of the regulated entity.

Objective: This Standard addresses the Company's efforts to adequately monitor the activities of the contracted entities that perform business functions on its behalf.

Controls Assessment: See Standard I-5.

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

Transaction Testing Procedure: The examiners reviewed documentation, and interviewed management about its monitoring of third parties who perform Company functions.

Transaction Testing Results:

Findings: None.

Observations: The Company's FAD conducted 50 field audits of Massachusetts sales offices during the period from January 1 through August 31, 2010. The review indicated that the use of third parties complies with Company policies and procedures.

Recommendations: None.

Standard I-7. Records are adequate, accessible, consistent and orderly and comply with record retention requirements.
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Objective: This Standard addresses the adequacy and accessibility of the Company's records.

Controls Assessment:

- The Company has adopted written record retention requirements, including the length of time specific documents must be retained.

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

Transaction Testing Procedure: The examiners reviewed the Company's record retention policies, and evaluated their efficacy throughout the various examination reviews conducted.

Transaction Testing Results:

Findings: None.

Observations: The Company's record retention policies appear reasonable. The examiners did not observe any instances where documentation was not available when requested.

Recommendations: None.

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

M.G.L. c. 175, §§ 32 and 47.

Objective: This Standard is concerned with whether the lines of business written by a Company are in accordance with the authorized lines of business.

Pursuant to M.G.L. c. 175, § 32, domestic insurers must obtain a certificate authorizing it to issue policies or contracts. M.G.L. c. 175, § 47 sets forth the various lines of business for which an insurer may be licensed.

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

Controls Reliance: Not applicable.

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

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

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

M.G.L. c. 175, § 4.

Objective: This Standard is concerned with the Company's cooperation during the course of the examination.

M.G.L. c. 175, § 4 sets forth the Commissioner's authority to conduct examinations of an insurer.

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 satisfactory. All examiners requests were responded to on or prior to the requested response date.

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.

M.G.L. c. 175I, §§ 1-22; Gramm-Leach-Bliley Act, §§ 502, 503, 504 and 505; 16 CFR Part 313.

Objective: This Standard is concerned with the Company's policies and procedures to ensure it minimizes improper intrusion into the privacy of consumers of life insurance.

M.G.L. c. 175I, §§ 1-22, the Gramm-Leach-Bliley Act, §§ 502, 503, 504 and 505 and 16 CFR Part 313, set forth requirements for proper notice to consumers and restrictions on a financial institution's ability to disclose nonpublic personal information about consumers to nonaffiliated third parties. Further, a

financial institution must provide its customers with a written notice of its privacy policies and practices. In addition, a financial institution is prohibited from disclosing nonpublic personal consumer information to nonaffiliated third parties, unless the institution satisfies various disclosure and opt-out requirements, and the consumer has not elected to opt out of such disclosure.

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

- Company policy is to disclose nonpublic personal health information it obtains only as required or permitted by law to regulators, law enforcement agencies and third parties who assist the Company in processing business transactions for its customers.
- The Company's policy is to provide the Privacy Notice to potential customers when a product application is completed.
- Annual privacy notices are mailed to households that have one or more Primerica accounts. The Company's Privacy Policy is also maintained on internal and public websites, and can be viewed by employees or policyholders at any time.
- The Company's data security policy requires that its information technology department implement and maintain practices to effectively manage its technology-related risk.

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

Transaction Testing Procedure: The examiners interviewed Company personnel with responsibility for privacy compliance, and reviewed the Company's policies and procedures requiring that the notice of adverse underwriting decision be provided. The examiners reviewed 15 new business policies issued during the examination period, where the Company offered coverage at higher than standard rates, for evidence that the Company provided the notice of adverse underwriting decision to the applicant as required. The examiners also tested 25 underwriting declinations from the examination period, to determine whether the Company provided a timely notice of adverse underwriting decision. In addition, the examiners reviewed 25 reinstatement applications from the examination period, to determine whether the Company provided a notice of adverse underwriting decision when indicated. The examiners also reviewed underwriting and claims documentation for any evidence of the use of pretext interviews.

Transaction Testing Results:

Findings: None.

Observations: The Company's privacy practices are disclosed to policyholders in accordance with its policies and procedures, and appear to minimize any improper intrusion into applicants' and policyholders' privacy. A notice of adverse underwriting decision was provided in all instances where one was required. The examiners found no evidence of the use of pretext interviews during underwriting and claims testing.

Recommendations: None.

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

M.G.L. c. 175I, §§ 1-22; Gramm-Leach-Bliley Act, §§ 502, 503, 504 and 505; 16 CFR Part 313.

The objective of this Standard relates to privacy matters and is included in Standards I-10 and I-12 through I-17.

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

M.G.L. c. 175I, §§ 1-22; Gramm-Leach-Bliley Act, §§ 502, 503, 504 and 505; 16 CFR Part 313.

Objective: This Standard addresses policies and procedures to ensure privacy of nonpublic personal information.

M.G.L. c. 175I, §§ 1-22, the Gramm-Leach-Bliley Act, §§ 502, 503, 504 and 505 and 16 CFR Part 313, set forth requirements for proper notice to consumers, and restrictions on a financial institution's ability to disclose nonpublic personal information about consumers to nonaffiliated third parties. Further, a financial institution must provide its customers with a written notice of its privacy policies and practices. In addition, a financial institution is prohibited from disclosing nonpublic personal consumer information to nonaffiliated third parties, unless the institution satisfies various disclosures and opt out requirements, and the consumer has not elected to opt out of such disclosure.

Controls Assessment:

- The Company appointed a Privacy Officer, who is responsible for maintaining the Privacy Program. The Privacy Officer is the central privacy contact for customers.
- The Company's definitions of "personal information", "pretext interview" and "adverse underwriting decision" appear to comply with Massachusetts' law. Company policy prohibits pretext interviews except as allowed by law.
- The Company uses a brochure entitled, "*Your Privacy is Important to US*" ("*Your Privacy*" or "Privacy Notice") to communicate its privacy practices to consumers. The Company's policy is to provide the Privacy Notice to potential customers when a product application is completed. Annual privacy notices include a current version of *Your Privacy*, and are mailed to households that have one or more Primerica accounts. The Company's Privacy Policy is also maintained on internal and public websites, and can be viewed by employees or policyholders at any time.
- The Privacy Notice clearly describes the Company's general policy for sharing information, what information it collects, how it uses the information collected and the customers' privacy choices for limiting disclosure of personal information.
- The Company may share personal information with affiliates and non-affiliated parties for marketing purposes. Customers are allowed to opt out of information sharing. Customers residing in a state that requires express consent for disclosure are automatically opted out of information sharing practices.
- All Company home office employees are required to participate in an Annual Compliance Meeting ("ACM") which includes privacy training.
- The privacy chapter of the General Compliance Manual available on Primerica-On-Line provides information about the privacy responsibilities of the Company's producers. All producers are required to attend an ACM.

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

Transaction Testing Procedure: The examiners interviewed Company personnel responsible for privacy compliance, and reviewed documentation supporting its privacy policies and procedures. Review of the Company's privacy practices were included as part of the underwriting and claims testing, to determine if the Company improperly disclosed personal information to parties other than the applicant. The examiners tested 25 underwriting declinations from the examination period, for evidence that the Company provided consumers with information supporting the reason(s) for the declinations.

Transaction Testing Results:

Findings: None.

Observations: It appears that the Company's policies and procedures adequately protect consumers' nonpublic personal information. The examiners observed no instances where the Company improperly provided personal information to parties other than the applicant during the underwriting and claims reviews. In each of the underwriting declinations tested, the Company provided adequate information to support the reason(s) for the declination.

Recommendations: None.

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

M.G.L. c. 175I, §§ 1-22; Gramm-Leach-Bliley Act, §§ 502, 503, 504 and 505; 16 CFR Part 313.

Objective: This Standard addresses requirements to provide privacy notices.

M.G.L. c. 175I, §§ 1-22, the Gramm-Leach-Bliley Act, §§ 502, 503, 504 and 505 and 16 CFR Part 313, set forth requirements for proper notice to consumers and restrictions on a financial institution's ability to disclose nonpublic personal information about consumers to nonaffiliated third parties. Further, a financial institution must provide its customers with a written notice of its privacy policies and practices. In addition, a financial institution is prohibited from disclosing nonpublic personal consumer information to nonaffiliated third parties, unless the institution satisfies various disclosure and opt-out requirements, and the consumer has not elected to opt out of such disclosure.

Controls Assessment:

- The Company uses a brochure entitled, "Your Privacy is Important to US" ("Your Privacy" or "Privacy Notice") to communicate its privacy practices to consumers. The Company's policy is to provide the Privacy Notice to potential customers when a product application is completed. Annual privacy notices include a current version of *Your Privacy*, and are mailed to households that have one or more Primerica accounts. The Company's Privacy Policy is also maintained on internal and public websites, and can be viewed by employees or policyholders at any time.
- The Privacy Notice clearly describes the Company's general policy for sharing information, what information it collects, how it uses the information collected and the customers' privacy choices for limiting disclosure of personal 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: The examiners interviewed Company personnel with responsibility for privacy compliance, and reviewed documentation supporting its privacy policies and procedures. The examiners tested 50 new business applications from the examination period, to determine the Company's compliance with statutory privacy disclosure requirements.

Transaction Testing Results:

Findings: None.

Observations: The Company provided a notice of privacy practices with each of the applications tested. The examiners also noted that the Company has procedures for providing an annual Privacy Notice to policyholders.

Recommendations: None.

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.

M.G.L. c. 175I, §§ 1-22; Gramm-Leach-Bliley Act, §§ 502, 503, 504 and 505; 16 CFR Part 313.

Objective: This Standard addresses policies and procedures with regard to opt out rights.

M.G.L. c. 175I, §§ 1-22, the Gramm-Leach-Bliley Act, §§ 502, 503, 504 and 505 and 16 CFR Part 313, set forth requirements for proper notice to consumers, and restrictions on a financial institution's ability to disclose nonpublic personal information about consumers to nonaffiliated third parties. Further, a financial institution must provide its customers with a written notice of its privacy policies and practices. In addition, a financial institution is prohibited from disclosing nonpublic personal consumer information to nonaffiliated third parties, unless the institution satisfies various disclosure and opt-out requirements, and the consumer has not elected to opt out of such disclosure.

Controls Assessment:

- The Privacy Notice clearly describes the Company's general policy for sharing information, what information it collects, how it uses the information collected and the customers' privacy choices for limiting disclosure of personal information.
- The Company may share personal information with affiliates and non-affiliated parties for marketing purposes. Customers are allowed to opt out of information sharing. Customers residing in a state that requires express consent for disclosure are automatically opted out of information sharing 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: The examiners interviewed Company personnel responsible for privacy compliance, and reviewed documentation supporting its privacy policies and procedures, including consumer opt out rights. The examiners also reviewed documentation supporting the Company's procedures for disclosing opt out rights, collecting such opt out information and managing requests for this information.

Transaction Testing Results:

Findings: None.

Observations: The Company appears to have policies and procedures in place to collect opt out information, and to manage requests it receives for this information. The documentation reviewed indicates that the Company allows the customer to opt out of participation in the sharing of nonpublic personal information with Company affiliates and non-affiliates.

Recommendations: None.

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

M.G.L. c. 175I, §§ 1-22; Gramm-Leach-Bliley Act, §§ 502, 503, 504 and 505; 16 CFR Part 313.

Objective: This Standard is concerned with the Company's collection and use of nonpublic personal financial information.

M.G.L. c. 175I, §§ 1-22, the Gramm-Leach-Bliley Act, §§ 502, 503, 504 and 505 and 16 CFR Part 313, set forth requirements for proper notice to consumers, and restrictions on a financial institution's ability to disclose nonpublic personal information about consumers to nonaffiliated third parties. Further, a financial institution must provide its customers with a written notice of its privacy policies and practices. In addition, a financial institution is prohibited from disclosing nonpublic personal consumer information to nonaffiliated third parties, unless the institution satisfies various disclosure and opt out requirements, and the consumer has not elected to opt-out of such disclosure.

Controls Assessment:

- The Privacy Notice clearly describes the Company's general policy for sharing information, what information it collects, how it uses the information collected and the customers' privacy choices for limiting disclosure of personal information.
- The Company may share personal information with affiliates and non-affiliated parties for marketing purposes. Customers are allowed to opt out of information sharing. Customers residing in a state that requires express consent for disclosure are automatically opted out of information sharing 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: The examiners interviewed Company personnel with responsibility for privacy compliance, and reviewed documentation supporting its privacy policies and procedures. The examiners also tested 50 new business applications from the examination period, to determine the Company's compliance with statutory and regulatory requirements pertaining to collection and use of nonpublic personal financial information.

Transaction Testing Results:

Findings: None.

Observations: The examiners noted that that the Company's collection and use of nonpublic personal financial information as tested was compliant with statutory and regulatory requirements.

Recommendations: None.

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

M.G.L. c. 175I, §§ 1-22; Health Insurance Portability & Accountability Act of 1996 ("HIPAA") Public Law 104-191; 45 CFR Parts 160 and 164.

Objective: This Standard addresses efforts to maintain privacy of nonpublic personal health information.

M.G.L. c. 175I, §§ 1-22 and the HIPAA Public Law §§ 104-191 and 45 CFR Parts 160 and 164 set forth proper procedures for inquiry, release, disclosure and maintenance of non-public personal health information.

Controls Assessment:

- Customers covered by individual and group health insurance policies periodically receive information on how to obtain the Notice of Privacy Practices for Protected Health Information as required by HIPAA. The Company no longer markets individual and group health insurance policies.
- The Company provides the applicant with a notice of adverse underwriting decision when it (1) declines to provide coverage, (2) elects to provide a reduced amount of coverage, and (3) terminates coverage or offers to provide insurance at higher than standard rates. The notice of adverse underwriting decision includes all statutory requirements.
- Company policy does not base an adverse underwriting decision on the existence of (1) a previous adverse underwriting decision; (2) on personal information obtained from an insurance support organization, provided that the insurer or producer can base their decision on further information obtained as a result of the initial information received; or (3) on the basis of sexual orientation or perceived orientation.
- Company policy is to disclose nonpublic personal health information it obtains only as required or permitted by law to regulators, law enforcement agencies and third parties who assist the Company in processing business transactions for its customers. This information is shared only if expressly authorized in writing by the applicant. Medical information is not available on the Company's website or to home office employees, other than those who need to know to process customer business.
- The Company does not disclose information provided by medical professionals, and requires that the applicant obtain such information directly from those medical professionals.

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

Transaction Testing Procedure: The examiners interviewed Company personnel with responsibility for privacy compliance, and reviewed supporting documentation including the Company's policy for HIPAA disclosures. Evaluation of the Company's practices for disclosing nonpublic personal health information was conducted in conjunction with underwriting testing. The examiners determined the Company's compliance with HIPAA privacy disclosure requirements during testing of 50 new business applications from the examination period.

Transaction Testing Results:

Findings: None.

Observations: The examiners noted no instances where the Company improperly disclosed nonpublic personal health information when testing underwriting declinations, new business applications and claims processing. The HIPAA privacy disclosure was provided to and signed by each applicant for all new business applications tested.

Recommendations: None.

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

M.G.L. c. 175I, §§ 1-22; Gramm-Leach-Bliley Act, §§ 502, 503, 504 and 505; 16 CFR Part 313.

Objective: This Standard is concerned with the Company's information security efforts to ensure that nonpublic consumer information is protected.

M.G.L. c. 175I, §§ 1-22, the Gramm-Leach-Bliley Act, §§ 502, 503, 504 and 505 and 16 CFR Part 313 set forth requirements for proper notice to consumers, and restrictions on a financial institution's ability to disclose nonpublic personal information about consumers to nonaffiliated third parties. Further, a financial institution must provide its customers with a written notice of its privacy policies and practices. In addition, a financial institution is prohibited from disclosing nonpublic personal consumer information to nonaffiliated third parties, unless the institution satisfies various disclosure and opt-out requirements, and the consumer has not elected to opt out of such disclosure.

Controls Assessment:

- The Company has written policies and procedures in place governing the protection of nonpublic customer information.
- The Company's data security policy requires that its information technology department implement and maintain practices to effectively manage its technology-related risk.
- The Company conducts annual risk assessments of its information systems. The risk assessments evaluate potential threats to information security, and implement improvements to protect against unauthorized access to or use of information that might cause harm to customers.

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

Transaction Testing Procedure: The examiners reviewed documentation supporting the Company's information security program. Review of the Company's information security program, its management and controls is also included in the scope of the concurrent statutory financial examination of the Company.

Transaction Testing Results:

Findings: None.

Observations: The documentation reviewed states that the Company conducts routine information systems risk assessments to consider, document and review information security threats and controls. In addition, the Company's documentation shows that it has procedures to implement and monitor information technology security practices to safeguard nonpublic personal and health information. The Company communicates its information security practices to employees and producers through the use of training programs, compliance presentations and other methods. Only individuals approved by Company management are granted access to its key electronic and operational areas where information is located. Access to these areas is frequently monitored by management.

Recommendations: None.

Standard I-18: The regulated entity files all certifications with the insurance department, as required by statutes, rules and regulations.

211 CMR 28.11.

Objective: This Standard addresses the Company's efforts to file certifications with the Division as required.

211 CMR 28.11 requires that the illustration actuary annually file certifications with the Division for life products requiring an illustration.

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

Controls Reliance: Not applicable.

Transaction Testing Procedure: The examiners confirmed that the illustration actuary filed certifications with the Division in 2009 for life products requiring an illustration.

Transaction Testing Results:

Findings: None.

Observations: The Company has filed actuarial certifications with the Division related to life illustrations in use in 2009.

Recommendations: None.

II. COMPLAINT HANDLING

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

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

M.G.L. c. 176D, § 3(10).

Objective: This Standard addresses whether the Company formally tracks complaints or grievances as required by statute.

Pursuant to M.G.L. c. 176D, § 3(10), an insurer is required to maintain a complete record of all complaints it received from the date of its last examination. The record must indicate the total number of complaints, the classification of each complaint by line of insurance, the nature of each complaint, the disposition of each complaint and the time taken to process each complaint.

Controls Assessment: The following controls were noted in review of complaint Standards:

- The Company has written policies and procedures which govern the complaint handling process.
- The Company defines a complaint as any written communication received from a client that primarily expresses a grievance. Oral and email complaints are recorded and assigned for handling in the same manner as written complaints received through the mail.
- All complaints received directly from consumers, and those from the Division are date-stamped, assigned complaint reason codes and recorded in the Company's tracking system, which assigns a case number to the complaint.
- The Company's complaint register is formatted according to the NAIC State Based System requirements and includes the date received, the date resolved, the name of the complainant, the source of the complaint, the policy number, the state of residence, a code representing the nature of the complaint and a code representing the nature of the complaint resolution.
- The Company's policy is to respond to Division complaints within 14 calendar days of receipt when possible. The Company's standard for resolving consumer complaints is 65 days.
- The Company provides a telephone number and address in its written responses to consumer inquiries and on its web site.
- A weekly report of pending consumer complaints is provided to Consumer Relations Department Management. Senior Management is also provided a quarterly report showing the types of complaints received, based on NAIC guidelines. Complaint reports may also be prepared on an ad hoc basis.

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

Transaction Testing Procedure: The examiners interviewed management and staff responsible for complaint handling, and reviewed documentation supporting the Company's complaint handling procedures. In addition, the examiners reviewed 54 complaints received directly from consumers, and one Division of Insurance complaint filed during the examination period, to evaluate the Company's compliance with M.G.L. c. 176D, § 3(10). The examiners tested accuracy of the data entered on the complaint register in comparison with the claim file documentation. The examiners also compared the

Company's complaint register to the Division's complaint records, to ensure that the Company's records were complete and accurate.

Transaction Testing Results:

Findings: The Company's consumer and DOI complaint registers inaccurately reported the date it received 54 of 55 complaints (98%) filed during the examination period. Further, the Company did not accurately record the time it took to process 34 of 55 complaints (61.8%).

Observations: Consumer Relations representatives record the date the unit receives the complaint on the tracking system, rather than the date it is initially received by the Company, resulting in inaccurate complaint data reporting. Failure to record the actual date the complaint was received resulted in inaccurate reporting of the number of days required to process complaints on the Company's register.

Required Action: The Company shall revise its complaint handling procedures to ensure that all complaint data is recorded accurately on the complaint registers.

Subsequent Action: The Company has implemented new complaint handling procedures which include requirements that the date the complaint is first received will be recorded as the complaint received date on its tracking system.

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

M.G.L. c. 176D, § 3(10).

Objective: This Standard addresses whether the Company has adequate complaint handling procedures, and communicates those procedures to policyholders.

M.G.L. c. 176D, § 3(10) requires that (a) the Company has documented procedures for complaint handling (b) the procedures in place are sufficient to enable satisfactory handling of complaints received as well as to conduct root cause analyses in areas developing complaints; (c) there is a method for distribution of and obtaining and recording responses to complaints that is sufficient to allow response within the time frame required by state law, and (d) the Company provides a telephone number and address for consumer inquiries.

Controls Assessment: See Standard II-1.

Controls Reliance: See Standard II-1.

Transaction Testing Procedure: The examiners interviewed management and staff responsible for complaint handling, and reviewed the Company's related procedures to determine if they are sufficient to enable satisfactory complaint handling. In addition, the examiners reviewed 54 complaints received directly from consumers, and one Division of Insurance complaint filed during the examination period, to evaluate the Company's compliance with M.G.L. c. 176D, § 3(10). The examiners noted the response date and the adequacy of documentation supporting the resolution of each complaint. In addition, the examiners reviewed the Company's website, and various forms sent to policyholders, to determine whether the Company provides contact information for consumer inquiries as required.

Transaction Testing Results:

Findings: The Company's practice of sending complaints to other Business Units for processing of service requests, prior to sending them to Consumer Relations, results in inaccurate complaint data reporting and delays in complaint resolutions.

Observations: The Company's practice is to process any policy issuance, premium refund or cancellation request associated with a complaint before it is forwarded to the Consumer Relations area, which is responsible for complaint handling. The Consumer Relations representative records the date the unit receives the complaint on the tracking system, rather than the date it is initially received by the Company, resulting in inaccurate complaint data reporting. Consumer Relations then reviews any Company or agent service related issues that need to be addressed, before responding to the complainant. The examiners confirmed this practice during the review of complaints involving policy issuance or cancellation. The Company's process of forwarding the complaint to other business units, prior to handling by a Consumer Relations representative, adds unnecessary delays to the complaint handling process.

Required Action: The examiners recommend that the Company revise its complaint handling practices to require that the Consumer Relations Department receive and log all complaints, prior to processing related service requests. This would help eliminate the response lag time sometimes caused by the business units initial receipt and forwarding of the complaints to Consumer Relations.

Subsequent Action: The Company has implemented new complaint handling procedures which include requirements that all complaints received from Massachusetts consumers are resolved within 30 days after receipt.

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.
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Objective: This Standard addresses whether the Company's response to the complaint fully addresses the issues raised, and whether policyholders with similar fact patterns are treated consistently and fairly.

Controls Assessment: See Standard II-1.

Controls Reliance: See Standard II-1.

Transaction Testing Procedure: The examiners interviewed management and staff responsible for complaint handling, and reviewed the Company's complaint handling procedures. In addition, the examiners reviewed 54 complaints received directly from consumers, and one Division of Insurance complaint filed during the examination period, to evaluate the Company's compliance with M.G.L. c. 176D, § 3(10).

Transaction Testing Results:

Findings: None.

Observations: The examiners noted that the Company adequately addressed all issues raised in the complaints reviewed. Documentation for the complaints appeared complete, including the original complaint, related correspondence and the Company's complaint register information. The examiners did not observe any evidence to indicate complainants with similar fact patterns were not treated consistently and reasonably.

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 is concerned with the time required for the Company to process each complaint.

Massachusetts does not have a specific complaint processing time standard in statute or regulation. The Division has established a practice of requiring that insurers respond to complaints from the Division within 14 calendar days from the date they receive a notice of a complaint.

Controls Assessment: See Standard II-1.

Controls Reliance: See Standard II-1.

Transaction Testing Procedure: The examiners interviewed management and staff responsible for complaint handling, and reviewed the Company's complaint handling procedures. In addition, the examiners reviewed 54 complaints received directly from consumers, and one Division of Insurance complaint filed during the examination period, to evaluate compliance with M.G.L. c. 176D, § 3(10) and to test the Company's response times for resolving complaints. The examiners measured the processing timeline from the date the complaint was first reported to an agent or by received by mail, telephone or fax, through the date of the last recorded action taken by the Company in regard to the issues raised. Timeliness of complaint handling was tested against the Division's standard of 30 calendar days.

Transaction Testing Results:

Findings: The Company did not timely respond to 30 of 54 consumer complaints reviewed within 30 days per the Division's standards. Further, the Company exceeded its own 65 day complaint response standard for 12 complaints (22.2%).

Observations: The Company's standard of 65 days for responding to consumer complaints exceeds the Division's and industry standard of 30 days for timely resolution of complaints.

Required Action: The Company shall revise its complaint procedures to establish a 30-day standard for responding to consumer complaints as required by the Division.

Subsequent Action: The Company implemented new complaint handling procedures which include requirements that all complaints received from Massachusetts consumers are resolved within 30 days after receipt.

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.

M.G.L. c. 176D, § 3; M.G.L. c. 175, §§ 18, 121 and 181; Division Bulletin 2001-02.

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.

Pursuant to M.G.L. c. 176D, § 3 and M.G.L. c. 175, § 181, it is deemed an unfair method of competition to misrepresent or falsely advertise insurance policies or annuity contracts, or the benefits, terms, conditions and advantages of such policies and contracts. M.G.L. c. 175, § 18 requires companies to conduct business using their corporate name on policies and contracts. M.G.L. c. 175, § 121 prohibits a life company and producers from making any contract other than as plainly expressed in policies or contracts issued. Pursuant to Division Bulletin 2001-02, an insurer who maintains an Internet website must disclose on the website the name of the company as it appears on the certificate of authority, and the address of its principal office.

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

- The Company has written policies and procedures for review and use of advertising and sales materials.
- The Company maintains a Media Advisory Department within the Office of the General Counsel to oversee all advertising.
- This department maintains a log of all submitted advertising and marketing materials, which are reviewed and approved by principal licensed attorneys. The log documents the date of the reviewer's approval.
- The Company discloses its name and address on its website.
- The Company has established audit controls which include weekly and monthly checks of compliance with policies and procedures with regard to the tracking, use and storage of sales and marketing materials.

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

Transaction Testing Procedure: The examiners obtained copies of all home office and Massachusetts producers' approved sales and advertising materials in use during the examination period. The examiners reviewed the advertising and sales material to determine compliance with the Company's written procedures and statutory and regulatory requirements. The examiners also reviewed the Company's website for disclosure of its name and address. In addition, the examiners reviewed the use of sales and marketing materials in conjunction with underwriting testing.

Transaction Testing Results:

Findings: None.

Observations: The Company's process for approving advertising and sales materials prior to use is compliant with its policies, procedures and statutory requirements. The examiners noted that Company's website disclosure complies with the requirements of Division Bulletin 2001-02. The examiners found no evidence that the Company or its producers used unapproved advertising and sales materials during underwriting testing.

Recommendations: None.

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.

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

- The Company maintains a Media Advisory Department within the Office of the General Counsel to oversee all advertising.
- All producer training materials are reviewed and approved by the Media Advisory Department prior to use.
- The Company designs producer training programs targeted to the meet the experience levels of the producers utilizing them.
- Specialized training programs are developed upon request by a RVP.
- All producers are required to complete an annual compliance meeting course.
- The Company provides mandatory training courses for prospective producers to assist them in passing the producer licensing examination.

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

Transaction Testing Procedure: The examiners interviewed individuals with responsibility for producer training, and reviewed all training materials used during the examination period.

Transaction Testing Results:

Findings: None.

Observations: The Company's producer training program appears to be adequate. The Company's development and oversight of producer training appears to be compliant with its stated policies and procedures.

Recommendations: None.

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

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

- The Company publishes two newsletters, *Walk the Talk* and *OSJ Reviews*. These publications provide producers with information regarding Company policies and practices, and changes to laws and regulations. Product updates, producer training information, sales and marketing tips, and RVP profiles are also communicated to the field through these publications.
- Producers have access to Company policies and procedures regarding sales, marketing and underwriting through the Company's intranet, Primerica On-Line ("POL"). Producers can utilize POL to assist customers with service requests or file claims.

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

Transaction Testing Procedure: The examiners reviewed sample copies of *Walk the Talk* and *OSJ Review* issued during the examination period, for evidence of inappropriate or misleading information.

Transaction Testing Results:

Findings: None.

Observations: The Company's procedures for communications to producers generally appear appropriate and reasonable. No evidence of inappropriate or misleading information was noted.

Recommendations: None.

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

211 CMR 34.04.

Objective: This Standard addresses appropriate replacement handling by the producer, including identification of replacement transactions on applications and use of appropriate replacement-related forms.

Pursuant to 211 CMR 34.04, the agent or producer must submit to the insurer as a part of the application: (a) a statement signed by the applicant regarding whether the transaction involves the replacement of existing life insurance or annuities; and (b) a signed statement as to whether the agent or broker knows that the transaction involves or may involve a replacement. In sales involving external replacement, producers must provide a copy of the replacement notice to applicants at the time of application.

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

- All replacements are recorded in the Company's replacement register in a consistent format.
- The Company has written policies and procedures for handling internal and external replacements.
- The procedures state that non-compliance with replacement rules is a violation of law and Company practices.
- The Company's applications require a response from the applicant and the producer as to whether the policy being applied for is replacing other coverage.
- Copies of the replacement disclosure forms provided to and signed by the applicant on the application date are submitted by the producer along with the application.

- The Company's new business personnel review all applications and forms for compliance with replacement requirements.
- Upon receipt of an application, the Company performs an alphabetical search of its policy administration system to identify potential undisclosed replacements.
- The Company conducts telephone interviews with applicants for higher face policies to confirm the replacement status of the transaction.
- In instances where the applicant has satisfied the contestability period on the policy being replaced, the applicant will receive a new contestability period on the new policy only on the amount of coverage that exceeds the face amount of the replaced policy.
- The Company provides a 20 day free look on all external replacements.
- Company policy requires that notification to the replaced carrier be sent within three business days from the date the application is received "in good order" in the home office.
- Compensation for internal replacements does not provide incentives for such transactions.

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

Transaction Testing Procedure: The examiners interviewed personnel with responsibility for new business processing, and reviewed the Company's written policies and procedures for replacement processing. As part of new business testing, the examiners selected a sample of 25 external life insurance replacement sales from the examination period to determine if the replacement questions on the applications were appropriately answered. In addition, the examiners tested these transactions to determine if the replacement disclosure forms were properly signed by the applicants at the application dates.

Transaction Testing Results:

Findings: None.

Observations: The testing determined that all application questions regarding replacement activity were answered appropriately. The examiners noted that all required disclosure forms were provided and completed in compliance with statutory requirements.

Recommendations: None.

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

211 CMR 34.05 - 34.07.

Objective: This Standard addresses appropriate replacement handling by the Company, including identification of replacement transactions on applications, use of appropriate replacement-related forms, and timely notice of replacements to existing insurers.

Pursuant to 211 CMR 34.05-34.06, an insurer must inform its representatives and producers of the requirements of 211 CMR 34.04, and require that life and annuity applications include a signed form acknowledging replacement. 211 CMR 34.07 requires insurers who solicit direct response sales to obtain a signed form acknowledging replacement.

Controls Assessment: See Standard III-4 for controls regarding replacements.

Controls Reliance: See Standard III-4 for controls regarding replacements.

Transaction Testing Procedure: The examiners interviewed personnel with responsibility for new business processing, and reviewed the Company's written policies and procedures for replacement processing. As part of new business testing, the examiners selected a sample of 25 life insurance external replacement sales from the examination period to determine if the replacement questions on the applications were appropriately answered. In addition, the examiners tested these transactions to determine if the replacement disclosure forms were properly signed by the applicants at the application dates.

Transaction Testing Results:

Findings: None.

Observations: All replacements tested were included on the Company's replacement register, and the Company provided notice to each replaced carrier within seven days of receiving the application in the home office. The replacement forms submitted with all replacement applications were complete, and appeared to be provided timely to the applicants.

Recommendations: None.

Standard III-6. An illustration used in the sale of a policy contains all required information and is delivered in accordance with statutes, rules and regulations.

211 CMR 28.09; 211 CMR 31.05 and 31.07.

Objective: This Standard is concerned with ensuring that policy illustrations, policy summaries and buyer's guides contain all required information, and are timely provided to applicants.

211 CMR 28.09 establishes requirements for the delivery of illustrations to applicants. Pursuant to 211 CMR 31.05, non-variable life insurance marketed through agents requires insurers to provide applicants with buyer's guides and preliminary policy summaries before the application is signed, and policy summaries before accepting premium. However, if the policy or policy summary contains an unconditional refund offer, the policy summary may be delivered with the policy. 211 CMR 31.07 requires producers to disclose that he or she is acting as producer in the sale.

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

- The Company has written policies and procedures regarding the distribution and use of buyer's guides, preliminary policy summaries and policy summaries.
- Producers provide a buyer's guide to applicants at the time of sale, and the applicant attests in writing to the receipt of the buyer's guide.
- Producers provide preliminary policy summaries to the applicant at the time of sale or shortly thereafter. In addition, the Company provides a basic illustration to the policyholder at the time of policy issuance.
- The Company's new business personnel review all applications for completeness, and to ensure that all required forms and disclosures are submitted.

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

Transaction Testing Procedure: The examiners interviewed Company personnel with responsibility for new business processing, and reviewed requested documentation. In addition, the examiners selected a sample of 50 life insurance policies issued during the examination period for testing. The examiners reviewed the life insurance illustrations and other required disclosures, verified that they were timely provided to the applicants and noted whether contracts issued reflected the coverage applied for.

Transaction Testing Results:

Findings: None.

Observations: The examiners note that the Company's sales materials include references to the availability of a buyer's guide and policy summary. All applications were signed and completed as required. The examiners found that policy illustrations and disclosures were provided timely to policyholders. Contracts issued by the Company were either consistent with the coverage applied for, or any changes made were fully disclosed to the policyholder.

Recommendations: None.

Standard III-7. The insurer has suitability standards for its products when required by applicable statutes, rules and regulations.
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No work performed. This Standard is not covered in the scope of the examination because the Company only markets term insurance, which does not require a suitability assessment.

Standard III-8. Pre-need funeral contracts or pre-arrangement disclosures and advertisements are in compliance with statutes, rules, and regulations.
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No work performed. This Standard is not covered in the scope of the examination because the Company does not offer such products anywhere it is licensed.

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

211 CMR 55.06.

Objective: This Standard is concerned with the required disclosures related to accelerated benefits coverage.

211 CMR 55.06 requires that a disclosure statement concerning accelerated benefit provisions on life insurance be provided to the applicant at the time of application.

Controls Assessment: See Standard VI-6 for controls over policy form content and filing.

Controls Reliance: See Standard VI-6 for controls over policy form content and filing.

Transaction Testing Procedure: The examiners interviewed Company personnel with responsibility for new business processing, and reviewed requested documentation. In addition, the examiners selected a sample of 50 life insurance policies issued during the examination period for testing. Each application

was reviewed to determine if it included the applicant's written acknowledgment of receiving required disclosures related to accelerated benefits coverage.

Transaction Testing Results:

Findings: None.

Observations: The examiners noted that in each of the new business issued samples tested, the application included the applicant's written acknowledgment of receiving the required accelerated benefits disclosures.

Recommendations: None.

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

No work performed. This Standard is not covered in the scope of the examination because the Company does not offer such products anywhere it is licensed.

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

No work performed. This Standard is not covered in the scope of the examination because the Company does not offer such products anywhere it is licensed.

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

No work performed. This Standard is not covered in the scope of the examination because the Company does not offer such products anywhere it is licensed.

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

No work performed. This Standard is not covered in the scope of the examination because the Company does not offer such products anywhere it is licensed.

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

No work performed. This Standard is not covered in the scope of the examination because the Company does not offer index life products anywhere it is licensed.

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.

M.G.L. c. 175, §§ 162I and 162S.

Objective: The Standard addresses licensing and appointment of the Company's producers.

M.G.L. c. 175, § 162I requires that all persons who solicit, sell or negotiate insurance in the Commonwealth be licensed for that line of authority. Further, any such producer shall not act as an agent of the Company unless the producer has been appointed by the Company pursuant to M.G.L. c. 175, § 162S.

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

- All producers are representatives of Primerica Financial Services ("PFS"). PFS representatives market the Company's life insurance products, as well as financial services and products offered by a variety of companies.
- The Company's RVPs recruit its producers, and serve as the Company's primary supervisory and management oversight of the PFS distribution channel.
- Upon recommendation by a RVP, the Company reviews the applicant's employment history, as well as criminal, financial and other background information. A criminal background check is conducted on all applicants who submit the required documentation. In addition, the applicant must submit evidence of a valid Massachusetts' insurance producer license. Applicants who do not hold a valid producer's license must complete the Company's 18 hour pre-licensing course, which is approved by the Division.
- Terms and conditions in the standard producer contract define the producer's duties and responsibilities, including their responsibility to maintain licenses, comply with laws and regulations, and conduct business honestly and ethically.
- The Company's appointment procedures require that individuals who sign a producer contract must be appointed as an agent within 15 days from the date the contract is executed.
- The Company requests the Division's approval regarding the appointment of any "prohibited person."
- All agent appointments and producer licenses are tracked in the Company's data base. The Company periodically reconciles its agent records to those from the Division.
- The Company's Audit Risk and Review process includes periodic independent audits to monitor compliance with its policies and procedures, including those pertaining to producer licensing and appointment.

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

Transaction Testing Procedure: The examiners interviewed Company personnel with responsibility for producer contracting, processing of agent appointments and reconciliation of agent records, and reviewed Company responses to interrogatories concerning these areas. In addition, the examiners reviewed agent

appointment procedures in conjunction with testing of 100 life insurance policies applied for during the examination period. The examiners verified that the writing agent for each application was appropriately licensed and appointed at the time of sale. The examiners also compared the producer appointment and termination dates on the Division's and the Company's databases.

Transaction Testing Results:

Findings: None.

Observations: The Company's procedures for producer contracting and processing appointments appear to be adequate. The examiners noted that all the applications tested were submitted by licensed and appointed producers. There were no instances noted during the comparison of the producer records where the Company's documentation was found to be in error.

Recommendations: None.

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

M.G.L. c. 175, §§ 162I and 162S.

Objective: This Standard addresses the requirement that producers be licensed and agents be appointed.

M.G.L. c. 175, § 162I requires that all persons who solicit, sell or negotiate insurance be licensed for that authority line. Further, no producer may act as an agent of the Company unless appointed by the Company pursuant to M.G.L. c. 175, § 162S.

Controls Assessment: Refer to Standard IV-1.

Controls Reliance: Refer to Standard IV-1.

Transaction Testing Procedure: The examiners interviewed Company personnel with responsibility for producer contracting, processing of agent appointments and reconciliation of agent records, and reviewed Company responses to interrogatories concerning these areas. In addition, the examiners reviewed agent appointment procedures in conjunction with testing of 100 life insurance policies applied for during the examination period. The examiners verified that the writing agent for each application was appropriately licensed and appointed at the time of sale. The examiners also compared the producer appointment and termination dates on the Division's and the Company's databases.

Transaction Testing Results:

Findings: None.

Observations: The examiners noted that all the applications tested were submitted by licensed and appointed producers.

Recommendations: None.

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.

M.G.L. c. 175, §§ 162R and 162T.

Objective: This Standard addresses the Company's termination of producers in accordance with applicable statutes requiring notification to the state and the producer.

Pursuant to M.G.L. c. 175, § 162T, the Company must notify the Division within 30 days of the effective date of a producer's termination, and if the termination was "for cause" as defined in M.G.L. c. 175, § 162R, the Company must notify the Division of such cause. Further, M.G.L. c. 175, § 162R provides the reasons for which the Company may terminate a producer's appointment, and the reasons for which the Division may terminate a producer's license.

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

- A Company database tracks all agent appointments and producer licenses, and the Company periodically reconciles its agent records to those of the Division.
- The Company's producer contracts and appointments do not expire until terminated with notice, or "for cause."
- The Company electronically notifies the Division of all agent terminations and the reason for any "for cause" terminations.
- The Company mails applicable notification and documents overnight to both the Division and the agent at his resident address for any "for cause" terminations.
- The Company's Audit Risk and Review process includes periodic independent audits to monitor compliance with its policies and procedures, including those pertaining to producer licensing and appointment.

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

Transaction Testing Procedure: The examiners interviewed Company personnel with responsibility for producer contracting, processing of agent appointments and reconciliation of agent records, and reviewed Company responses to interrogatories concerning these areas. In addition, the examiners randomly selected 25 files of producers terminated during the examination period, to determine whether the Company gave timely notice of the terminations to the Division and the producer.

Transaction Testing Results:

Findings: None

Observations: In each of the 25 producer terminations reviewed, notification to the Division was timely.

Recommendations: None.

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

Objective: The Standard addresses the Company's policy for ensuring that producer appointments and terminations do not unfairly discriminate against policyholders.

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

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

Transaction Testing Procedure: The examiners interviewed Company personnel with responsibility for producer contracting, processing agent appointments and reconciliation of agent records, and reviewed Company responses to interrogatories concerning these areas. In addition, the examiners reviewed agent appointment procedures in conjunction with testing of 100 life insurance policies applied for during the examination period and randomly selected and reviewed 25 files of producers terminated during the examination period for any evidence of unfair discrimination against policyholders.

Transaction Testing Results:

Findings: None.

Observations: The examiners found no evidence of unfair discrimination against policyholders resulting from producer appointments and terminations.

Recommendations: None.

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

M.G.L. c. 175, §§ 162R and 162T.

Objective: The Standard addresses the Company's documentation of producer terminations.

Pursuant to M.G.L. c. 175, § 162T, the Company must notify the Division within 30 days of the effective date of a producer's termination, and if the termination was "for cause" as defined in M.G.L. c. 175, § 162R, must notify the Division of such cause. Further, M.G.L. c. 175, § 162R provides the reasons for which the Company may terminate a producer's appointment as agent, and the reasons for which the Division may terminate a producer's license.

Controls Assessment: See Standard IV-3.

Controls Reliance: See Standard IV-3.

Transaction Testing Procedure: The examiners interviewed Company personnel with responsibility for processing producer terminations, and reviewed Company responses to interrogatories concerning this area. In addition, the examiners randomly selected 25 files of producers terminated during the examination period to determine whether any were "for cause," and if so, whether the related reasons were communicated to the Division.

Transaction Testing Results:

Findings: None.

Observations: The examiners noted that the reasons for the terminations tested were adequately documented. The Company has an adequate process for communicating "for cause" terminations and their corresponding reasons to the Division. None of the terminations tested was "for cause."

Recommendations: None.

Standard IV-6. Producer account balances are in accordance with the producer's contract with the insurer.
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Objective: The Standard is concerned with whether the Company's contracts with producers limit excessive balances with respect to handling funds.

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

- Commissions are paid on policies based on the annualized commissionable premium and are generally paid only on the first-year premium. Commissions can be advanced based on various criteria or paid as premium is paid, i.e., as earned.
- The Company's policy is that 75% of the first-year commission is advanced. The Company's commission advance and chargeback system calculates commissions and bonuses payable to the producer based upon the producer's commission hierarchy. The Company does not pay commissions on renewal premiums.
- The Company's policies are billed on a direct basis, mitigating the possibility for excessive balances owed by producers.
- The Company actively monitors producers' balances to ensure that outstanding amounts are not excessive. If an agent has a debit balance of 90% or greater, the Company sends a warning letter. If that percentage crosses 100%, the Company sends a warning letter that if unpaid, the agent will be terminated. If commissions are advanced and the policy lapses prior to the advance being recovered, the outstanding advance will be charged back to the agent. Earned commissions on other policies offset advance balances not otherwise repaid by earned premium on the policy on which the advance commission was paid.

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

Transaction Testing Procedure: The examiners interviewed Company personnel with responsibility for producer contracting and commission processing, and reviewed Company responses to interrogatories concerning these areas. The examiners reviewed commission activity for ten producers for selected sales from the examination period, to ensure that commissions were paid in accordance with the Company's standard commission scales and contract terms. Evaluation of producer debit balances is also included in the scope of the Division's concurrent financial examination of the Company.

Transaction Testing Results:

Findings: None.

Observations: The Company appears to have a process for ensuring that commissions are paid in accordance with the producer contract. No evidence of inappropriate commission activity was noted in the files tested.

Recommendations: None.

V. POLICYHOLDER SERVICE

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

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

M.G.L. c. 175, §§ 110B, 187C and 187D.

Objective: This Standard addresses efforts to provide policyholders with sufficient advance notice of premiums due, and disclosure of the lapse risk due to non-payment.

Pursuant to M.G.L. c. 175, § 110B, no life insurance policies may lapse for nonpayment of premium until after three months from the premium due date, unless, within 10 days prior to the due date, the Company has mailed a notice to the policyholder showing the premium due and the due date, with notice that the policy will lapse if no payment is made on or before the due date. M.G.L. c. 175, §§ 187C and 187D require written notice to the policyholder for Company cancellations, including those for non-payment of premium.

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

- The Company's written policies and procedures include established time and service standards to monitor the timely processing of billing transactions.
- The Company uses a proprietary system called Life 70 Billing Application to send customer billing notices to the Company's in-force business.
- The Life 70 Billing Application uses the policy paid to date to determine if it is time for the policy to be billed. The frequency or mode of notices sent can be scheduled for monthly, quarterly, semi-annually or annually.
- The billing schedule for Premium Due Notices is 21 days prior to the due date. The billing schedule for Late Pay Offer is 32 days after the due date. This notice advises that the policy is lapsed and extends the Grace Period
- The billing schedule for the Lapse Notice is 61 days after the due date; this bill also includes a reinstatement application.
- Policyholders may elect to pay premiums either quarterly, semi-annually or annually, by either electronic funds transfer or by check.
- The Company makes a maximum of two attempts to draft premiums paid by Pre-Authorized Checking. When a draft is rejected for insufficient funds, the Company sends a notification letter to the policyholder stating that payment must be made in 30 days and that all future billings will be made on a quarterly basis.
- The Company sends renewal notices 60 days prior to the policy renewal date. The renewal notice includes notifications of any increase in premium or scheduled changes in coverage.

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

Transaction Testing Procedure: The examiners discussed billing procedures with Company personnel and reviewed requested documentation. In addition, the examiners randomly selected ten policies that lapsed during the examination period, to test whether adequate notice was given prior to lapse.

Transaction Testing Results:

Findings: None.

Observations: The examiners noted that the Company gave adequate notice prior to lapse for each policy tested as required. In addition, premium billing notices appeared to be mailed to the policyholders with adequate advance notice, and included required disclosure of potential lapse in the event of non-payment.

Recommendations: None.

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

M.G.L. c. 175, §§ 187C and 187H; 211 CMR 34.06.

Objective: This Standard addresses the Company's procedures to ensure that insured-requested cancellations are processed timely. Policy issuance testing is included in Standard VI-6.

M.G.L. c. 175, § 187C provides that the insured may cancel his or her policy by giving notice to the Company or a producer. M.G.L. c. 175, § 187H requires the Company to provide a 10 day free look on low face amount life policies. Further, 211 CMR 34.06 requires that a 20 day free look be given on life and annuity replacements.

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

- The Company's written policies and procedures include established time and service standards to monitor the timely processing of policy issuance and insured-requested cancellations.
- Cancellation requests are received in writing and over the telephone ("tele-cancellations").
- All written cancellation requests, including free looks, are first screened for a consumer complaint. If a cancellation request includes a consumer complaint as defined by the Company, a copy of the request is forwarded to the Consumer Relations Department.
- After the written cancellation request has been screened for complaints, it is reviewed for the signature of the policyowner and/or assignee. If all appropriate signatures are included on the written request, the policy will be terminated and unearned premiums, when applicable, will be refunded to the client.
- Tele-Cancellations occur when the client requests to cancel their policy over the phone. Before the request for cancellation is accepted, the client must authenticate their identity by verifying their name, address and social security number with the Customer Service Representative.
- Once the tele-cancellation request has been entered, it is printed and delivered to the Policyowner Administration ("POA") department for processing. The POA processor confirms that the inquirer is also the owner of the policy before processing the cancellation request.
- The Company's practices and procedures to cancel a policy within the 60-day free look period are consistent with those for common written cancellation requests.
- All policies are issued with at 20-day free look period. If a policy is not taken, any applicable premium down payments are returned directly to the customer within 30 days of the Company's receipt of the returned policy. The Company will honor a notification from the producer who received a request to return the policy as acceptable notice to exercise the right of return.
- Before any refund of premium is made, the Company consults the United States Treasury Department's Office of Foreign Asset Control ("OFAC") list to confirm that the policyholder is not a prohibited party.

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

Transaction Testing Procedure: The examiners discussed free look and insured-requested cancellation procedures with Company personnel, and reviewed requested documentation. In addition, the examiners selected 15 free look cancellations, and 25 insured-requested cancellations, to ensure that requests were processed accurately and timely.

Transaction Testing Results:

Findings: None.

Observations: The examiners noted that each of the free-look and insured-requested cancellations appeared to be processed accurately, timely and in compliance with statutory requirements.

Recommendations: None.

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

Objective: This Standard addresses the Company's procedures for providing timely and responsive information to customers.

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

- The Company's written policies and procedures include established time and service standards to process policyholder service requests.
- Client Communication Customer Service Representatives are responsible for servicing clients with current coverage, for requests including address changes, billing changes, beneficiary changes and ownership changes. Any inquiries that require more detailed answers are forwarded to the appropriate department for handling. Customer Service Representatives refer callers to a licensed producer for assistance with the soliciting, negotiating and selling of insurance products.
- Twice each year the Company conducts "Voice of the Client" customer surveys to ask new and existing policyholders detailed questions about their experiences with the Company. Policies are randomly selected from different tracking codes. Surveys are mailed to the client and responses entered into a log. When the log reaches a certain threshold, results are forwarded to Life Audit Department for review.

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

Transaction Testing Procedure: The examiners discussed correspondence procedures with Company personnel, and reviewed requested documentation. In addition, the examiners reviewed policy service transactions for six in force policies. The examiners also evaluated the Company's efforts to correspond with policyholders and contract holders while testing examination standards for complaint handling, policyholder service, underwriting and claims.

Transaction Testing Results:

Findings: None.

Observations: Based on the examiners' review, the Company appears to timely correspond with policyholders and contract holders.

Recommendations: None.

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

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

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

M.G.L. c. 175, §§ 123, 126, 139, 142 and 187B.

Objective: This Standard addresses procedures for processing beneficiary and ownership changes, conversions, interest rates, policy loans and maturities.

M.G.L. c. 175, § 123 requires a disinterested witness for life insurance beneficiary changes. M.G.L. c. 175, § 126 limits life insurance beneficiary changes once a married woman is named as beneficiary. M.G.L. c. 175, § 139 limits face amounts of conversions for rewritten life insurance policies or annuity contracts with an effective date prior to the exchange application date. M.G.L. c. 175, § 142 addresses loan interest rates for non-variable whole life policies. M.G.L. c. 175, § 187B requires insurers to return premium after they cancel any insurance policy.

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

- The Company's written policies and procedures include established time and service standards to process policyholder service requests.
- All beneficiary and ownership changes require the signing and mailing of a properly completed form. The Company's policy requires the signature of a disinterested witness before processing a beneficiary change. A letter confirming a beneficiary change is sent to the policy owner. Letters confirming ownership changes are sent to both the old and the new owners.
- Changes of address or premium billing modes can be requested by telephone.
- The Company has established time and service standards to measure performance for processing beneficiary and ownership changes.

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

Transaction Testing Procedure: The examiners interviewed Company personnel responsible for policyholder service processing, and reviewed requested documentation. In addition, the examiners reviewed policy service transactions for six in force policies, to ensure that the Company processed beneficiary and ownership changes accurately, timely and in accordance with statutory requirements and policy provisions.

Transaction Testing Results:

Findings: None.

Observations: The Company appears to process beneficiary and ownership changes accurately and timely in accordance with statutory requirements and policy provisions.

Recommendations: None.

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

M.G.L. c. 200A, §§ 5A, 5B, 6D, 7-7B, 8A and 9.

Objective: This Standard addresses efforts to locate missing contract owners and beneficiaries, and to comply with escheatment and reporting requirements.

M.G.L. c. 200A, §§ 5A, 5B, 6D, 7-7B, 8A and 9 state that a matured life policy, annuity contract and unclaimed dividends are presumed abandoned if unclaimed for more than three years after the funds become payable. Annual reporting to the State Treasurer's Office regarding efforts to locate owners is required, and the statutes require payment to the State Treasurer's Office for escheated property.

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

- The Company has policies and procedures in place to locate missing policyholders.
- If a check is outstanding after 90 days, a follow up letter is sent. If any checks are returned, the Company uses other means to locate the owner, and will send another letter to a new address if one is located.
- Prior to reporting an unclaimed amount to a state, a final attempt is made to contact the individual. The number of days prior to escheatment that the final contact is made is dependent upon the individual state law.
- Based on the state dormancy period for each property type, Primerica uses a commercial software program called Abandoned Property and Compliance System to generate the pertinent state reports, which consist of details of the funds being remitted, an affidavit declaring to the amounts being escheated and an electronic file containing all of the information regarding the property being escheated.
- The Company annually reports escheatable funds to the State Treasurer on May 1 as required by law.

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

Transaction Testing Procedure: The examiners discussed the procedures for locating missing policyholders, contract holders and beneficiaries, and procedures for escheatment of funds with Company personnel, and reviewed requested documentation.

Transaction Testing Results:

Findings: None.

Observations: The Company appears to have reasonable procedures in place for locating missing policyholders and beneficiaries. The examiners confirmed with the Division's financial examiners that the Company filed its 2009 annual report of escheated funds to the State Treasurer by May 1 as required.

Recommendations: The Company should include a review of the Division's *Life Policyholder and Annuity Contract Holder Search and Escheatment Policy and Best Practices* (10/2009) document in its procedures relating to unclaimed funds to ensure that it complies with the requirements for the distribution of unclaimed property.

Subsequent Actions: The Company has distributed the Division's Best Practices document to appropriate business units. Insurance Compliances has revised its monitoring and testing procedures to include a review of the appropriate business unit's policyholder search and escheatment practices to ensure compliance with these Best Practices.

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.

M.G.L. c. 175, §§ 119B, 119C, 187C and 187D.

Objective: This Standard addresses the calculation and timely return of unearned premiums.

M.G.L. c. 175, § 119B requires that proceeds payable under life insurance policies include reimbursement for unearned premiums paid. M.G.L. c. 175, § 119C requires interest to be paid on life insurance proceeds left on deposit beginning 30 days after death. M.G.L. c. 175, §§ 187C and 187D require written notice to the policyholder for Company cancellations, including those for non-payment of premium.

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

- The Company's has written policies and procedures for processing refunds of unearned premium timely and accurately.
- Unearned premiums are automatically calculated by the Company's policy administration system, which also produces the checks which are returned to policy owners or beneficiaries.

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

Transaction Testing Procedure: The examiners discussed return premium calculation procedures with Company personnel, and reviewed requested supporting documentation. In addition, the examiners randomly selected 25 policies that were canceled during the examination period, to ensure that return premiums were properly calculated and timely returned.

Transaction Testing Results:

Findings: None.

Observations: The examiners found that the Company properly calculated and refunded the premium in a timely manner for each of the cancellations tested.

Recommendations: None.

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

M.G.L. c. 175, §§ 132(11) and 187G.

Objective: This Standard addresses consistent reinstatement processing in compliance with policy provisions.

M.G.L. c. 175, § 132(11) requires that life insurance policies allow for reinstatement. M.G.L. c. 175, § 187G states that for life policies which lapse during a strike by producers, in the case where the premiums are collected by the producers, the insured is entitled to reinstatement without evidence of insurability within thirty-one days of the authorized termination of the strike.

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

- The Company has written service standards to ensure the timely processing of reinstatement requests.
- Reinstatement forms can be accepted without producer involvement, so long as the policy has not been terminated for more than 12 months.
- Policies that have been terminated greater than 12 months but not more than 3 years require reinstatement completion on a Policy Change Form with producer involvement.
- Policy reinstatements are verified for correct processing, and then forwarded to Underwriting for review and ordering of any necessary requirements prior to making a decision on the coverage applied for.
- Reinstatement applications that require Underwriting review include those with requests for additional coverage, classification upgrades, policies that terminated with a substandard rating, coverage amounts that exceed \$150,000 and reinstatement requests made more than 120 days after termination.

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

Transaction Testing Procedure: The examiners discussed reinstatement procedures with Company personnel and reviewed requested documentation. The examiners randomly selected 25 reinstatements from the examination period, to ensure that they were handled consistently, timely and in accordance with policy provisions.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company consistently and timely processed each of the reinstatement transactions in accordance with policy provisions.

Recommendations: None.

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

No work performed. This Standard is not covered in the scope of the examination because the Company only markets term insurance, which does not build non-forfeiture values.

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

211 CMR 28.10.

No work performed. This Standard is not covered in the scope of the examination because the Company only markets term insurance.

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

This Standard is similar to Standard VII-12 and is therefore addressed in that Standard.

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 rating plan.

M.G.L. c. 175, § 190B; M.G.L. c. 176D, § 3(7); Division Bulletin 2008-08.

Objective: This Standard addresses whether the Company uses and charges proper premium rates.

Pursuant to M.G.L. c. 175, § 190B, no mass marketed life insurance may be sold if the Commissioner finds that the total charges for the insurance are unreasonable in relation to the benefits provided. Pursuant to M.G.L. c. 176D, § 3(7), it is an unfair method of competition to unfairly discriminate between individuals of the same class and equal life expectancy in rates charged for any life or annuity contract. Finally, Division Bulletin 2008-08 provides guidelines for rate and form filings.

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

- The Company has written underwriting and rating policies and guidelines, which are designed to assure rates are charged in accordance with statutory requirements.
- All product rates are calculated by the Company's software program, and are based on applicant information and rating classifications assigned by the underwriter.
- Primerica offers four underwriting classes: non-tobacco, tobacco, preferred, and preferred plus.
- Applicants are classified according to written guidelines based upon the applicant's medical history, family history, height, weight, and personal history. Premium surcharges or discounts are used to modify rates based upon the underwriter's evaluation of claim risks and other factors.
- All filings are conducted via the System for Electronic Rate and Form Filing. During the filing process, analysts are responsible for following up on pending filings, responding to department inquiries regarding the filing, tracking filings and reporting the filing status to various departments throughout the Company.

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

Transaction Testing Procedure: The examiners interviewed Company personnel with responsibility for determining rate classes as part of the underwriting process, and reviewed requested documentation. In addition, the examiners randomly selected 50 new business sales from the examination period, to test whether premiums charged were in accordance with the rates filed with the Division.

Transaction Testing Results:

Findings: None.

Observations: Based on review, the Company appears to be charging premiums in accordance with rate information filed with the Division.

Recommendations: None.

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

Objective: This Standard addresses mandated underwriting disclosures for insurance policies which are required in accordance with statutes, regulations and Company policy. Requirements to provide illustrations and other disclosures are included in Standard III-6. Replacement disclosures are included in Standards III-4 and III-5, and adverse underwriting notices are included in Standards VI-7 and VI-8.

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

M.G.L. c. 175, §§ 177, 182, 183 and 184; M.G.L. c. 176D, § 3(8).

Objective: This Standard prohibits illegal rebating, commission cutting or inducements in Company correspondence to producers, and in advertising/marketing materials. Reduced commissions paid on internal replacements are discussed in Standards III-4 and III-5.

M.G.L. c. 175, § 177 prohibits payment of any form of compensation to an unlicensed producer for acting as producer. Pursuant to M.G.L. c. 175, §§ 182, 183 and 184, no Company, or agent thereof may pay, allow, or offer to pay or allow, any valuable consideration or inducement not specified in the contract, or any other special favor. Similarly, under M.G.L. c. 176D, § 3(8), it is an unfair method of competition to make or offer an insurance or annuity contract other than as expressed in the insurance contract, or to pay, allow or give, any premium rebate, valuable consideration or inducement not specified in the contract as inducement for such a contract.

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

- The Company's policies and procedures are designed to comply with provisions contained in statutory underwriting and rating requirements, which prohibit special inducements and rebates.
- Commissions are paid to producers in accordance with the Company's procedures and producer contracts.

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

Transaction Testing Procedure: The examiners interviewed Company personnel with responsibility for commission processing and producer contracting. In addition, the examiners reviewed producer contracts, new business materials, advertising materials, producer training materials and manuals for indications of rebating, commission cutting or inducements. The examiners also reviewed commission activity from the examination period for 10 producers, to ensure that commissions were paid in accordance with terms of the producer's contract and Company procedures. Finally, the examiners reviewed 50 life insurance policies sold during the examination period for evidence of rebating, improper commission cutting or inducements.

Transaction Testing Results:

Findings: None.

Observations: The examiners noted no unusual commission activity and found no evidence of rebating, improper commission cutting or inducements during the reviews for this standard.

Recommendations: None.

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

M.G.L. c. 175, §§ 120, and 120A-120E, 122, 128 and 193T; M.G.L. c. 176D, § 3(7) and 3(8); 211 CMR 32.00 et seq; Division Bulletin 2008-18.

Objective: This Standard addresses unfair discrimination in underwriting.

Pursuant to M.G.L. c. 175, § 120, no Company may discriminate between insureds of the same class and equal life expectancy with regard to premiums or rates for life or endowment insurance, annuities, or on dividends or other benefits. M.G.L. c. 175, §§ 120A-120E prohibit discrimination in the issuance of life insurance based on gender, and against those with mental retardation. M.G.L. c. 175, § 122 prohibits a life insurer from discriminating between white persons and persons of color as to premiums or rates charged. M.G.L. c. 175, § 128 states minors at age 15 may contract for life insurance in certain situations. M.G.L. c. 175, § 193T prohibits discrimination based on blindness, mental retardation or physical impairment. Pursuant to M.G.L. c. 176D, § 3(7), it is an unfair method of competition to unfairly discriminate between individuals of the same class and equal life expectancy in rates charged for any life or annuity contract. Similarly, under M.G.L. c. 176D, § 3(8), it is an unfair method of competition to make or offer an insurance or annuity contract other than as expressed in the insurance contract, or to pay, allow or give, any premium rebate, valuable consideration or inducement not specified in the contract as inducement for such a contract. Mortality tables must conform to the requirements set forth in 211 CMR 32.00 et seq. Finally, Division Bulletin 2008-18 requires insurers to calculate reserves on a gender neutral or gender blended basis. It also requires all individual and group annuity contracts issued on or after January 1, 2009 that cover residents of Massachusetts to be neutral as to race, color, religion, sex, marital status or national origin with regard to pricing and benefits.

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

- The Company's underwriting policy prohibits unfair discrimination in underwriting in accordance with statutory requirements.
- The Company's underwriting guidelines are designed to assure reasonable consistency in classification and rating of risks.
- The Company requires completion of disclosure form PLA-109 MA for all applications submitted.

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

Transaction Testing Procedure: The examiners interviewed Company personnel with responsibility for underwriting, and reviewed requested documentation including underwriting guidelines. In addition, the examiners randomly selected 50 new business sales from the examination period to test whether the Company unfairly discriminates between individuals of the same class and equal life expectancy in rates charged. Further, the examiners reviewed the Company's policy filings to determine the intended market for its underwriting classes.

Transaction Testing Results:

Findings: None.

Observations: The Company failed to furnish evidence that it required the completion of disclosure form PLA-109 MA to the applicants in 21 of the 50 new business samples reviewed. The examiners found seven samples cited where the applicants were issued at standard rates when they may have been eligible for preferred rates. The examiners also note that the application does not afford the applicant the opportunity to affirmatively decline consideration for preferred rates.

Required Actions: The Company shall train all producers on its policy for utilizing disclosure form PLA-109 MA with all applicants. In addition, the Company is required to maintain copies of the completed disclosure form PLA-109 MA with all applications submitted. Further, the Company shall revise its application to provide customers the opportunity to decline the submission of additional underwriting requirements needed for consideration for preferred rates.

Subsequent Actions: The Company issued a training bulletin to producers requiring the use of form PLA-109 with all Massachusetts applicants. The life application has been revised to include language informing applicants of specific requirements for underwriting.

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

M.G.L. c. 175, §§ 2B, 22, 129, 132, 139, 144A ½, 192A, 193F, 193G and 193H; Division Bulletins 2001-05, 2008-08 and 2009-10.

Objective: This Standard addresses the required filing of all policy forms and endorsements.

Pursuant to M.G.L. c. 175, § 2B, no policy form of insurance may be delivered to more than 50 policyholders until it has been on file with the Division for 30 days, or the Division approves the form during that time. Further, no life, endowment or annuity form may be delivered unless it complies with readability guidelines. M.G.L. c. 175, § 22 sets forth unauthorized policy provisions. M.G.L. c. 175, § 129 requires bold letters on the policy face page describing the contract. M.G.L. c. 175, § 132 sets forth a 30 day filing requirement, and identifies mandated provisions for life, endowment and annuity forms. M.G.L. c. 175, § 139 permits the exchange or conversion of life or endowment insurance or an annuity contract at the policy owner's request. M.G.L. c. 175, § 144A ½ defines required provisions in annuity contracts. M.G.L. c. 175, § 192A allows policies in loose leaf form. M.G.L. c. 175, §§ 193F, 193G and 193H permit the 30 day filing requirements to be extended, describe resubmission procedures for disapproved forms, and provide for an appeal procedure in the event that the company wishes to contest the Division's decisions. Division Bulletin 2001-05 requires that form filings be accompanied by a fully-completed form-filing checklist. Division Bulletin 2008-08 sets forth guidelines for filing rate and form filings for all lines of business. Division Bulletin 2009-10 sets forth the filing requirements for war exclusions in life insurance policies.

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

- The Company obtains Division approval of all policy forms, contract riders, endorsement forms and illustrations prior to use.
- All filings are conducted via SERFF. During the filing process, Company analysts are responsible for following up on pending filings, responding to department inquiries regarding the filing, tracking filings and reporting the filing status to various departments throughout the Company.

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

Transaction Testing Procedure: The examiners interviewed Company personnel with responsibility for forms and rate filings, and reviewed requested documentation. In addition, the examiners reviewed a random sample of 50 life insurance policies issued during the examination period, to test whether all policy forms, contract riders and endorsement forms associated with these policies were approved by the Division.

Transaction Testing Results:

Findings: None.

Observations: The examiners noted that all policy forms, riders, and endorsement forms tested were filed by the Company and approved by the Division prior to their use.

Recommendations: None.

Standard VI-6. Policies and riders are issued or renewed accurately, timely and completely.
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M.G.L. c. 175, §§ 123, 130 and 131.
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Objective: This Standard addresses whether the Company issues life insurance policies accurately, timely and completely. See Standard V-8 for testing of reinstatements.

M.G.L. c. 175, §§ 123 and 131 require a written application for issuance of life policies, and a signed application to be attached to a life or annuity contract. M.G.L. c. 175, § 130 requires that no life policy or annuity contract issued be dated more than six months prior to the application date, if the applicant would rate at an age younger than the age at the nearest birthday on the application date.

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

- The Company has written underwriting guidelines and procedures that require compliance with statutory requirements.
- Company underwriters review all insurance applications and supporting forms to ensure that they are complete and internally consistent, and obtain any additional information needed to make underwriting decisions.
- The Company's practice is to issue policies and riders in a timely and complete 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: The examiners interviewed individuals with responsibility for underwriting and policy issuance, and reviewed requested documentation. In addition, the examiners reviewed a random sample of 50 life insurance policies issued during the examination period, to test whether the policies were issued timely, accurately and completely.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, it appears that policies and contracts are issued accurately, completely and timely in accordance with Company policies, procedures and statutory requirements.

Recommendations: None.

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

M.G.L. c. 175, §§ 120, 120A-120E; M.G.L. c. 175I, § 12; M.G.L. c. 176D, § 3(7).

Objective: This Standard addresses whether application denials are fair.

Pursuant to M.G.L. c. 175, § 120, no Company may discriminate between applicants of the same class and equal life expectancy with regard to premiums or rates for life or endowment insurance, annuities, or on dividends or other benefits. M.G.L. c. 175, §§ 120A-120E prohibit discrimination in the issuance of life insurance based on gender, and against those with mental retardation. M.G.L. c. 175I, § 12 states that an adverse underwriting decision for life insurance applicants may not be based, in whole or in part, on a previous adverse underwriting decision, on personal information received from certain insurance-support organizations or on sexual orientation. Pursuant to M.G.L. c. 176D, § 3(7), it is an unfair method of competition to unfairly discriminate between individuals of the same class and equal life expectancy in rates charged for any life or annuity contract.

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

- The Company's written underwriting guidelines and policies prohibit unfair discrimination in accordance with statutory requirements.
- The Company's home office underwriting approval processes and procedures, training of home office underwriters and communication with producers are designed to prohibit unfair discrimination.

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

Transaction Testing Procedure: The examiners interviewed individuals with responsibility for underwriting, policy issuance and declinations. In addition, the examiners reviewed written Company policies and procedures requiring that the Adverse Underwriting Notice be provided when the Company declines applications, elects to provide a reduced amount of coverage or when it offers coverage at higher than standard rates. The examiners also selected a random sample of 25 applications declined by the Company during the examination period, to ensure that the reason for the declination was in accordance with the Company's written underwriting guidelines. Further, the examiners verified that written notice of reasons for an adverse decision was provided to the applicant in accordance with statutory requirements. Finally, the examiners verified that the correct initial premium was timely returned after each declination.

Transaction Testing Results:

Findings: None.

Observations: The Company's policies and procedures for providing Adverse Underwriting Notices appear to be functioning in accordance with its policies, procedures and statutory requirements. The examiners noted that the Company provided the Adverse Underwriting Notice when it declined to offer coverage, offered coverage with exclusions or offered coverage at higher than standard rates for each of the applications tested.

Recommendations: None.

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

M.G.L. c. 175, § 132(2); M.G.L. c. 175I, § 10; M.G.L. c. 176D, § 3(7).

Objective: The Standard addresses whether the reasons for a cancellation or non-renewal are valid according to policy provisions and state laws.

M.G.L. c. 175, § 132(2) requires that a life insurance policy be incontestable after being in-force for two years, unless there has been: (1) non-payment of premium; (2) a violation of the terms of the policy for military service during wartime; or (3) if the Company so elects, to contest the payment of disability or accidental death benefits. Insurance policies issued in Massachusetts are contestable after two years in-force when evidence of insurance fraud exists. M.G.L. c. 175I, § 10 requires that the reasons for an adverse underwriting decision be provided to the applicant in writing. Pursuant to M.G.L. c. 176D, § 3(7), it is an unfair method of competition to unfairly discriminate between individuals of the same class and equal life expectancy in rates charged for any life or annuity contract.

Controls Assessment: The Company does not have a contractual right to cancel any policy absent the conditions set forth above, but may in some cases, rescind 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: The examiners interviewed individuals with responsibility for underwriting, policy cancellations and declinations. In addition, the examiners randomly selected 25 policies which lapsed for non-payment, 25 policies that were cancelled and 25 applications that were declined during the examination period, to test for compliance with Company guidelines and statutory requirements.

Transaction Testing Results:

Findings: None.

Observations: The examiners noted no instances where the Company improperly lapsed, cancelled or declined coverage.

Recommendations: None.

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

No work performed. This Standard is not covered in the scope of the examination, as the Company did not have any contracts rescinded during the examination period.

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

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

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

- The Company's life insurance applications generally require submission of information regarding the applicant's existing life insurance coverage, family member information, occupation, monthly earnings, age and the purpose of the applied for life insurance.
- All insurance applications and supporting forms are reviewed by underwriters to ensure that they are complete and internally consistent, and obtain any additional information needed to make underwriting decisions.
- The Company's Risk Control Self-Assessment program assesses the operational risk and the overall effectiveness of the internal control environment across departments. Key controls are identified and tested on a routine pre-scheduled basis by an independent reviewer. Controls for new business applications are tested within this process.

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

Transaction Testing Procedure: The examiners interviewed Company personnel with responsibility for new business processing, and reviewed requested documentation. In addition, the examiners selected a random sample of 50 new business policies issued during the examination period, to verify that the applications were signed and completed in accordance with Company policy. The examiners also reviewed each policy tested to confirm that the policy or contract was issued as applied for or, if any changes were appropriately disclosed to the applicant.

Transaction Testing Results:

Findings: None.

Observations: The examiners noted that each application tested was signed and completed in accordance with Company policy. Each life insurance policy or fixed annuity contract tested was issued consistent with the application, or any changes resulted in disclosure to the applicant.

Recommendations: None.

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

211 CMR 36.04-36.08.

Objective: This Standard addresses procedures to ensure that the Company does not use medical records indicating AIDS-related concerns to discriminate against applicants, without medical evidence of disease.

211 CMR 36.04 sets forth prohibited practices with respect to AIDS-related testing and information. Pursuant to 211 CMR 36.05, an applicant must give prior written informed consent before an insurer may conduct an AIDS-related test. 211 CMR 36.06 specifies that the insurer notify the insured, or his/her designated physician, of a positive test result within 45 days after the blood sample is taken. 211 CMR 36.07 requires insurers to maintain applicant information as confidential. 211 CMR 36.08 prohibits insurers from requesting any information about the applicant's, policyholder's or beneficiary's sexual orientation.

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

- The Company's new business underwriting procedures require all applicants to sign a statement acknowledging an understanding of his or her rights regarding HIV testing required for underwriting.
- All applicants are provided with a form which includes Massachusetts specific disclosures required by 211 CMR 36.05.

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

Transaction Testing Procedure: The examiners interviewed individuals with responsibility for underwriting, policy issuance and declinations. In addition, the examiners selected a random sample of 50 new business policies issued during the examination period, to verify that the Company obtained signed Massachusetts AIDS testing disclosure notices from the applicants where indicated. The examiners also reviewed a random sample of 50 declinations from the examination period, to ensure that the Company does not use medical records indicating AIDS-related concerns to discriminate against applicants, without medical evidence of disease.

Transaction Testing Results:

Findings: None.

Observations: The examiners noted that the Company obtained the Massachusetts' AIDS testing disclosure notice from applicants in each of the policies tested in accordance with its policies, procedures and statutory requirements. No evidence of inappropriate inquiries, of or unfair discrimination based on an applicant's sexual orientation or HIV status, was found in testing underwriting declinations.

Recommendations: None.

VII. CLAIMS

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

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

M.G.L. c. 176D, § 3(9)(b).

Objective: The Standard addresses the timeliness of the Company's initial contact with the claimant.

Pursuant to M.G.L. c. 176D, § 3(9)(b), unfair claims settlement practices include failure to promptly address communications for insurance claims.

Controls Assessment: The following controls were noted in review of all claims Standards:

- The Company has written claims handling procedures that require compliance with statutory requirements.
- All claims are entered into and tracked by the Company's proprietary claims system.
- Claim notifications are received by phone, fax or mail from the beneficiary, relative, funeral home, agent or attorney.
- Once a claim notification is received, a Claims Specialist accesses the system and enters the policy number. If the number is not a valid policy number, an error message occurs and the system will not allow the specialist to continue. If the policy number is valid and a policy exists, the system will automatically pull in the information from the policy master record.
- The system assigns a 10 digit claim number and posts a requirement for initial review, orders policy documents and updates the beneficiary screen with the primary insured's information if the claim is on any rider coverage.
- The life claims adjuster completes an initial review of the Company's records within 5 to 7 days, acknowledges receipt of the claim and provides the beneficiary with the appropriate claim form. The adjuster reviews all necessary documents to confirm the Company's liability under the contract.
- All claims correspondence, including referrals and final claim approval or denial, is documented in the system's file notes. When reviewing a claim on a policy within the contestable period, the adjuster obtains all documents needed to verify the information the applicant supplied on the application was true and correct. If material misrepresentation is discovered, the adjuster refers the claim to the Underwriting Department for review.
- During the normal review, the beneficiary is notified of any outstanding requirements. This notification is generated every 25 days by the claims system. Once a final decision is made, any benefit or refund due is processed via the claims system.
- The Company maintains time and service standards for claim handling. Each month, the Company reviews its claim handling statistics to assess the timely handling of the claims.
- The Company maintains a staff of three full-time claims auditors who review all claim payments prior to release. These auditors will confirm the face amount, beneficiary and compliance standards.
- All claim appeals are directed to senior management for review. An experienced senior adjuster or the Vice President of the Department reviews the appeal and the claim file, and renders a decision. The claimant may also choose to file an appeal through the Massachusetts Division of Insurance. Senior claims staff or the Vice President of the Department respond to the Division regarding the appeal.

- The Company has practices and procedures for performing life insurance multi-policy searches of systems in compliance with Division of Insurance Bulletin 2001-07.
- Each quarter the Company identifies death claims that were reported on Massachusetts residents on policies with a face amount of \$15,000 or greater. This list is shared with affiliated companies to determine if they have a policy for any of the insureds listed. In turn, the Company reviews lists provided by its affiliated companies, to determine if it has an affected policy in force. If so, a claim is set up in the Company's system.
- The Company has practices and procedures for matching claims against the OFAC list to determine if the payee appears on the list as a prohibited party. Prior to releasing policy proceeds, the adjuster will review the most current update of the OFAC list available, either by accessing the US Treasury's or the Financial Industry Regulatory Authority websites. The adjuster documents the result of this search and, if the adjuster finds a match, will follow the guidelines and report the match to Senior Management or the Company's Anti-Money Laundering Compliance Officer.
- The Company has practices and procedures in place to comply with M.G.L. c. 175, §§ 24D, 24E and 24F as applicable to intercept non-recurring payments, or communicate to state authorities regarding outstanding balances due. Prior to releasing policy proceeds, the adjuster will access the Massachusetts' Department of Revenue website to conduct a search for any outstanding child support liens.
- The Company has practices and procedures in place to comply with 211 CMR 55.06(1)(b) and 55.110 regarding notifications to claimants requesting accelerated benefit payments under insurance contracts.

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

Transaction Testing Procedure: The examiners interviewed Company personnel responsible for claims handling processes, and reviewed requested documentation. In addition, the examiners reviewed 66 closed claims, 26 denied claims and a random sample of 50 paid claims processed during the examination period, to evaluate the Company's compliance with its claim handling policies and procedures. The examiners verified the date each claim was reported to the Company, and noted whether the initial contact with the claimant was acknowledged timely.

Transaction Testing Results:

Findings: None.

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

Recommendations: None.

Standard VII-2. Timely investigations are conducted.

M.G.L. c. 176D, § 3(9)(c); Division Bulletin 2001-07.
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Objective: The Standard is concerned with the timeliness of the Company's claims investigations.

Pursuant to M.G.L. c. 176D, § 3(9)(c), unfair claim settlement practices include failure to adopt and implement reasonable standards for the prompt investigation of a claim. Division Bulletin 2001-07 requires that, upon receipt of a claim and proof of death, the Company is required to diligently search its records, and those of its Massachusetts subsidiaries and affiliates, for additional policies insuring the same individual.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: The examiners interviewed Company personnel responsible for claims handling processes, and reviewed requested documentation. In addition, the examiners reviewed 66 closed claims, 26 denied claims and a random sample of 50 paid claims processed during the examination period, to verify that the Company conducts timely investigations and, when required, to verify that searches for multiple policies involving the claimant are conducted.

Transaction Testing Results:

Findings: None.

Observations: The Company investigated all tested claims in a timely manner, conducted searches for multiple policies involving the claimant and completed required OFAC reviews. Based on the results of testing, it appears that the Company's claim handling practices are functioning in accordance with its policies, procedures and statutory requirements.

Recommendations: None.

<u>Standard VII-3. Claims are resolved in a timely manner.</u>

M.G.L. c. 176D, § 3(9)(f).

Objective: The Standard is concerned with the timeliness of the Company's claim settlements.

Pursuant to M.G.L. c. 176D, § 3(9)(f), unfair claims settlement practices include failure to effectuate prompt, fair and equitable claim settlements.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: The examiners interviewed Company personnel responsible for claims handling processes, and reviewed requested documentation. In addition, the examiners reviewed 66 closed claims, 26 denied claims and a random sample of 50 paid claims processed during the examination period, to verify that the Company settled claims in a timely manner.

Transaction Testing Results:

Findings: None.

Observations: The Company resolved all tested claims in a timely manner. Based on the results of testing, it appears that the Company's claim handling practices 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.

M.G.L. c. 176D, §§ 3(9)(b) and 3(9)(e).

Objective: The Standard addresses the timeliness of the Company's response to all claim correspondence.

Pursuant to M.G.L. c. 176D, §§ 3(9)(b) and 3(9)(e), respectively, unfair claims settlement practices include failure to promptly address communications for insurance claims, and failure to affirm or deny claim coverage within a reasonable time after the claimant has given proof of loss.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: The examiners interviewed Company personnel responsible for claims handling processes, and reviewed requested documentation. In addition, the examiners reviewed 66 closed claims, 26 denied claims and a random sample of 50 paid claims processed during the examination period, to verify that the Company responded to claims correspondence in a timely manner.

Transaction Testing Results:

Findings: None.

Observations: The Company responded timely to all correspondence in the claims tested. Based on the results of testing, it appears that the Company's claim handling practices 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 records.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: The examiners interviewed Company personnel responsible for claims handling processes, and reviewed requested documentation. In addition, the examiners reviewed 66 closed claims, 26 denied claims and a random sample of 50 paid claims processed during the examination period, to verify that the Company's claim files were adequately documented.

Transaction Testing Results:

Findings: None.

Observations: The examiners found no instances where expected claim documentation was

missing in the claims tested. Based on the results of testing, it appears that the Company's claim handling practices are functioning in accordance with its policies, procedures and statutory requirements.

Recommendations: None.

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

M.G.L. c. 176D, §§ 3(9)(d) and 3(9)(f); M.G.L. c. 175, §§ 22I, 24D, 24F, 119B, 119C, 125 and 132C.

Objective: This Standard addresses whether appropriate claim amounts, including applicable interest, have been paid to the appropriate beneficiary/payee.

Pursuant to M.G.L. c. 176D, §§ 3(9)(d) and 3(9)(f), respectively, unfair claims settlement practices include refusal to pay claims without conducting a reasonable investigation, and failure to effectuate prompt, fair and equitable settlement of claims in which liability has become reasonably clear. M.G.L. c. 175, § 22I allows insurers to deduct unpaid premiums from claim settlements. M.G.L. c. 175, § 24D requires interception of non-recurring life insurance payments for past due child support. M.G.L. c. 175, § 24F requires communication with the Commonwealth regarding unpaid taxes when adjudicating life insurance claims. M.G.L. c. 175, §§ 119B and 119C require that prepaid premium be returned after the death of the insured, and that once proof of death is provided, the Company must pay interest on claims beginning 30 days after the insured's death. M.G.L. c. 175, §§ 125 and 132C define situations where beneficiaries' and annuitants' creditors have claims to policy proceeds or prepaid premium.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: The examiners interviewed Company personnel responsible for claims handling processes, and reviewed requested documentation. In addition, the examiners reviewed 66 closed claims, 26 denied claims and a random sample of 50 paid claims processed during the examination period, to verify that claims were handled in accordance with applicable policy provisions, and statutory and regulatory requirements.

Transaction Testing Results:

Findings: None.

Observations: The examiners noted that all tested claims were handled according to the Company's policies and procedures, and in accordance with policy provisions. Based upon the results of testing, it appears that the Company's processes for handling claims in accordance with policy provisions, statutory and regulatory requirements are functioning in accordance with its policies and procedures.

Recommendations: None.

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

Objective: The Standard addresses the use of claim forms that are appropriate for the policy.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: The examiners interviewed Company personnel responsible for claims handling processes, and reviewed requested documentation. In addition, the examiners reviewed 66 closed claims, 26 denied claims and a random sample of 50 paid claims processed during the examination period, to verify that claim forms were appropriate for term life products.

Transaction Testing Results:

Findings: None.

Observations: The examiners noted that the Company used appropriate claim forms for the tested claims. Based upon the results of testing, it appears that the Company's processes for handling claims are functioning in accordance with its policies and procedures.

Recommendations: None.

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

Objective: The Standard addresses the reserving of filed claims.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: The examiners interviewed Company personnel responsible for claims handling processes, and reviewed requested documentation. In addition, the examiners reviewed a random sample of 50 paid claims processed during the examination period, to verify that claims were reserved in accordance with the Company's procedures.

Transaction Testing Results:

Findings: None.

Observations: The examiners noted that reserves for all tested claims were evaluated, established and adjusted according to the Company's policies and procedures. Based upon the results of testing, it appears that the Company's processes for establishing reserves are functioning in accordance with its policies and procedures.

Recommendations: None.

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

M.G.L. c. 176D, §§ 3(9)(d), 3(9)(h) and 3(9)(n).

Objective: This Standard is concerned with the adequacy of the Company's decision-making, and its documentation of denied and closed-without-payment claims.

Pursuant to M.G.L. c. 176D, § 3(9)(d), unfair claims settlement practices include refusal to pay claims without conducting a reasonable investigation. Pursuant to M.G.L. c. 176D, § 3(9)(h), unfair claims settlement practices include attempting to settle a claim for an amount less than a reasonable person would have believed he or she was entitled to receive. Finally, M.G.L. c. 176D, § 3(9)(n) considers failure to provide a reasonable and prompt explanation of the basis for denying a claim an unfair claims settlement practice.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: The examiners interviewed Company personnel responsible for claims handling processes, and reviewed requested documentation. In addition, the examiners reviewed 26 claims denied during the examination period, to determine whether the Company resolved the claims in accordance with policy provisions and state law.

Transaction Testing Results:

Findings: None.

Observations: The examiners noted that the Company provided a prompt and reasonable explanation of the basis for denying each of the claims tested, and complied with policy provisions and statutory requirements. Based upon the testing results, it appears that the Company's claim handling practices are compliant with its policies and procedures.

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.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: The examiners interviewed Company personnel responsible for claims handling processes, and reviewed requested documentation. In addition, the examiners reviewed a random sample of 50 paid claims processed during the examination period, to verify that cancelled benefit checks reflected appropriate claim handling practices.

Transaction Testing Results:

Findings: None.

Observations: The examiners noted that claim payment documentation was adequate for each of the claims tested, and that canceled benefit checks reflected appropriate claims handling. Based upon the results of testing, it appears that the Company's processes for issuing claim payment checks are appropriate, and functioning in accordance with its policies and procedures.

Recommendations: None.

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

M.G.L. c. 176D, §§ 3(9)(g) and 3(9)(h).

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

Pursuant to M.G.L. c. 176D, §§ 3(9)(g) and 3(9)(h), unfair claims settlement practices include compelling insureds to institute litigation to recover amounts due under an insurance policy by offering substantially less than the amounts ultimately recovered, and attempting to settle a claim for less than the amount to which a reasonable person would have believed he or she was entitled.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: The examiners interviewed Company personnel responsible for claims handling processes, and reviewed requested documentation. In addition, the examiners reviewed 66 closed claims, 26 denied claims and a random sample of 50 paid claims processed during the examination period, to verify that the Company's claim handling practices are reasonable and do not compel claimants to institute litigation to recover amounts due.

Transaction Testing Results:

Findings: None.

Observations: The examiners noted that claim payment documentation was adequate for each of the claims tested. In addition, the Company's basis for claim determinations for all claims tested appeared reasonable and appropriate. Further, the Company stated that there were no claims litigated during the examination period. Based upon the results of testing, it appears that the Company's processes do not unreasonably deny claims or compel claimants to institute litigation.

Recommendations: None.

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

211 CMR 55.06(1)(b) and 55.11.

Objective: The Standard addresses required disclosures when accelerated benefit payments are requested.

211 CMR 55.06(1)(b) and 55.11 require carriers to issue a disclosure statement to policyholders containing specific information when a request is made for an accelerated benefit payment.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: The examiners interviewed Company personnel responsible for claims handling processes, and reviewed requested documentation including procedures for processing accelerated benefit payment requests.

Transaction Testing Results: The examiners note that the Company's procedures include appropriate documentation and required disclosures, both at the time of policy purchase and the time benefits are requested, in compliance with regulatory requirements.

Recommendations: None.

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

M.G.L. c. 176D, § 3(7).

Objective: The Standard is concerned with whether the Company's claim handling practices discriminate against claimants with similar qualifying events covered under its policies.

Pursuant to M.G.L. c. 176D, § 3(7), it is an unfair method of competition to make or permit any unfair discrimination between individuals of the same class and of essentially the same hazard in the amount of premium, policy fees, or rates charged for any policy or contract of accident or health insurance, or in the benefits payable thereunder, or in any of the terms or conditions of such contract, or in any other manner whatever.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: The examiners interviewed Company personnel responsible for claims handling processes, and reviewed requested documentation. In addition, the examiners reviewed 66 closed claims, 26 denied claims and a random sample of 50 paid claims processed during the examination period, to verify that the Company's claim handling practices are not unfairly discriminatory against claimants.

Transaction Testing Results:

Findings: None.

Observations: The examiners noted no instances in any of the claims tested where the Company permitted or engaged in unfair discrimination between individuals of the same class regarding benefits payable under the contract. Based upon the results of testing, it appears that the Company's claim handling practices do not discriminate against claimants with similar qualifying events covered under its policies.

Recommendations: None.

SUMMARY

Based upon the procedures performed in this comprehensive examination, the examiners reviewed and tested Company Operations/Management, Complaint Handling, Marketing and Sales, Producer Licensing, Policyholder Service, Underwriting and Rating, and Claims as set forth in the 2009 *NAIC Market Regulation Handbook*, the market conduct examination standards of the Division, and the Commonwealth of Massachusetts' insurance laws, regulations and bulletins. The examiners have made recommendations or the Division has set forth required actions to address various concerns in the areas of Complaint Handling, and Underwriting and Rating.

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 Insurance of the Commonwealth of Massachusetts to perform a comprehensive market conduct examination (“comprehensive 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 National Association of Insurance Commissioners 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. In addition to the undersigned, Dorothy K. Raymond of the Division’s Market Conduct Section participated in this examination, and in the preparation of the report.

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

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