



**COMMONWEALTH OF PENNSYLVANIA  
INSURANCE DEPARTMENT**

MARKET CONDUCT  
EXAMINATION REPORT

OF

**MINNESOTA LIFE  
INSURANCE COMPANY**  
ST. PAUL, MN

As of: September 20, 2024  
Issued: November 4, 2024

**BUREAU OF MARKET ACTIONS  
LIFE AND ANNUITY DIVISION**



PENNSYLVANIA INSURANCE DEPARTMENT
EXAMINATION VERIFICATION

I, Chris Cagle, Senior Manager from Examination Resources, LLC

certify that I was the Examiner-In-Charge of the Report of Examination of Minnesota Life Insurance Company made as of 09/13/2024

The last date of examination file review was 08/06/2024 and the written Report of Examination was reviewed and accepted by Paul E. Towsen III

on 9/20/2024.

I have reviewed the completed written Report of Examination and certify that the facts and figures recited therein are true and accurate, according to the records, documents and other evidence obtained during the course of the examination.

Chris Cagle (Examiner-in Charge)

Examination Resources, LLC (Name of Vendor/Department)

20 10th St. NW, Suite 803, Atlanta, GA 30309 (Address of Vendor/Department)

Chris Cagle Digitally signed by Chris Cagle Date: 2024.09.13 15:14:33 -04'00'

09/13/2024 (Date)

IN ORDER TO SATISFY SECTION 40 P.S. § 323.5(b), THAT PROVIDES FOR NO LONGER THAN SIXTY (60) DAYS FROM THE COMPLETION OF THE EXAMINATION, THE EXAMINER IN CHARGE SHALL FILE WITH THE DEPARTMENT A VERIFIED WRITTEN REPORT OF EXAMINATION UNDER OATH.

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BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

**ORDER**

AND NOW, this \_\_3rd\_\_ day of \_July\_\_, 2023, in accordance with Section 905(c) of the Pennsylvania Insurance Department Act, Act of May 17, 1921, P.L. 789, as amended, P.S. § 323.5, I hereby designate David J. Buono, Jr., Deputy Insurance Commissioner, to consider and review all documents relating to the market conduct examination of any company and person who is the subject of a market conduct examination and to have all powers set forth in said statute including the power to enter an Order based on the review of said documents. This designation of authority shall continue in effect until otherwise terminated by a later Order of the Insurance Commissioner.



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Michael Humphreys  
Insurance Commissioner



1. Respondent hereby admits and acknowledges that it has received proper notice of its rights to a formal administrative hearing pursuant to the Administrative Agency Law, 2 Pa.C.S. §101, et seq., or other applicable law.

2. Respondent hereby waives all rights to a formal administrative hearing in this matter and agrees that this Consent Order shall have the full force and effect of an order duly entered in accordance with the adjudicatory procedures set forth in the Administrative Agency Law, supra, or other applicable law.

#### FINDINGS OF FACT

3. The Insurance Department finds true and correct each of the following Findings of Fact:

(a) Respondent is Minnesota Life Insurance Company and maintains its address at 400 Robert Street North, St. Paul, Minnesota 55101.

(b) A market conduct examination of Respondent was conducted by the Insurance Department covering the experience period from January 1, 2022, through December 31, 2022.

(c) On September 20, 2024, the Insurance Department issued a Market Conduct Examination Report to Respondent.

(d) A response to the Examination Report was provided by Respondent on October 17, 2024.

(e) The Market Conduct Examination of Respondent revealed violations of the following:

(i) All findings and conclusions in the Examination Report, which is attached hereto, are hereby incorporated into this Consent Order.

#### CONCLUSIONS OF LAW

4. In accord with the above Findings of Fact and applicable provisions of law, the Insurance Department makes the following Conclusions of Law:

(a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.

(b) Respondent's violations of Sections 40 P.S. §§477(b), 510c(a)(2), 510c(b)(2), 510d(a)(2), 510d(b)(2), 571, 625-8(a)(4), 625-8(e)(1)(i), 625-8(e)(1)(ii), 625-8(e)(2)(iii), 625-8(e)(3)(ii), and 627-3(a)(1)(iii) are punishable by the following, under 40 P.S. § 625-10: Upon determination by hearing that this act has been violated, the commissioner may issue a cease-and-desist order, suspend, revoke or refuse to renew the license, or impose a civil penalty of not more than \$5,000 per violation.

- (c) Respondent's violations of 31 Pa. Code, Chapter 81 are punishable under 31 Pa. Code §§81.8(b) and (c), which states that failure to comply, after a hearing, may subject a company to penalties provided in 40 P.S. §475.
  
- (d) Respondent's violations of 31 Pa. Code, Chapter 83 Subchapter B are punishable under 31 Pa. Code §83.6:
  - (i) For failing to insure adequate disclosure of basic information, after a hearing, a company may be subject to the penalties provided under 40 P.S. §475, for violations of sections 347-349 of that act 40 P.S. §§472 through 474. In addition, failure to make the disclosure outlined in this subchapter may be considered a violation of 40 P.S. §§1171.1 through 1171.15.

ORDER

5. In accord with the above Findings of Fact and Conclusions of Law, the Insurance Department orders and Respondent consents to the following:

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
  
- (b) Respondent shall pay One Hundred-Five Thousand Dollars (\$105,000.00) in settlement of all violations contained in the Report.

- (c) Payment of this matter shall be made at <https://www.bpp.ob.pa.gov/Customer> Instructions on how to do this are provided in the attached cover letter to this order. Payment must be made no later than thirty (30) days after the date of this Order.
  
- (d) Respondent shall share the Examination Report and this Order with each of Its directors and submit affidavits executed by each of its directors, stating under oath that they have received a copy of the Examination Report and this Order. Such affidavits shall be submitted within thirty (30) days of the date of this Order.
  
- (e) Respondent shall comply with all recommendations contained in the attached Report.

6. In the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, based upon the Findings of Fact and Conclusions of Law contained herein may pursue any and all legal remedies available, including but not limited to the following: The Insurance Department may enforce the provisions of this Order in the Commonwealth Court of Pennsylvania or in any other court of law or equity having jurisdiction; or the Department may enforce the provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

7. Alternatively, in the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, the Department may declare this Order to be null and void and, thereupon, reopen the entire matter for appropriate action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

8. In any such enforcement proceeding, Respondent may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact and Conclusions of Law contained herein.

9. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

11. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegee is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law contained herein, and this Consent Order is not effective until executed by the Insurance Commissioner or a duly authorized delegee.

BY: MINNESOTA LIFE INSURANCE  
COMPANY  
Respondent

DocuSigned by:  
*James Fuller*  
87A8F9DDCBC04A0...  
second vice President

Signed by:  
*Renee Montz*  
7D5FD1CCEA534CD  
President / Vice President

Signed by:  
*Renee Montz*  
7D5FD1CCEA534CD  
Secretary / Treasurer

*David J. Buono*  
DAVID J. BUONO  
Deputy Insurance Commissioner  
Commonwealth of Pennsylvania

## ***I. INTRODUCTION***

The Market Conduct Examination (Examination) was conducted as a targeted examination of Minnesota Life Insurance Company (the Company) (NAIC #66168). All reviews were conducted remotely at off-site locations.

Pennsylvania Market Conduct Examination Reports generally note the items that have been reviewed and whether there is a violation of law or regulation. A violation is any instance of a Company activity that does not comply with an insurance statute or regulation. Violations contained in an Examination Report may result in the imposition of penalties. An Examination Report also includes management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review these areas of concern to determine the potential impact upon Company operations for future compliance. Findings identified in all summaries issued to the Company throughout the Examination process are included in this Examination Report; however, in some instances, the content of multiple summaries may be combined into a single report section. This only applies to sections in which no violations were found.

Throughout the course of the Examination, Company officials were provided status memoranda or summaries, which reference specific policy numbers with citations to each section of law violated. Additional information was requested to clarify apparent violations. Multiple conference calls, status meetings, and an exit conference were conducted with Company officials to discuss the various types of violations identified during the Examination and to review written summaries provided for the violations that the examiners identified.

The courtesy and cooperation extended by the officers and employees of the Company during the course of the Examination is acknowledged.

The following examiners participated in the Examination and in the preparation of this Examination Report.

Pennsylvania Insurance Department

Paul Towsen, MCM  
Chief Property & Casualty/Life & Annuity Division  
PA Insurance Department

Craig Leonard, CIE, CPCU, CCP, FLMI, ARC, AIAF, ARM, MCM  
Contract Examination Manager

Nicholas Klug, JD, CIE, MCM, AIRC  
Contract Examiner-in-Charge

Kelly Wiley, MCM, CPCU, ARM, SCLA, AIC-M  
Contract Examiner-in-Charge

Chris Cagle, JD, CIE, MCM  
Contract Examiner-in-Charge

Susan Zwaschka, JD, MCM  
Contract Market Conduct Examiner

Dixie Carroll, JD, MCM, FLMI, AIRC  
Contract Market Conduct Examiner

Frank Fricks, CIE, CFE, FLMI, AIRC  
Contract Market Conduct Examiner

Martha Long, JD, CIE, MCM  
Contract Market Conduct Examiner

Stephanie Alfonso, CIE, FAHM, MCM  
Contract Market Conduct Examiner

Jake Martin, AIE, MCM  
Contract Market Conduct Examiner

Diana Crowley, AIE, MCM  
Contract Market Conduct Examiner

## **II. SCOPE OF EXAMINATION**

The Examination was conducted pursuant to the authority granted by Sections 903 and 904 (40 P.S. §§ 323.3 and 323.4) of the Insurance Department Act and covered the examination period of January 1, 2022, through December 31, 2022, unless otherwise noted. The purpose of the Examination was to ensure compliance with Pennsylvania insurance laws and regulations.

The Examination focused on the Company's policies, procedures, and processes in the following areas: Complaints; Underwriting; and Policyholder Services. The lines of business examined included Individual Fixed and Variable Annuities and Individual Cash Value and Non-Cash Value Life Insurance.

Examiners requested that the Company identify the universe of files for: Consumer Complaints; Pennsylvania Insurance Department Complaints; New Life Policies Issued; New Annuities Issued; New Life Applications Declined; New Annuity Business Declined; Life Forms; Annuity Forms; Underwriting Guidelines; New Life Policies Not Taken; New Annuities Not Taken; Life Non-forfeitures; Annuity Non-forfeitures; Life Lapsed; Life Cash Surrenders; Annuity Cash Surrenders; Life Policies Converted; Annuity Free Looks; Life Replacements with Illustrations; Life Replacements without Illustrations; Internal Annuity Replacements; and External Annuity Replacements. Based on the universe sizes identified, random sampling was utilized to select files to review for analysis.

For control purposes, some of the review segments identified in this Examination Report may be broken down into various sub-categories by line of insurance or Company administration. These specific sub-categories, if not reflected individually in the Examination Report, are included, and grouped within the respective categories of the Examination Report. All reviews conducted throughout the Examination included consideration of Company responses to examiner requests pursuant to 40 P.S. §§ 323.3 and 323.4. While these statute and regulation sections are included in all reviews completed during the Examination, the Examination Report only notes where examiners found a violation of these sections in a particular sub-category, such as incomplete file documentation or incorrect information provided in response to the requests.

### ***III. COMPANY HISTORY***

The Company was incorporated in 1880 as The Bankers Association of Minnesota and reincorporated on August 5, 1901. Formerly known as The Minnesota Mutual Life Insurance Company, the name was changed to Minnesota Life Insurance Company in a mutual holding company reorganization on October 1, 1998. In this reorganization, the Company became a wholly owned stock subsidiary of Securian Financial Group, Inc., a Delaware holding corporation, which is a wholly owned subsidiary of Securian Holding Company, a first tier Delaware Holding Corporation. Minnesota Mutual Companies, Inc. maintains ownership and control of each subsidiary insurer by ownership of all the outstanding stock of Securian Holding Company.

### ***OVERVIEW AND ORGANIZATION OF THE COMPANY***

The Company is a wholly owned subsidiary of Securian Financial Group, Inc. The Company is licensed to engage in the life insurance business in all states of the United States (except New York), the District of Columbia and Puerto Rico. The Company is authorized to transact the business of Life and Annuities, Accident and Health, Variable Annuities and Variable Life Insurance.

#### **IV. COMPLAINTS**

Examiners requested documentation relating to Consumer Complaints and Pennsylvania Insurance Department Complaints. Unless noted, all documents identified in the universe provided by the Company were requested, received, and reviewed by the examiners. In the event the initial documents provided by the Company did not provide enough information, examiners issued information requests which resulted in additional documents that were included in the review. Documents provided pursuant to examiner requests under this section were reviewed to ensure compliance with applicable standards, including 40 P.S. § 1171.5; and 31 Pa. Code §§ 59.12 and 146.5.

##### **A. Consumer Complaints**

The Company was requested to identify all consumer complaints closed during the experience period, January 1, 2022, through December 31, 2022, and to provide copies of complaint logs covering the period January 1, 2019, through December 31, 2022. The Company identified one (1) complaint closed during the experience period. The complaint file was requested, received, and reviewed. The Company provided complaint logs as requested. The Company also provided a description of complaint reports and summaries, identified the recipients of such reports, and provided samples of the reports from the last three (3) reporting periods. In addition, the Company provided policies and procedures for complaint handling, including social media complaints, which were in effect during the examination period. The examiner reviewed the Company's complaint reports and the policies and procedures for handling complaints.

The complaint files and the complaint logs were reviewed for compliance with 31 Pa. Code § 59.12, and 40 P.S. § 1171.5(a)(11) (Unfair Insurance Practices Act). The Act requires maintenance of a complete record of all complaints received during the preceding four (4) years. The record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint. Written complaint files involving claims were also reviewed for compliance with 31 Pa. Code § 146.5(b) and § 146.5(c), Unfair Claims Settlement Practices. The examiner discovered no violations.

## **B. Department of Insurance Complaints**

The Company was requested to identify all complaints closed during the experience period, January 1, 2022, through December 31, 2022, and to provide copies of complaint logs covering the period January 1, 2019, through December 31, 2022. The Company identified one (1) complaint closed during the experience period. The complaint file was requested, received, and reviewed. The Company provided complaint logs as requested. The Company also provided a description of complaint reports and summaries, identified the recipients of such reports, and provided samples of the reports from the last three (3) reporting periods. In addition, the Company provided policies and procedures for complaint handling, including social media complaints, which were in effect during the examination period. The examiner reviewed the Company's complaint reports and the policies and procedures for handling complaints.

The complaint files and the complaint logs were reviewed for compliance with 31 Pa. Code § 59.12 and 40 P.S. § 1171.5(a)(11) (Unfair Insurance Practices Act). The Act requires maintenance of a complete record of all complaints received during the preceding four (4) years. The record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint. Written complaint files involving claims were also reviewed for compliance with 31 Pa. Code § 146.5(b) and § 146.5(c), Unfair Claims Settlement Practices. The examiner discovered no violations.

## V. POLICYHOLDER SERVICES

Examiners requested documentation relating to policyholder services. The documents were reviewed to ensure policyholder service guidelines were in place, being followed in a uniform and consistent manner, and that no policyholder service practices or procedures were in place that could be discriminatory in nature, or specifically prohibited by statute or regulation. Unless noted, all documents identified in the universe by the Company were requested, received, and reviewed by the examiners. In the event the initial documents provided by the Company did not provide enough information, examiners issued information requests, which resulted in additional documents that were included in the review. Documents provided pursuant to examiner requests under this section were reviewed to determine compliance with Pennsylvania statutes and regulations, including, among others, 40 P.S. §§ 310.3, 310.71, 477a, 477b, 510, 510.1, 510a, 510b, 510c, 510d, 511, 512, 514, 571, 625-4, 625-6, 625-8, 625-9, 627-3, 1171.4, and 1171.5; and 73 P.S. § 41; and 18 Pa. Code § 4117(k); and 31 Pa. Code §§ 81.4, 81.6, 82.24, 83.3, 83.4, 83.55, 83.55a, 87.28, 89.84, 89b, 90c.5, 90c.11, 90e, 90f.15, 90g, 146a.11, 146b.11, and 146b.12.

### A. **New Life Policies Issued**

The Company was requested to provide a list of all new Life Policies Issued during the experience period of January 1, 2022, through December 31, 2022. The Company identified a universe of 827 New Life Policies Issued during the period. A random sample of 113 policy files was requested, received, and reviewed. The policy files were reviewed to determine compliance with Pennsylvania statutes and regulations, including 40 P.S. §§ 477a, 510c, 625-4, 625-6, 625-8, and 1171.5; and 18 Pa. Code § 4117(k); and 31 Pa. Code §§ 83.3, 83.4, 83.55, 83.55a, 90c.11, 90f.15, 146a.11, and 146b.12. The following violations were noted.

#### **1 violation – 40 P.S. § 625-8(a)(4). Policy form marketed with an illustration.**

4) If a life insurance policy form is identified by the insurer as one to be marketed with an illustration, a basic illustration prepared and delivered in accordance with this section is required.

**In one (1) of the files, the applicant signed an undated numeric summary that did not have the required corresponding illustration elements either at the time of application or when the policy was delivered. Therefore, the applicant did not receive a basic illustration.**

**2 violations – 40 P.S. § 625-8(e)(3)(i). Acknowledgement and certification.**

(i) The producer shall certify in writing on a form provided by the insurer that the policy applied for is other than as illustrated. On the same form the applicant shall acknowledge that the policy applied for is other than as illustrated and shall further acknowledge an understanding that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery. This form shall be submitted to the insurer or fraternal benefit society as soon as practical after the application is signed by the applicant.

**In two (2) of the files, at the time the policy was delivered, the agent and applicant signed a statement stating that an illustration was presented during the sale of the policy, but it was not submitted because the policy applied for was different than the illustration. However, the statement was not submitted with the application and did not provide for the agent’s certification. Moreover, the statement did not acknowledge the applicant’s understanding that an illustration conforming to the policy as issued would be provided no later than at the time of policy delivery.**

**1 violation – 40 P.S. § 625-8(e)(3)(ii). Basic illustration not delivered.**

(ii) If the policy is issued, a basic illustration conforming to the policy as issued shall be sent with the policy and signed by the policy owner no later than the time the policy is delivered. A copy shall be provided to the policy owner no later than the time the policy is delivered and to the insurer as soon as practical after the policy is delivered.

**In one (1) of the files, there was only a numeric summary that was provided to the policyowner, which did not have the required corresponding basic illustration elements. There was no evidence that a basic illustration which**

**conformed with the policy as issued was provided to the policy owner at the time the policy was delivered.**

**90 violations – 31 Pa. Code § 83.55a. Certification of surrender comparison index disclosure delivery.**

The agent shall submit to the insurer a statement, signed by him, certifying that the surrender comparison index disclosure was given upon delivery of the policy or earlier at the request of the life insurance applicant.

**In 90 of the files, the agent did not certify that the surrender comparison index disclosures were given to the applicants/policy holders at the time of delivery.**

**90 violations - 31 Pa. Code § 83.55(c)(8). Certification of surrender comparison index disclosure delivery.**

The Surrender Comparison Index Disclosure shall describe:

- (1) The name, age, and sex of the insured.
- (2) The face amount of the policy.
- (3) The descriptive title of the policy, as “whole life, 20 year decreasing term, endowment at age 65,” and so forth.
- (4) The policy number of policy.
- (5) The 10-year Surrender Index and 20-year Surrender Index per \$1,000 of face amount of basic insurance.
- (6) If applicable, the amount of the equivalent level annual dividend and termination dividend reflected in each Index.
- (7) If applicable, the dividend scale on which the reflected dividends are based.
- (8) An explanation of the purpose and use of the Surrender Comparison Index.

**In 90 of the files, the Surrender Comparison Index Disclosure did not explain the purpose of the index.**

**B. New Annuities Issued**

The Company was requested to provide a list of all New Annuities issued during the experience period of January 1, 2022, through December 31, 2022. The Company identified a universe of 1,267 New Annuities Issued during the period. A random sample of 79 policy files was requested, received, and reviewed. The policy files were reviewed to determine compliance with Pennsylvania statutes and regulations, including 40 P.S. §§ 510d, 512 and 627-3; and 73 P.S. § 41; and 31 Pa. Code §§ 90c.11 and 90f.15. The examiner discovered no violations.

**C. New Life Applications Declined**

The Company was requested to provide a list of all New Life Applications Declined during the experience period of January 1, 2022, through December 31, 2022. The Company identified a universe of 136 New Life Applications Declined during the period. A random sample of 79 policy files was requested, received, and reviewed. The policy files were reviewed to determine compliance with Pennsylvania statutes and regulations, including 40 P.S. §§ 512, 625-6, and 1171.5; and 31 Pa. Code §§ 81.4, 81.6, 89.84, 90c.11, and 146b.11. The following violations and concern were noted.

**2 violations – 31 Pa. Code § 81.4(a)(2). Duties of agents and brokers.**

(a) The agent or broker who initiates the application shall submit to the insurer to which an application for life insurance or annuity is presented, with or as part of each application:

(2) A signed statement as to whether the agent or broker knows replacement is or may be involved in the transaction.

**In two (2) of the files, the agent who submitted the application failed to include a signed statement as to whether the agent knew replacement was or may be involved in the transaction.**

## **CONCERN:**

In two (2) of the files, the Company failed to require the producers' electronic or wet signature on the application. The Company responded to the examiner's inquiry stating the two items listed were submitted via an electronic application process. It is the Company's process, after the paramed exam, to send the application back to the applicant for signature. Upon receipt by the Company, the application is underwritten. If the Company issues a policy, the producer signs the application upon delivery to the policyholder. The Company argued that since the two applications were declined and never delivered, a producer signature was not required to be obtained at time of application.

### **D. New Annuity Business Declined**

The Company was requested to provide a list of all New Annuity Business Declined policies for the experience period, January 1, 2022, through December 31, 2022. The Company identified one (1) New Annuity Business Declined policy. The policy file was requested, received, and reviewed to determine compliance with Pennsylvania statutes and regulations, including 40 P.S. §§ 310.3, 310.71, 512, 625-6, and 1171.5; and 31 Pa. Code §§ 89.84, 90c.11, and 146b.11. The examiner discovered no violations.

### **E. Policy Forms – Life**

The Company was requested to provide copies of all forms required to be filed in Pennsylvania used during the experience period of January 1, 2022, through December 31, 2022, with evidence the forms have been filed with the Pennsylvania Insurance Department. The Company provided a listing of 101 items. The list included 85 life forms which were filed with and approved by the Compact. The examiner requested and received an attestation from the Company stating that it had not made changes to these forms. Of the remaining 16 items, the examiner reviewed the entire sample to determine compliance with Pennsylvania statutes and regulations, including 40 P.S. §§ 477b, 510, 510c, 511, 512, 514, and 571; and 18 Pa. Code § 4117(k); and 31 Pa. Code §§ 83.3, 87.28, 89, 89b, 90c, 90f, and 90g. The following violations were noted.

**1 violation – 31 Pa. Code § 83.3(a)(3). Disclosure statement.**

(a) Required written disclosure. A life insurance agent, broker or insurer soliciting the type of business to which this subchapter applies shall provide a prospective purchaser with a written disclosure statement clearly labeled as such. An acceptable disclosure statement is attached as Appendix A. If the Appendix A disclosure statement will be used, a letter to that effect, prior to use, is adequate notification to the Department. However, if a statement different than Appendix A will be used, the statement shall be filed with the Department for review prior to use. If an insurer desires to use an advertisement as its disclosure statement, the portion of the advertisement containing the disclosure statement shall be filed for review prior to use. A disclosure statement shall be a document which shall describe the purpose and importance of the disclosure and describe the significant elements of the policy and riders being offered.

(3) The name, age, and sex of the proposed insured, to the extent that each is known or can reasonably become known to the company, broker, or agent at the time of presentation.

**In one (1) of the forms, the Company failed to provide a space for the proposed insured's name.**

**1 violation – 31 Pa. Code § 83.3(a)(4)(i). Disclosure statement.**

(a) Required written disclosure. A life insurance agent, broker or insurer soliciting the type of business to which this subchapter applies shall provide a prospective purchaser with a written disclosure statement clearly labeled as such. An acceptable disclosure statement is attached as Appendix A. If the Appendix A disclosure statement will be used, a letter to that effect, prior to use, is adequate notification to the Department. However, if a statement different than Appendix A will be used, the statement shall be filed with the Department for review prior to use. If an insurer desires to use an advertisement as its disclosure statement, the portion of the advertisement containing the disclosure statement shall be filed for review prior to use. A disclosure statement shall be a document which shall describe the purpose and importance of the disclosure and describe the significant elements of the policy and riders being offered.

(4) Source of insurance, including the following:

(i) If applicable, the name of the agent or broker, home address or agency address and the home or agency telephone number of the insurance agent or broker making the solicitation.

**In one (1) of the forms, the Company failed to provide a space for the name, address and telephone number of the agent or broker making the solicitation.**

**2 violations – 31 Pa. Code § 83.3(a)(7)(i)(A). Disclosure statement.**

(a) Required written disclosure. A life insurance agent, broker or insurer soliciting the type of business to which this subchapter applies shall provide a prospective purchaser with a written disclosure statement clearly labeled as such. An acceptable disclosure statement is attached as Appendix A. If the Appendix A disclosure statement will be used, a letter to that effect, prior to use, is adequate notification to the Department. However, if a statement different than Appendix A will be used, the statement shall be filed with the Department for review prior to use. If an insurer desires to use an advertisement as its disclosure statement, the portion of the advertisement containing the disclosure statement shall be filed for review prior to use. A disclosure statement shall be a document which shall describe the purpose and importance of the disclosure and describe the significant elements of the policy and riders being offered.

(7) Premiums.

(i) Separately for each basic policy and rider:

(A) Annual premium; if not known, premium for mode quoted to prospect.

**In two (2) of the forms, the Company failed to provide a space for the annual premium (or if not known, premium mode) separately for each basic policy and rider.**

## **F. Policy Forms – Annuity**

The Company was requested to provide copies of all forms required to be filed in Pennsylvania used during the experience period of January 1, 2022, through December 31, 2022, with evidence the forms have been filed with the Pennsylvania Insurance Department. The Company provided a listing of 103 items. The list included 92 annuity forms which were filed with and approved by the Compact. The examiner requested and received an attestation from the Company stating that it had not made changes to these forms. Of the remaining 11 items, the examiner reviewed the entire sample. The items were reviewed to determine compliance with Pennsylvania statutes and regulations, including 40 P.S. §§ 477b, 510a, 510b, and 510d; and 18 Pa. Code §4117(k); and 31 Pa. Code §§ 85.35, 90e, 90f, and 90g. The following violation was noted.

### **1 violation – 40 P.S. § 477b. Approval of policies, contracts, etc.; prohibiting the use thereof unless approved; judicial review; penalty.**

It shall be unlawful for any insurance company, association, or exchange, including domestic mutual fire insurance companies, doing business in this Commonwealth, to issue, sell, or dispose of any policy, contract, or certificate, covering life, health, accident, personal liability, fire, marine, title, and all forms of casualty insurance, or contracts pertaining to pure endowments or annuities, or any other contracts of insurance, or use applications, riders, or endorsements, in connection therewith, until the forms of the same have been submitted to and formally approved by the Insurance Commissioner, and copies filed in the Insurance Department, except riders and endorsements relating to the manner of distribution of benefits, and to the reservation of rights and benefits under any such policy, and used at the request of the individual policyholder, and except any forms which, in the opinion of the Insurance Commissioner, do not require his approval.

**In one (1) of the files, the Company issued an amendment to a contract on an unapproved form to one (1) contract owner in 2022.**

## **G. Underwriting Guidelines**

The Company was requested to provide the following documents used by the Company during the experience period of January 1, 2022, through December 31, 2022:

1. Underwriting and Rating Manual.
2. Producer Manual, including all producer training, field underwriting and rating manuals provided to producers.
3. A description of Automated Rating Programs available to producers.
4. A listing and description of Underwriting and Rating Third-Party Vendors.
5. A description of the Underwriting Tools used in the underwriting process.
6. A detailed description of the Accelerated Underwriting process.

The Company provided 95 underwriting guidelines in response to the request for the Company's Underwriting and Rating Manual; the examiners reviewed a sample of 31 documents. The Company provided 33 documents in response to the request for the Company's Producer Manual, including all producer training, field underwriting and rating manuals provided to producers; the examiners reviewed a sample of 21 documents.

The Company provided documents responsive to the remaining requests (Items 3 through 6 above). The examiners reviewed all documents to determine compliance with Pennsylvania statutes and regulations, including 40 P.S. §§ 512, 1171.4 and 1171.5; and 31 Pa. Code §§ 81.4, 82.14, and 90c.5. The examiner discovered no violations.

## **H. New Life Policies Not Taken**

The Company was requested to provide a list of all New Life Policies Not Taken during the experience period of January 1, 2022, through December 31, 2022. The Company identified 78 New Life Policies Not Taken. The 78 policy files were requested, received, and reviewed to determine compliance with Pennsylvania statutes and regulations, including 40 P.S. §§ 510c, 625-4, and 1171.5. The examiner discovered no violations.

**I. New Annuities Not Taken**

The Company was requested to provide a list of all New Annuities Not Taken during the experience period of January 1, 2022, through December 31, 2022. The Company identified 25 New Annuities Not Taken. The 25 policy files were requested, received, and reviewed to determine compliance with Pennsylvania statutes and regulations, including 40 P.S. §§ 510d, 512, 625-6, 627-3, and 1171.5; and 31 Pa. Code §§ 81 and 90c.11. The examiner discovered no violations.

**J. Life Non-forfeitures**

The Company was requested to provide a list of all Life Non-Forfeitures during the experience period of January 1, 2022, through December 31, 2022. The Company identified 15 Life Non-forfeiture policies. The 15 policy files were requested, received, and reviewed to determine compliance with Pennsylvania statutes and regulations, including 40 P.S. § 510.1. The examiner discovered no violations.

**K. Annuity Non-forfeitures**

The Company was requested to provide a list of all Annuity Non-forfeitures during the experience period of January 1, 2022, through December 31, 2022. The Company stated, “we do not have any annuity non-forfeitures to report for the exam period.” Since the Company did not have any data to produce for Annuity Non-forfeitures, the examiners did not review any files for Annuity Non-forfeitures.

**L. Life Lapsed**

The Company was requested to provide a list of all Life Insurance policies lapsed during the experience period of January 1, 2022, through December 31, 2022. The Company identified 329 Life Lapsed policies. A random sample of 84 files was requested, received, and reviewed to determine compliance with Pennsylvania statutes and regulations, including 40 P.S. § 510(b) and 31 Pa Code § 82.24. The examiner discovered no violations.

**M. Life Cash Surrender**

The Company was requested to provide a list of all life insurance policies surrendered for the full cash value during the experience period of January 1, 2022, through December 31,

2022. The Company identified 139 Life Cash Surrenders. A random sample of 79 policy files was requested, received, and reviewed to determine compliance with Pennsylvania statutes and regulations, including 40 P.S. § 510(i)(1). The following concern was noted.

**CONCERN:**

The procedure for determining Cash Surrender Values stated in *The Market Regulation Handbook* (p. 541) requires that examiners “confirm with the regulated entity that there is an audit procedure in place to verify the calculation of surrender values (they are usually calculated systematically).” A Request for Information (RFI) was sent to the Company on February 8, 2024, stating, “does the Company perform internal audits of the verification/accuracy of cash value/surrender value calculations? If so, provide a copy of the internal audit procedures, and copies of the most recent internal audits related to cash/surrender value calculations.” The Company responded to the RFI on February 15, 2024, stating, “Internal Audit has not performed a full cash value/surrender value calculation audit in the recent past. Best practices indicate that the Company should perform periodic internal audits to verify the accuracy of cash value calculations.

**N. Annuity Cash Surrender**

The Company was requested to provide a list of all annuity contracts surrendered for the full cash value during the experience period of January 1, 2022, through December 31, 2022. The Company identified 84 Annuity Cash Surrenders. The 84 policy files were requested, received, and reviewed to determine compliance with Pennsylvania statutes and regulations, including 40 P.S. § 510b(c)(2). The examiner discovered no violations.

**O. Life Policies Converted**

The Company was requested to provide a list of all Life Policies Converted during the experience period of January 1, 2022, through December 31, 2022. The Company identified a universe of 40 Life Policies Converted during the period. The 40 policy files were requested, received, and reviewed to determine compliance with Pennsylvania statutes and regulations, including 40 P.S. §§ 477b, 510c, 512, and 571; and 18 Pa Code § 4117(k). The following violations were noted.

**1 violation – 40 P.S. § 477b. Approval of policies, contracts, etc.; prohibiting the use thereof unless approved; judicial review; penalty.**

It shall be unlawful for any insurance company, association, or exchange, including domestic mutual fire insurance companies, doing business in this Commonwealth, to issue, sell, or dispose of any policy, contract, or certificate, covering life, health, accident, personal liability, fire, marine, title, and all forms of casualty insurance, or contracts pertaining to pure endowments or annuities, or any other contracts of insurance, or use applications, riders, or endorsements, in connection therewith, until the forms of the same have been submitted to and formally approved by the Insurance Commissioner, and copies filed in the Insurance Department, except riders and endorsements relating to the manner of distribution of benefits, and to the reservation of rights and benefits under any such policy, and used at the request of the individual policyholder, and except any forms which, in the opinion of the Insurance Commissioner, do not require his approval.

**In one (1) of the files, the Company accepted a request for a conversion on an application that was not approved by the Department.**

**1 violation – 40 P.S. § 571. Exchange, alteration, and conversion of policies.**

Any life insurance company may, at the request of a policyholder, exchange, alter or convert any policy of life or endowment insurance, or annuity policy contract, or any other policy benefits additional thereto issued by it, for or into any policy which conforms with the laws in force on the date of the original policy, if the rewritten policy is, by its terms, made effective as of such date, or which conforms with the laws in force on a subsequent date as of which the rewritten policy is by its terms made effective. If the rewritten policy is made effective as of a date earlier than the date on which the exchange, alteration or conversion occurs, (a) the rewritten policy, if evidence of insurability is required in conjunction with an exchange, alteration or conversion to a policy on a plan requiring a lower premium rate or to a policy to which benefits or features are added differing from those in the original policy, may provide that the date on which the exchange, alteration or conversion occurs shall be used in determining the applicability of an

incontestability clause in the rewritten policy to the right of the company to contest such exchange, alteration or conversion or in determining the applicability of a clause in the rewritten policy limiting liability in the event of suicide of the insured, and (b) the amount of insurance under said rewritten policy shall not exceed the amount of insurance under said original policy, or the amount of insurance which the premium paid for the original policy would have purchased if the rewritten policy had been originally applied for, whichever amount is the greater. Nothing contained in section three hundred and forty-six, or in clause (c) of section four hundred and eleven, of this act shall be construed as prohibiting any such exchange, alteration, or conversion of policies as provided by this section.

**In one (1) of the files, the conversion was processed 68 days after the end of the conversion period stated in the original policy.**

**P. Annuity Free Looks**

The Company was requested to provide a list of all annuity contracts free looked during the experience period of January 1, 2022, through December 31, 2022. The Company identified one (1) annuity contract cancelled by the policyholder during the free look period. The policy file was requested, received, and reviewed to determine compliance with Pennsylvania statutes and regulations, including 40 P.S. §§ 510d and 1171.5. The examiner discovered no violations.

**Q. Life Replacements with Illustrations**

The Company was requested to provide a list of all Life Replacements with Illustration during the experience period of January 1, 2022, through December 31, 2022. The Company identified a universe of 117 Life Replacements with Illustration issued during the period. A random sample of 79 policy files was requested, received, and reviewed. The policy files were reviewed to determine compliance with Pennsylvania statutes and regulations, including 40 P.S. §§ 510c, 512, 625-4, 625-8, and 625-9; and 73 P.S. § 41; and 18 Pa. Code § 4117(k); and 31 Pa. Code §§ 81, 83, 90c.11, and 90f.15. The following violations were noted.

**18 violations - 31 Pa. Code § 83.55(c)(8): Certification of surrender comparison index disclosure delivery.**

(a) The Surrender Comparison Index Disclosure shall be given as a separate document upon delivery of the policy or earlier if requested by the life insurance applicant. If requested earlier, the index disclosure shall be provided as soon as reasonably possible.

...

(c) The Surrender Comparison Index Disclosure shall describe:

(8) An explanation of the purpose and use of the Surrender Comparison Index.

**In 18 of the files, while the Company's Surrender Comparison Index Disclosure provided a reference as to where the explanation and use of the disclosure may be located, it failed to provide that description in the disclosure.**

**18 violations - 31 Pa. Code § 83.55a: Certification of surrender comparison index disclosure delivery.**

The agent shall submit to the insurer a statement, signed by him, certifying that the surrender comparison index disclosure was given upon delivery of the policy or earlier at the request of the life insurance applicant.

**In 18 of the files, the agent did not submit to the Company a statement that certified that the surrender comparison index disclosure was provided to the policyholder at the time of delivery.**

**6 violations - 31 Pa. Code § 81.4(b)(1): Duties of agents and brokers.**

(b) If replacement is involved, the agent or broker shall:

(1) Present to the applicant, not later than at the time of taking the application, a Notice Regarding Replacement of Life Insurance and Annuities.

**In six (6) of the files, at the time the application was taken, the applicant did not receive a Notice Regarding Replacement, as inferred by the date the applicant signed the notice.**

**6 violations - 31 Pa. Code § 81.4(b)(4): Duties of agents and brokers.**

(b) If replacement is involved, the agent or broker shall:

(4) Submit to the replacing insurer with the application a copy of the notice regarding replacement of life insurance and annuities.

**In six (6) of the files, the agent failed to submit the Notice Regarding Replacement with the application.**

**6 violations - 31 Pa. Code § 81.6(a)(2)(ii): Duties of insurers that use agents or brokers.**

(2) If replacement is involved:

(ii) Send to each existing insurer a written communication advising of the replacement or proposed replacement and the identification information obtained under subparagraph (i) and in the case of life insurance, the disclosure statement as required by § 83.3 (relating to disclosure statement) or a ledger statement containing comparable policy data on the proposed life insurance. This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner.

**In six (6) of the files, the Company did not send to the existing insurer a written communication advising of the replacement or proposed replacement and the required identification information within 5 working days of receiving the application.**

**1 violation - 40 P.S. § 510c(b)(2): Notice of policyholder's right to examine life and endowment insurance policies.**

(2) Individual variable life insurance policies which are offered as replacements for an existing life insurance policy or annuity contract with the same insurer or insurer

group shall not be delivered in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such policy or attached thereto a notice stating in substance that the policyholder shall be permitted to return the policy within at least forty-five (45) days of its delivery if after examination of the policy the policyholder is not satisfied with it for any reason, and the notice shall state that in such event the insurer shall pay to the policyholder an amount equal to any of the following... .

**In one (1) of the files, the first page of the policy did not provide for a disclosure stating that the policyholder had 45 days to return the policy.**

**5 violations - 40 P.S. § 625-8(a)(4): Life insurance illustration not delivered.**

(4) If a life insurance policy form is identified by the insurer as one to be marketed with an illustration, a basic illustration prepared and delivered in accordance with this section is required, except that a basic illustration need not be provided to individual members of a group or to individuals insured under multiple lives coverage issued to a single applicant unless the coverage is marketed to these individuals. The illustration furnished an applicant for a group life insurance policy or policies issued to a single applicant on multiple lives may be either an individual or composite illustration representative of the coverage on the lives of members of the group or the multiple lives covered.

**In five (5) of the files, the policies were marketed with an illustration, but the basic illustration was not appropriately prepared or delivered to the applicant and Company.**

**5 violations - 40 P.S. § 625-8(e)(1)(i): Life insurance illustration not signed, timely signed, or submitted.**

(e)(1) The following applies if a basic illustration is used by a producer in the sale of a life insurance policy.

(i) If the policy is applied for as illustrated, a copy of that illustration, signed in accordance with this section, shall be submitted to the insurer no later than the time the policy application is sent to the insurer. A copy shall also be

provided to the applicant no later than the time the application is signed by the applicant.

**In four (4) of the files, the basic illustration that conformed with the elements in the policy was not signed or was not timely signed by the producer or applicant when submitted to the Company.**

**In one (1) of the files, the policy was applied for as illustrated. The basic illustration, however, was not submitted to the Company at the time the policy application was sent to the Company.**

**5 violations - 40 P.S. § 625-8(e)(1)(ii): Revised life insurance illustration not properly labeled.**

(e)(1) The following applies if a basic illustration is used by a producer in the sale of a life insurance policy.

(ii) If the policy is issued other than as applied for, a revised basic illustration conforming to the policy as issued shall be mailed or delivered with the policy. The revised illustration shall conform to the requirements for basic illustrations contained in this act and shall be labeled “Revised Illustration.” The statement required by subsection (c)(4) shall be signed and dated by the policy owner and producer no later than the time the policy is delivered. A copy shall be provided to the policy owner no later than the time the policy is delivered and to the insurer as soon as practical after the policy is delivered.

**In five (5) of the files, the revised basic illustration was not labeled “Revised Illustration”.**

**1 violation - 40 P.S. § 625-8(e)(2)(iii): Life insurance illustrations.**

(e)(2) The following applies if no illustration is used by a producer in the sale of a life insurance policy or if a computer screen illustration is displayed.

(iii) If the policy is issued, a basic illustration conforming to the policy as issued shall be sent with the policy and signed by the policy owner no later than the time the policy is delivered. A copy shall be provided to the policy

owner at the time the policy is delivered and to the insurer as soon as practical after the policy is delivered.

**In one (1) of the files, an illustration was not used by the producer at the time of sale. The basic illustration was not signed by the policyholder on the policy delivery date, but instead, was signed at a later date.**

**1 violation - 40 P.S. § 625-8(e)(3)(ii): Acknowledgement and certification.**

(e)(3) The following applies if an illustration is used by a producer in the sale of a life insurance policy but the policy applied for is other than as illustrated.

(ii) If the policy is issued, a basic illustration conforming to the policy as issued shall be sent with the policy and signed by the policy owner no later than the time the policy is delivered. A copy shall be provided to the policy owner no later than the time the policy is delivered and to the insurer as soon as practical after the policy is delivered.

**In one (1) of the files, an illustration was used at the time of sale. The policy applied for, however, was other than as illustrated and as certified by the producer. There were two “Revised Illustration[s],” signed and dated on different days and the policy was delivered without a basic illustration.**

**R. Life Replacements without Illustrations**

The Company was requested to provide a list of all Life Replacements without Illustration during the experience period of January 1, 2022, through December 31, 2022. The Company identified a universe of 56 Life Replacements without Illustration issued during the period. The 56 policy files were requested, received, and reviewed. The policy files were reviewed to determine compliance with Pennsylvania statutes and regulations, including 40 P.S. §§ 510c, 512, 625-4, and 625-9; and 73 P.S. § 41; and 18 Pa. Code § 4117(k); and 31 Pa. Code §§ 81, 83, 90c.11, and 90f.15. The following violations were noted.

**45 violations - 31 Pa. Code § 83.55(c)(8): Certification of surrender comparison index disclosure delivery.**

(a) The Surrender Comparison Index Disclosure shall be given as a separate document upon delivery of the policy or earlier if requested by the life insurance

applicant. If requested earlier, the index disclosure shall be provided as soon as reasonably possible.

(c) The Surrender Comparison Index Disclosure shall describe:

(8) An explanation of the purpose and use of the Surrender Comparison Index.

**In 45 of the files, while the Company's Surrender Comparison Index Disclosure provided a reference as to where the explanation of the purpose and use of the Surrender Comparison Index is located, it failed to provide that description in the disclosure document itself.**

**45 violations - 31 Pa. Code § 83.55a: Certification of surrender comparison index disclosure delivery.**

The agent shall submit to the insurer a statement, signed by him, certifying that the surrender comparison index disclosure was given upon delivery of the policy or earlier at the request of the life insurance applicant.

**In 45 of the files, the agent signed a policy delivery receipt. However, it did not include a statement in which the agent certified that the surrender comparison index disclosure was provided to the policyholder at the time of delivery.**

**6 violations - 31 Pa. Code § 81.4(b)(1): Duties of agents and brokers.**

(b) If replacement is involved, the agent or broker shall:

(1) Present to the applicant, not later than at the time of taking the application, a Notice Regarding Replacement of Life Insurance and Annuities.

**In six (6) of the files, at the time the application was taken, the applicant did not receive a Notice Regarding Replacement, as inferred by the date the applicant signed the notice.**

**6 violations - 31 Pa. Code § 81.4(b)(4): Duties of agents and brokers.**

(b) If replacement is involved, the agent or broker shall:

4) Submit to the replacing insurer with the application a copy of the notice regarding replacement of life insurance and annuities provided under paragraph (1).

**In six (6) of the files, the agent failed to submit the Notice Regarding Replacement with the application.**

**7 violations - 31 Pa. Code § 81.6(a)(2)(ii): Duties of insurers that use agents or brokers.**

(2) If replacement is involved:

(ii) Send to each existing insurer a written communication advising of the replacement or proposed replacement and the identification information obtained under subparagraph (i) and in the case of life insurance, the disclosure statement as required by § 83.3 (relating to disclosure statement) or a ledger statement containing comparable policy data on the proposed life insurance. This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner.

**In seven (7) of the files, the Company failed to send to the existing insurer a written communication advising of the replacement or proposed replacement and the required identification information within five (5) working days of receiving the application.**

**1 violation - 40 P.S. § 510c(b)(2): Notice of policyholder's right to examine life and endowment insurance policies.**

(2) Individual variable life insurance policies which are offered as replacements for an existing life insurance policy or annuity contract with the same insurer or insurer group shall not be delivered in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such policy or attached thereto a notice stating in substance that the policyholder shall be permitted to return the policy within at least forty-five (45) days of its delivery if after examination of the policy the policyholder is not satisfied with it for any reason, and the notice shall state that

in such event the insurer shall pay to the policyholder an amount equal to any of the following... .

**In one (1) of the files, the first page of the policy did not provide for a disclosure stating that the policyholder had 45 days to return the policy.**

**10 violations – 40 P.S. § 510c(a)(2): Notice of policyholder’s right to examine life and endowment insurance policies.**

(2) Individual fixed dollar life insurance or endowment insurance policies which are offered as replacements for an existing life insurance policy or annuity contract with the same insurer or insurer group shall not be delivered in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such policy or attached thereto a notice stating in substance that the policyholder shall be permitted to return the policy within at least forty-five (45) days of its delivery and to have the premium refunded if after examination of the policy the policyholder is not satisfied with it for any reason.

**In ten (10) of files, the first page of the policy did not provide for a disclosure stating that the policyholder had 45 days to return the policy.**

#### **S. Internal Annuity Replacements**

The Company was requested to provide a list of all Internal Annuity Replacements during the experience period of January 1, 2022, through December 31, 2022. The Company identified a universe of 15 Internal Annuity Replacements during the period. The 15 policy files were requested, received, and reviewed. The policy files were reviewed to determine compliance with Pennsylvania statutes and regulations, including 40 P.S. §§ 510d, 625-4, 625-9, and 627-3; and 73 P.S. § 41; and 31 Pa. Code §§ 81, 90c.11, and 90f.15. The following violations were noted.

**8 violations – 40 P.S. § 510d(a)(2): Notice of contract holder’s right to examine annuity or pure endowment contracts.**

(2) Individual fixed dollar annuity contracts which are offered as replacements for an existing annuity contract or life insurance policy with the same insurer or insurer group shall not be entered into in the Commonwealth of Pennsylvania unless they

shall have prominently printed on the first page of such contract or attached thereto a notice stating in substance that the contract holder shall be permitted to return the contract within at least forty-five (45) days of its delivery and to have the premium refunded if after examination of the contract the contract holder is not satisfied with it for any reason.

**In eight (8) of the files, the Company failed to provide a 45-day notice relating to the right to examine the annuity contract for fixed annuities.**

**3 violations – 40 P.S. § 510d(b)(2): Notice of contract holder’s right to examine annuity or pure endowment contracts.**

(2) Individual variable annuity contracts which are offered as replacements for an existing annuity contract or life insurance policy with the same insurer or insurer group shall not be entered into in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such contract or attached thereto a notice stating in substance that the contract holder shall be permitted to return the contract within at least forty-five (45) days of its delivery if after examination of the contract the contract holder is not satisfied with it for any reason, and in such event the notice shall state that in such event the insurer shall pay to the contract holder an amount equal to any of the following:

(i) the stipulated payment or premium paid;

(ii) the difference between:

(A) the premiums paid, including any contract fees or other charges and the amounts, if any, allocated to any separate accounts under the contract; and

(B) the cash value of the contract or, if the contract does not have a cash value, the reserve for the contract on the date of surrender attributable to the amounts so allocated; or

(iii) the greater of subparagraph (i) or (ii).

**In three (3) of the files, in the notice of the contract holder’s right to examine the contract, the Company failed to state how the amount returned to the contract holder will be determined in the event the contract is returned.**

**2 violations – 40 P.S. § 510d(b)(2): Notice of contract holder’s right to examine annuity or pure endowment contracts.**

(2) Individual variable annuity contracts which are offered as replacements for an existing annuity contract or life insurance policy with the same insurer or insurer group shall not be entered into in the Commonwealth of Pennsylvania unless they shall have prominently printed on the first page of such contract or attached thereto a notice stating in substance that the contract holder shall be permitted to return the contract within at least forty-five (45) days of its delivery if after examination of the contract the contract holder is not satisfied with it for any reason.

**In two (2) of the files, the Company failed to provide a notice relating to the indexed annuity contract holder’s right to return the contract within at least 45 days if the contract holder is not satisfied with it.**

**T. External Annuity Replacements**

The Company was requested to provide a list of all External Annuity Replacements during the experience period of January 1, 2022, through December 31, 2022. The Company identified a universe of 69 External Annuity Replacements during the period. The 69 policy files were requested, received, and reviewed. The policy files were reviewed to determine compliance with Pennsylvania statutes and regulations, including 40 P.S. §§ 510d, 625-9, and 627-3; and 73 P.S. § 41; and 18 Pa. Code § 4117(k); and 31 Pa. Code §§ 81, 90c.11 and 90f.15. The following violations were noted.

**2 violations - 40 P.S. § 627-3(a)(1)(iii): Duties of insurers and insurance producers.**

(iii) The requirements under subparagraph (i) require a producer to consider the types of products the producer is authorized and licensed to recommend or sell that address the consumer's financial situation, insurance needs and financial objectives. This does not require analysis or consideration of any products outside the authority and license of the producer or other possible alternative products or

strategies available in the market at the time of the recommendation. Producers shall be held to standards applicable to producers with similar authority and licensure.

**In two (2) of the files, the producer considered and recommended to the consumer an annuity product for which the producer was not authorized to sell because of not receiving the product-specific training.**

**3 violations – 31 Pa. Code § 81.4(b)(1). Duties of agents and brokers.**

(b) If replacement is involved, the agent or broker shall:

(1) Present to the applicant, not later than at the time of taking the application, a Notice Regarding Replacement of Life Insurance and Annuities in the form as described in Appendix A (relating to notice regarding replacement of life insurance and annuities), or other substantially similar form filed and accepted prior to use by the Commissioner. The notice shall be signed by both the applicant and the agent or broker and left with the applicant.

**In three (3) of the files, the Notice Regarding Replacement was not presented to the applicant at the time of taking the application.**

**69 violations – 31 Pa. Code §81.6(a)(2)(ii): Duties of insurers that use agents or brokers.**

(a) An insurer that uses an agent or broker in a life insurance or annuity sale shall:

(2) If replacement is involved:

(ii) Send to each existing insurer a written communication advising of the replacement or proposed replacement and the identification information obtained under subparagraph (i) and in the case of life insurance, the disclosure statement as required by § 83.3 (relating to disclosure statement) or a ledger statement containing comparable policy data on the proposed life insurance. A surrender comparison index need not be included. In the case of an annuity [except for registered contract], a ledger statement

containing comparable data shall be provided. This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner.

**In 28 of the files, the Company failed to send a communication to the existing insurer advising of the replacement within 5 working days of the date the application was received. In 41 of the files, there is no evidence that the Company provided the existing insurer with a ledger statement containing comparable data.**

## VI. DATA INTEGRITY

At the beginning of the examination, the Company was sent an Initial Request Letter and Coordinator's Handbook which provided specific information related to the examination. The purpose of the packet was to provide certain basic examination information, identify preliminary requirements and to provide specific requirements for requested data call information. Once the Company provided all requested information and data contained within the data call, the examiners reviewed and validated the data to ensure its accuracy and completeness to determine compliance with The Insurance Department Act of 1921 (as amended), Section 904(b) [40 P.S. § 323.3].

### **General Violation - 40 P.S. § 323.3(a) – Authority, scope, and scheduling of examinations.**

- (a) Every company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, in its discretion, may require in order that its authorized representatives may readily verify the financial condition of the company or person and ascertain whether the company or person has complied with the laws of this Commonwealth.

**Failure to exercise sufficient due diligence to ensure compliance with the above-referenced Insurance Department Act. The Company should address the data integrity findings noted above and implement new procedures to ensure accuracy in the data that is provided to the Department.**

#### Consumer Complaints

The data was provided on 09/28/2023 and included one (1) record. NPN Numbers were not provided. This appears to be the same issue with other data files, where, per the Company, "The producer NPN code is not captured in dnbr0100 and therefore is not being provided. Instead, we are providing our internal producer code. We can provide the NPN for specific sample policies as requested." This was

discussed at the initial data call and this was acceptable to the examiners. The Company, however, did not provide the internal producer code.

#### Department of Insurance Complaints

The data file was provided on 09/28/2023 and included one (1) record. NPN Numbers were not provided. This appears to be the same issue with other data files, where, per the Company, "The producer NPN code is not captured in dnbr0100 and therefore is not being provided. Instead, we are providing our internal producer code. We can provide the NPN for specific sample policies as requested." This was discussed at the initial data call and this was acceptable to the examiners. The Company, however, did not provide the internal producer code.

The data provided was compared to the DOI listing provided, *Copy of Department Complaints Minnesota Life- 2022*. The DOI listing included three (3) complaints in 2022. The Company provided one (1) record which was not included on the DOI listing and none of the complaints on the DOI listing were present in the Company's data.

#### New Life Policies Issued

The data file was provided on 10/05/2023. The file included 1,025 records, with no duplicates. 198 Replacements were removed from the population, leaving a total of 827 records. The original file did not include an Issue Date field as was listed in the Initial Request Letter. The examiners contacted the Company regarding this issue, and on 10/11/2023, the Company provided a revised data file. This revised data files also included 1,025 records and included an Issue Date field. However, 41 records indicated issue dates prior to the examination period and 23 records indicated issue dates after the exam period. Of these 64 records, 16 records indicated issue dates prior to application received dates, ranging from -171 days to -3 days. Overall, in the total population of 827 records, 50 records indicated issue dates prior to application received dates, ranging from -171 days to -2 days. An email was sent to the Company on 10/11/2023 to inquire about these issues. The Company responded on 10/13/2023 and provided another revised data file, stating:

As we have been researching your questions, we determined that the policy issued information reported in the Annual Statement is based upon the APP PAID DATE field in our system. We should have provided you this date field instead of the APP POLICY DATE field as the “issue date” in the revision. This was an error by our analyst. We will be resubmitting RFI#034 with this new column. Please use the APP PAID DATE as the issue date. A few points to note:

The APP POLICY DATE field contains the date listed on the policy. This is just the date printed on the policy pages. In some instances, the insured will ask that this date be backdated or dated in the future. This may be done as an accommodation to match a spouse’s policy date, to reflect when the policy is actually paid and delivered or other scenarios. This is why you were seeing the problems documented in your email.

When we reviewed the dates in the APP PAID DATE column, all the dates were in 2022 except two policies which were dated 2023. For these two policies, the APP PAID Date was originally in 2022. However, a transaction was reversed and re-run. As a result of this process, the APP PAID DATE was changed. These two policies were included in the policy count in the 2022 Annual Statement.

Therefore, the record count of 827 was deemed to be correct for the purposes of our review.

#### New Annuities Issued

The data file was provided on 10/05/2023. The file included 205 records, with no duplicates. 79 Replacements were removed from the population, leaving a total of 126 records.

#### New Life Applications Declined

The data file was provided on 10/05/2023 and included 136 records, with no duplicates. NPN Numbers were not provided. Per the Company, "The producer NPN code is not captured in dnbr0100 and therefore is not being provided. Instead, we are providing our internal producer code. We can provide the NPN for specific sample policies as requested."

#### New Annuity Business Declined

The data file was provided on 10/05/2023 and included one (1) record. NPN Numbers were not provided. This appeared to be the same issue with other U&R data files, and for which the Company stated, "The producer NPN code is not captured in dnbr0100 and therefore is not being provided. Instead, we are providing our internal producer code. We can provide the NPN for specific sample policies as requested."

#### New Life Policies Not Taken

The data file was provided on 10/26/2023 and included 78 records, with no duplicates. The following items requested in the Initial Request Letter were not provided: "Declination Reason"; "Declination Code"; and "Producer NPN". The data submission did not address why "Declination Reason" and "Declination Code" were not provided. Regarding "Producer NPN", the Company stated, "The producer NPN code is not captured in dnbr0100 and therefore is not being provided. Instead, we are providing our internal producer code."

#### New Annuities Not Taken

The data file was provided on 10/26/2023 and included 25 records, with no duplicates. All items from the Initial Request Letter were provided except "Producer NPN". The data info tab stated, "Producer Code Number provided instead of National Producer Number".

### Life Non-forfeitures

The data file was provided on 10/30/2023 and included 15 records, with no duplicates. Per the Company, "The producer NPN code is not captured in diex0100 and therefore is not being provided. Instead, we are providing our internal producer code... We are providing the Servicing Rep Name and servicing code as many of the original producer names and codes get purged once the policy is no longer paying compensation."

The Company also provided "Original Writing Producer Name" and "Original Writing Producer Code". Of these, only four (4) of 15 fields were populated. For "Servicing Full Name" and "Servicing Rep Code", 10 of the 15 records were populated, including three (3) that overlapped with "Original Writing Producer Name".

### Life Lapsed

The data file was provided on 10/26/2023 and included 329 records, with no duplicates. The "Producer NPN Code" and "Application Received Date" fields were not populated.

Per the Company, "The Producer NPN code is not captured in diex0100 and therefore is not being provided. Instead, we are providing our internal producer code. Also not included is the Application Date as this is not captured in diex0100. We are also substituting the Producer Name and Code with Primary Servicing Rep Name and servicing code as many of the original producer names and codes are no longer active."

### Life Cash Surrenders

The data file was provided on 10/26/2023 and included 139 records, with no duplicates. The following data fields were not populated: "Producer NPN"; "Cash Value"; "Surrender Value"; and "Surrender Charge".

Per the Company, "The producer NPN code is not captured in diex0100 and therefore is not being provided. Instead, we are providing our internal producer code.

Also, not captured in diex0100 is the Cash Value, Surrender Value, and Surrender Charge. These are all zeroed out after a policy surrenders."

The Application Date field was also not populated. This was not addressed by the Company with this data submission. However, the system on which the data resided ("diex0100") was the same as other data provided, such as Life Lapsed. For Life Lapsed, the Company stated, "Also not included is the Application Date as this is not captured in diex0100."

There were 12 Life Cash Surrender records which were determined to be External Life Replacements and not present in the Life Replacement data files. See details below:

In the December 12, 2023 response ("RFI#059 - Life Cash Surrenders Request Response 12-12-2023") to RFI #059 ("RFI #059 Life Cash Surrenders-Sample"), the Company noted the following: "Samples 16, 17, 19, 23, 26, 31, 36, 43, 46, 50, 51, 52 - These are all 1035 surrenders where surrender proceeds were sent to another company to issue their policy." These 12 records were joined ("matched") to the two (2) Life Replacements data files (RFI #s 047 and 048 – Life Replacements with Illustration and Life Replacements without Illustration, respectively). The result was that none of the twelve (12) records were present in the Life Replacement data files.

In addition, one (1) Life Cash Surrender record, which was determined to be an Internal Life Replacement was not present in the Life Replacement data files. See details below:

In the December 12, 2023, response ("RFI#059 - Life Cash Surrenders Request Response 12-12-2023") to RFI #059 ("RFI #059 Life Cash Surrenders-Sample"), the Company noted the following: "Sample # 9 (19317430) - This policy was processed using the surrender to cash choice

within the admin system – however it was an internal 1035.” This record was checked to the two (2) Life Replacements data files (RFI #s 047 and 048 – Life Replacements with Illustration and Life Replacements without Illustration, respectively). The result was that the record was not present in the Life Replacement data files.

#### Life Policies Converted

The data file was provided on 10/26/2023 and included 40 records, with no duplicates. The “Producer NPN Code” was not populated. The Company stated, “The producer NPN code is not captured in dnbr0100 and therefore is not being provided. Instead, we are providing our internal producer code.”

#### Life Replacements with Illustration

The initial data file submitted on 10/26/2023 included 135 records. Of these, 18 records were removed for dates outside the examination period (16 records with issue dates before, and two (2) records with issue dates after), leaving a total of 117 records. 113 records were external replacements, and four (4) records were internal replacements.

The “Surrender Charge” and “Producer NPN” fields were not populated. The Company stated, “The producer NPN code is not captured in dnbr0100 and therefore is not being provided. Instead, we are providing our internal producer code. Also not captured in dnbr0100 is the surrender charge and therefore is not being provided.”

As noted under the caption “Life Cash Surrenders”, 13 Life Cash Surrender records were determined to be Life Replacements and were not present in the Life Replacement with Illustration data file. One (1) record was determined to be an Internal Life Replacement and 12 were determined to be External Life Replacements.

### Life Replacements without Illustration

The initial data file submitted on 10/26/2023 included 58 records. Of these, two (2) records were removed for dates after the examination period, leaving a total of 56 records. Of those, 44 records were external replacements, and 12 records were internal replacements.

The "Surrender Charge" and "Producer NPN" fields were not populated. The Company stated, "The producer NPN code is not captured in dnbr0100 and therefore is not being provided. Instead, we are providing our internal producer code. Also not captured in dnbr0100 is the surrender charge and therefore is not being provided."

As noted under the caption "Life Cash Surrenders", 13 Life Cash Surrender records were determined to be Life Replacements and were not present in the Life Replacement with Illustration data file. One (1) record was determined to be an Internal Life Replacement and 12 were determined to be External Life Replacements.

### Internal Annuity Replacements

The data file was provided on 10/25/2023 and included 15 records, with no duplicates. The "Delivery Date" field was not populated. The Company stated, "We do not store a delivery date in our systems...-Some contracts have delivery receipt signed and returned. Record of that would be imaged in the contract file. -Some contracts use a trackable mail service to track delivery. Record of that would be imaged in the contract file."

### External Annuity Replacements

The data file was provided on 10/25/2023 and included 69 records, with no duplicates. The "Delivery Date" field was not populated. The Company stated, "We do not store a delivery date in our systems...-Some contracts have delivery receipt signed and returned. Record of that would be imaged in the contract file. -Some contracts use a trackable mail service to track delivery. Record of that would be imaged in the contract file."

## **VII. RECOMMENDATIONS**

The recommendations made below identify corrective measures the Department finds necessary due to the number, nature or severity of violations noted in this Examination Report.

1. The Company must ensure that the applicant signs a dated numeric summary with required corresponding illustration elements either at the time of application or when the policy is delivered and must ensure that policies marketed with an illustration be appropriately prepared and delivered to the applicant and Company as required by 40 P.S. § 625-8(a)(4).
2. The Company must ensure that a signed statement stating that an illustration was presented during the sale of the policy, but the policy applied for was different than the illustration, is submitted with the application and provides for the producer's certification. The Company must also ensure that the statement acknowledges the applicant's understanding that an illustration conforming to the policy as issued would be provided no later than at the time of policy delivery as required by 40 P.S. § 625-8(e)(3)(i).
3. The Company must ensure that the required basic illustration elements are provided to the policyowner at the time the policy is delivered as required by 40 P.S. § 625-8(e)(3)(ii).
4. The Company must ensure that the agent submits to the Company a statement that certifies that the Surrender Comparison Index Disclosure is provided to the policyholder at the time of delivery as required by 31 Pa. Code § 83.55a.
5. The Company must ensure that the Surrender Comparison Index Disclosure explains the purpose of the index as required by 31 Pa. Code § 83.55(c)(8).
6. The Company must ensure that the agent who submits an application includes a signed statement as to whether the agent knew the replacement was or may be involved in the transaction as required by 31 Pa. Code § 81.4(a)(2).
7. The Company must ensure that in its disclosure forms, a space is provided for the proposed insured's name as required by 31 Pa. Code § 83.3(a)(3).

8. The Company must ensure that in its disclosure forms, a space is provided for the name, address, and telephone number of the agent or broker making the solicitation as required by 31 Pa. Code § 83.3(a)(4)(i).
9. The Company must ensure that in its disclosure forms, a space is provided for the annual premium (or if not known, the premium mode) separately for each basic policy and rider as required by 31 Pa. Code § 83.3(a)(7)(i)(A).
10. The Company must ensure that an amendment to a contract is issued on an approved form and must ensure that a request for a conversion be accepted on an application approved by the Department as required by 40 P.S. § 477b.
11. The Company must ensure that a policy conversion is processed by the policy's terms, including within the conversion period, as required by 40 P.S. § 571.
12. The Company must ensure that the agent or broker presents a Notice Regarding Replacement of Life Insurance and Annuities to the applicant not later than at the time of taking the application as required by 31 Pa. Code § 81.4(b)(1).
13. The Company must ensure that the agent or broker submits a Notice Regarding Replacement of Life Insurance and Annuities to the replacing insurer with the application as required by 31 Pa. Code § 81.4(b)(4).
14. The Company must ensure that the Company sends to the existing insurer a written communication advising of the replacement or proposed replacement and the required identification information within 5 working days of receiving the application as required by 31 Pa. Code § 81.6(a)(2)(ii).
15. The Company must ensure that individual variable life insurance policies offered as replacements provide on the first page of the policy, a disclosure stating that the policyholder has 45 days to return the policy as required by 40 P.S. § 510c(b)(2).
16. The Company must ensure that the basic illustration is signed and timely signed by the producer and applicant when submitted to the Company, as well as submit to the Company at the time the policy application is sent, as required by 40 P.S. § 625-8(e)(1)(i).

17. The Company must ensure that the revised basic illustration is labeled “Revised Illustration” as required by 40 P.S. § 625-8(e)(1)(ii).
18. The Company must ensure that if an illustration is not used by the producer at the time of sale, the basic illustration is signed by the policyholder on the policy delivery date as required by 40 P.S. § 625-8(e)(2)(iii).
19. The Company must ensure that if an illustration is used by the producer at the time of sale, but the policy applied for is other than as illustrated, the basic illustration conforming to the policy as issued is signed by the policyholder on the policy delivery date as required by 40 P.S. § 625-8(e)(3)(ii).
20. The Company must ensure that individual fixed dollar life insurance or endowment insurance policies offered as replacements provide on the first page of the policy, a disclosure stating that the policyholder has 45 days to return the policy as required by 40 P.S. § 510c(a)(2).
21. The Company must ensure that individual fixed dollar annuity contracts offered as replacements provide on the first page of the policy, a disclosure stating that the contract holder shall be permitted to return the contract within 45 days of its delivery to return the policy as required by 40 P.S. § 510d(a)(2).
22. The Company must ensure that the notice of the contract holder’s right to examine the contract states how the amount returned to the contract holder will be determined in the event that the contract is returned and must ensure that individual variable annuity contracts offered as replacements provide on the first page of the policy, a disclosure stating that the contract holder shall be permitted to return the contract within at least 45 days of its delivery to return the policy as required by 40 P.S. § 510d(b)(2).
23. The Company must ensure that the producer only consider and recommend the types of products the producer is authorized and licensed to recommend or sell as required by 40 P.S. § 627-3(a)(1)(iii).
24. The Company must ensure that its data complies with the requirements of 40 P.S. § 323.3(a).

**COMPANY RESPONSE**

Securian Financial Group, Inc.  
400 Robert Street North  
St. Paul, MN 55101-2098  
651-665-3500  
[securian.com](http://securian.com)



October 17, 2024

Mr. Paul Towsen  
P&C/Life & Annuities Division Chief  
Pennsylvania Insurance Department Bureau of Market Actions  
1321 Strawberry Square  
Harrisburg, PA 17120

**RE: Examination Warrant Number: 23-M36-024  
Minnesota Life Insurance Company**

Dear Mr. Towsen:

Attached, please find the response by Minnesota Life Insurance Company ("Company") to the Report of Examination for Market Conduct Examination Warrant No. 23-M36-024 for the period January 1, 2022 through December 31, 2022 which was provided by letter dated September 20, 2024.

We take the Market Conduct Examination process seriously as it allows us to better understand the Department's requirements and take necessary actions to improve our practices. Our responses address each of the Department's recommendations. The Company has implemented or is in the process of implementing solutions for each of these recommendations.

The Company appreciates the courtesy your staff has extended throughout the examination process.

Sincerely,

A handwritten signature in black ink that reads "Laura Oien".

Laura Oien  
Audit Senior Consultant

## **Examination Recommendation Responses:**

### Recommendation #1

The Company must ensure that the applicant signs a dated numeric summary with required corresponding illustration elements either at the time of application or when the policy is delivered and must ensure that policies marketed with an illustration be appropriately prepared and delivered to the applicant and Company as required by 40 P.S. § 625-8(a)(4).

**Response: The Company reviewed its practices related to illustrations. We updated our workflow process to ensure illustrations are prepared and delivered as required. An automated solution is being programmed and will be implemented in the fourth quarter. This solution will stop processing if a signed illustration is not provided to the applicant on or before the application date. Additionally, we retrained staff and will send a communication to our financial professionals in early November highlighting the Pennsylvania requirements.**

### Recommendation #2

The Company must ensure that a signed statement stating that an illustration was presented during the sale of the policy, but the policy applied for was different than the illustration, is submitted with the application and provides for the producer's certification. The Company must also ensure that the statement acknowledges the applicant's understanding that an illustration conforming to the policy as issued would be provided no later than at the time of policy delivery as required by 40 P.S. § 625-8(e)(3)(i).

**Response: The Company reviewed its practices related to illustrations. We updated our workflow process to ensure illustrations are prepared and delivered as required. Additionally, we retrained staff and will send a communication to our financial professionals in early November highlighting the Pennsylvania requirements.**

### Recommendation #3

The Company must ensure that the required basic illustration elements are provided to the policyowner at the time the policy is delivered as required by 40 P.S. § 625-8(e)(3)(ii).

**Response: The Company reviewed its practices related to illustrations. We updated our workflow process to ensure illustrations are prepared and delivered as required. Additionally, we retrained staff and will send a communication to our financial professionals in early November highlighting the Pennsylvania requirements.**

### Recommendation #4

The Company must ensure that the agent submits to the Company a statement that certifies that the Surrender Comparison Index Disclosure is provided to the policyholder at the time of delivery as required by 31 Pa. Code § 83.55a.

**Response: Our Policy Delivery Receipt for Pennsylvania is being updated to include the appropriate certification regarding the Surrender Comparison Index Disclosure delivery. Form updates are underway, and system implementation is expected to be completed in early 2025 due to the complexity of the system programming and required testing.**

### Recommendation #5

The Company must ensure that the Surrender Comparison Index Disclosure explains the purpose of the index as required by 31 Pa. Code § 83.55(c)(8).

**Response: We are updating the Surrender Comparison Index Disclosure form to ensure it fully explains the purpose of the index as required by Pennsylvania. Form updates, system implementation and testing are targeted for the fourth quarter.**

Recommendation #6

The Company must ensure that the agent who submits and application includes a signed statement as to whether the agent knew the replacement was or may be involved in the transaction as required by 31 Pa. Code § 81.4(a)(2).

**Response: This related to one application. The Company reviewed its replacement procedures. We retrained staff and will send a communication to our financial professionals in early November highlighting the Pennsylvania requirements.**

Recommendation #7

The Company must ensure that in its disclosure forms, a space is provided for the proposed insured's name as required by 31 Pa. Code § 83.3(a)(3).

**Response: We have reviewed the cited form and are updating it to include the necessary information. We will refile the form and, once approved, put it into production. Our goal is to have this accomplished during the fourth quarter.**

Recommendation #8

The Company must ensure that in its disclosure forms, a space is provided for the name, address, and telephone number of the agent or broker making the solicitation as required by 31 Pa. Code § 83.3(a)(4)(i).

**Response: We have reviewed the cited form and are updating it to include the necessary information. We will refile the form and, once approved, put it into production. Our goal is to have this accomplished during the fourth quarter.**

Recommendation #9

The Company must ensure that in its disclosure forms, a space is provided for the annual premium (or if not known, the premium mode) separately for each basic policy and rider as required by 31 Pa. Code § 83.3(a)(7)(i)(A).

**Response: We have reviewed the cited form and are updating it to include the necessary information. We will refile the form and, once approved, put it into production. Our goal is to have this accomplished during the fourth quarter.**

Recommendation #10

The Company must ensure that an amendment to a contract is issued on an approved form and must ensure that a request for a conversion be accepted on an application approved by the Department as required by 40 P.S. § 477b.

**Response: This recommendation relates to one instance identified during the examination. A processor accepted the application in error. Staff have been retrained on forms requirements, and we verified only appropriate applications are available for processing selection on our systems.**

Recommendation #11

The Company must ensure that a policy conversion is processed by the policy's terms, including within the conversion period, as required by 40 P.S. § 571.

**Response: This recommendation relates to one instance identified during the examination. An accommodation was made due to miscommunication with the policy owner. Staff have been retrained on conversion period requirements.**

Recommendation #12

The Company must ensure that the agent or broker presents a Notice Regarding Replacement of Life Insurance and Annuities to the applicant not later than at the time of taking the application as required by 31 Pa. Code § 81.4(b)(1).

**Response: The Company reviewed its replacement procedures. We retrained staff and will send a communication to our financial professionals in early November highlighting the Pennsylvania requirements.**

Recommendation #13

The Company must ensure that the agent or broker submits a Notice Regarding Replacement of Life Insurance and Annuities to the replacing insurer with the application as required by 31 Pa. Code § 81.4(b)(4).

**Response: The Company reviewed its replacement procedures. We retrained staff and will send a communication to our financial professionals in early November highlighting the Pennsylvania requirements.**

Recommendation #14

The Company must ensure that the Company sends to the existing insurer a written communication advising of the replacement or proposed replacement and the required identification information within 5 working days of receiving the application as required by 31 Pa. Code § 81.6(a)(2)(ii).

**Response: During the examination period, the Company was experiencing some processing backlogs. The Company has since improved its processing efficiency through increased staff support, cross-training and technological enhancements. Additional system enhancements are planned for the Annuity area. The goal is to implement the updates in early 2025.**

Recommendation #15

The Company must ensure that individual variable life insurance policies offered as replacements provide on the first page of the policy, a disclosure stating that the policyholder has 45 days to return the policy as required by 40 P.S. § 510c(b)(2).

**Response: The Company is committed to updating the insurance policies offered as replacements so they provide the appropriate timeframe to return the policy. We will refile the form and, once approved, put it into production. We are exploring automated solutions and are expecting to program and implement a solution during the fourth quarter.**

Recommendation #16

The Company must ensure that the basic illustration is signed and timely signed by the producer and applicant when submitted to the Company, as well as submit to the Company at the time the policy application is sent, as required by 40 P.S. § 625-8(e)(1)(i).

**Response: The Company reviewed its practices related to illustrations. We updated our workflow process to ensure illustrations are prepared and delivered as required. An automated solution is being programmed and will be implemented in the fourth quarter. This solution will stop processing if a signed illustration is not provided to the applicant on or before the application date. Additionally, we retrained staff and will send a communication to our financial professionals in early November highlighting the Pennsylvania requirements.**

#### Recommendation #17

The Company must ensure that the revised basic illustration is labeled "Revised Illustration" as required by 40 P.S. § 625-8(e)(1)(ii).

**Response: Our administrative system is being programed such that when revised illustrations are generated, the label "Revised Illustration" will automatically be printed on the document. It is anticipated that this will be completed during the fourth quarter.**

#### Recommendation #18

The Company must ensure that if an illustration is not used by the producer at the time of sale, the basic illustration is signed by the policyholder on the policy delivery date as required by 40 P.S. § 625-8(e)(2)(iii).

**Response: The Company reviewed its practices related to illustrations. We updated our workflow process to ensure illustrations are prepared and delivered as required. Additionally, we retrained staff and will send a communication to our financial professionals in early November highlighting the Pennsylvania requirements.**

#### Recommendation #19

The Company must ensure that if an illustration is used by the producer at the time of sale, but the policy applied for is other than as illustrated, the basic illustration conforming to the policy as issued is signed by the policyholder on the policy delivery date as required by 40 P.S. § 625-8(e)(3)(ii).

**Response: The Company reviewed its practices related to illustrations. We updated our workflow process to ensure illustrations are prepared and delivered as required. Additionally, we retrained staff and will send a communication to our financial professionals in early November highlighting the Pennsylvania requirements.**

#### Recommendation #20

The Company must ensure that individual fixed dollar life insurance or endowment insurance policies offered as replacements provide on the first page of the policy, a disclosure stating that the policyholder has 45 days to return the policy as required by 40 P.S. § 510c(a)(2).

**Response: The Company is committed to updating the insurance policies offered as replacements so they provide the appropriate timeframe to return the policy. We will refile the form and, once approved, put it into production. We are exploring automated solutions and are expecting to program and implement a solution during the fourth quarter.**

#### Recommendation #21

The Company must ensure that individual fixed dollar annuity contracts offered as replacements provide on the first page of the policy, a disclosure stating that the contract holder shall be permitted to return the contract within 45 days of its delivery to return the policy as required by 40 P.S. § 510d(a)(2).

**Response: The Company acknowledges that the correct free look notice provision did not generate for this type of annuity contract. The Company identified the underlying issue and took corrective action at the end of 2022 to ensure the appropriate 45-day notice provision was generated by its systems going forward. In order to place this text on the first page of the annuity contract, we are in the process of updating the form. We will refile the form and, once approved, put it into production. The goal is to complete this process in the first quarter of 2025.**

#### Recommendation #22

The Company must ensure that the notice of the contract holder's right to examine the contract states how the amount returned to the contract holder will be determined in the event that the contract is returned and must ensure that individual variable annuity contracts offered as replacements provide on the first page of the policy, a disclosure stating that the contract holder shall be permitted to return the contract within at least 45 days of its delivery to return the policy as required by 40 P.S. § 510d(b)(2).

**Response: The Company acknowledges that the correct free look notice provision did not generate for this type of contract. The Company identified the underlying issue and took corrective action at the end of 2022 to ensure the appropriate 45-day notice provision was generated by its systems going forward. Additionally, in July, we updated the form to ensure compliance with Pennsylvania's requirements regarding disclosure of how funds will be returned to the contract holder. In order to place the 45-day text on the first page of the annuity contract, we are in the process of updating the form. We will refile the form and, once approved, put it into production. The goal is to complete this process in the first quarter of 2025.**

#### Recommendation #23

The Company must ensure that the producer only considers and recommends the types of products the producer is authorized and licensed to recommend or sell as required by 40 P.S. § 627-3(a)(1)(iii).

**Response: This recommendation relates to one isolated instance. The agent involved completed the required training before this sale was further contemplated and recommended to the customer. We retrained staff members on this requirement.**

#### Recommendation #24

The Company must ensure that its data complies with the requirements of 40 P.S. § 323.3(a).

**Response: The Company reviewed its data validation efforts and identified additional steps we can take for future Market Conduct Examinations to ensure our data meets Pennsylvania's expectations.**