

**BEFORE THE HONORABLE MICHAEL D. RILEY INSURANCE COMMISSIONER OF
THE STATE OF WEST VIRGINIA**

IN THE MATTER OF MONUMENTAL LIFE INSURANCE COMPANY

**ORDER ADOPTING REPORT OF MARKET CONDUCT EXAMINATION, DIRECTING
CORRECTIVE ACTION AND ASSESSING PENALTY**

13-MAP-02003

NOW COMES, the Honorable Michael D. Riley, Insurance Commissioner of the State of West Virginia, and issues this Order pursuant to West Virginia Code §33-2-9(j)(3)(A) which adopts the Report of Market conduct Examination for the examination of Monumental Life Insurance Company (hereinafter referred to as "Monumental") for the examination period ending December 31, 2010 based upon the following findings, to wit:

PARTIES

1. The Honorable Michael D. Riley, is the Insurance Commissioner of the State of West Virginia (hereinafter the "Insurance Commissioner") and is charged with the duty of administering and enforcing, among other duties, the provisions of Chapter 33 of the West Virginia Code of 1931, as amended.
2. Monumental operates under the provisions of Chapter 33, of the West Virginia Code and is domiciled in Iowa. Monumental is also licensed and authorized to transact the business of insurance in the Commonwealth of Kentucky and Virginia.
3. Monumental is licensed in the State of West Virginia for the lines of Life, Accident and Sickness, Variable Annuity and Variable Life.

4. The Kentucky Insurance Department was the lead state in this multi-state examination and conducted a market Conduct Examination ("Examination") of Monumental. The West Virginia Offices of the Insurance Commissioner ("hereafter "OIC") conducted a market conduct examination relying upon Kentucky's review of Monumental's history, disaster recovery plan, procedures on information security and fraud detection, investigation and marketing and sales. The OIC examination resulted in a Market Conduct Examination Report submitted on August 29, 2013.

FINDINGS OF FACT

1. The examination covered the period of operations from January 1, 2010 through December 31, 2010. The examination was conducted in accordance with W. Va. Code § 33-2-9(c) by examiners duly appointed by the OIC.
2. The examination began on November 8, 2011 and concluded on August 31, 2012. This was a regional multi-state examination including West Virginia, Virginia and Kentucky (the lead state).
3. The scope of the examination was the following business areas: Company Operations/Management; Complaint Handling; Marketing and Sales; Producer licensing; Policyholder Services; Underwriting and Rating; and Claims Handling. The examination was based on the standards and tests for market conduct examinations of life and health insurers found in chapter XVI, XIX, and XX of the NAIC Market Regulations Handbook and in accordance

with West Virginia statutes and rules. The Examiner's findings can be found in the Market Conduct Report in the Summary of Examiner's Findings.

4. The result of the Market Conduct Examination revealed violations of the following: W. Va. Code §§ 33-6-8, 33-16-3, 33-11-4(9)(b) and (e) 33-13-14, 33-11-5a(b)(1) and W. Va. Code R. §§ 114-15-4.3, 114-15-4.5, 114-15-4.8, 114-15-4.9, 114-14-5, 114-14-6 and 114-8-6.2.
5. The examiner filed with the Insurance Commissioner, pursuant to W.Va. Code §33-2-9, a Report of Market Conduct Examination.
6. A true copy of the Report of Market Conduct Examination was sent to Monumental.
7. Monumental was notified that, pursuant to W. Va. Code §33-2-9(j)(2), it had thirty (30) days after receipt of the Report of Market Conduct Examination to file a submission or objection with the OIC.
8. Monumental entered into a Regulatory Settlement Agreement with the participating states, which included a detailed Corrective Action Plan to ensure compliance with the laws of each participating state. Pursuant to the Regulatory Settlement Agreement, Monumental agreed to pay to the State of West Virginia a monetary penalty in the amount of Five Thousand Dollars (\$5,000.00).
9. Any Findings of Fact that is more properly a Conclusion of Law is hereby adopted as such and incorporated in the next section.

CONCLUSIONS OF LAW

1. The Insurance Commissioner has jurisdiction over the subject matter of and the parties to this proceeding.
2. This proceeding is pursuant to and in accordance with W. Va. Code §33-2-9.
3. The Insurance Commissioner is charged with the responsibility of verifying continued compliance with West Virginia Code and the West Virginia Code of State Rules by Monumental as well as all other provisions of regulation that Monumental is subjected to by virtue of their Certificate of Authority to operate in the State of West Virginia.
4. The result of the Market Conduct Examination revealed violations of the following: W. Va. Code §§ 33-6-8, 33-16-3, 33-11-4(9)(b) and (e) 33-13-14, 33-11-5a(b)(1) and W. Va. Code R. §§ 114-15-4.3, 114-15-4.5, 114-15-4.8, 114-15-4.9, 114-14-5, 114-14-6 and 114-8-6.2.
5. Any Conclusions of Law that is more properly a Finding of Fact is hereby incorporated as such.

ORDER

Pursuant to W. Va. Code §33-2-9(j)(3)(A), following the Report of Market Conduct Examination, the examination work papers, and the response of Monumental thereto if any.

It is accordingly **ORDERED** as follows:

- A. The Report of Market Conduct Examination of Monumental Life Insurance Company for the period ending December 31, 2010 is hereby ADOPTED and APPROVED by the Insurance Commissioner;
- B. It is **ORDERED** that Monumental will **CEASE AND DESIST** from failing to comply with the Statutes, Rules and Regulations of the State of West Virginia concerning any claims so handled in the State and more specifically the provisions enumerated herein this Order, and the Report of Market Conduct Examination.
- C. It is further **ORDERED** that Monumental shall continue to monitor its Compliance with West Virginia statutes and rules.
- D. It is further **ORDERED** that within thirty (30) days of the next regularly scheduled meeting of its Board of Directors, Monumental shall file with the West Virginia Insurance Commissioner, in accordance with W. Va. Code §33-2-9(j)(4), affidavits executed by each of its directors stating under oath that they have received a copy of the adopted Report of Market Conduct Examination and a copy this ORDER ADOPTING REPORT OF MARKET CONDUCT EXAMINATION, DIRECTING CORRECTIVE ACTION AND ASSESSING PENALTY;
- E. It is further **ORDERED** that Monumental shall file a Corrective Action Plan which will be subject to the approval of the Insurance Commissioner. The Corrective Action Plan shall detail Monumental' s changes to its procedures and/or internal policies to ensure compliance with the West Virginia Code and incorporate all recommendations of the Insurance Commissioner's examiners

and address all violations specifically cited in the Report of Market Conduct Examination. The Corrective Action Plan must be submitted in accordance with the Regulatory Settlement Agreement entered into with the participating states. Said Regulatory Settlement Agreement is adopted and incorporated herein by reference.

- F. It is further **ORDERED** that Monumental shall ensure compliance with the West Virginia Code and the Code of State Rules.

Entered this 23rd day of December, 2013



The Honorable Michael D. Riley
Insurance Commissioner

Report of Market Conduct Examination

As of December 31, 2010



Monumental Life Insurance Company

4333 Edgewood Rd NE
Cedar Rapids, IA 52499

NAIC COMPANY CODE	66281
Examination Number	KY215-M31
W.Va. Case No.	11-MCCA-02003

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August 29, 2013

The Honorable Michael D. Riley
West Virginia Insurance Commissioner
1124 Smith Street
Charleston, West Virginia 25301

Dear Commissioner Riley:

Pursuant to your instructions and in accordance with W.Va. Code §33-2-9, an examination has been made as of December 31, 2010 of the business affairs of

Monumental Life Insurance Company
4333 Edgewood Rd NE
Cedar Rapids, IA 52499

hereinafter referred to as the "Company". The following report of the findings of this examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

The basic business areas that were examined during this examination were:

- A. Company Operations/Management
- B. Complaint Handling
- C. Marketing and Sales
- D. Producer Licensing
- E. Policyholder Services
- F. Underwriting and Rating
- G. Claims Handling

Each business area has standard reviews that the examination measured. Some standard reviews have specific statutory guidance and/or legislative rules, others have specific Company guidelines, and yet others have contractual guidelines. This was a regional multi-state examination including West Virginia, Virginia and Kentucky, Kentucky being the lead state.

The examination focused on the methods used by the Company to manage its operations for each of the business areas subject to this examination. This includes an analysis of how the Company communicates its instructions and intentions to its staff, how it measures and monitors the results of those communications, and how it reacts to and modifies its communications based on the resulting findings of the measurement and monitoring activities. The examiners also determine whether this process is dynamic and results in enhanced compliance activities. Because of the predictive value of this form of analysis, focus is then directed to those areas in which the process used by management does not appear to be achieving appropriate levels of statutory and regulatory compliance. Nevertheless, most areas are tested to see that the Company complies with West Virginia statutes and rules.

This examination report is a report by test rather than a report by exception. This means that all areas tested are described and the results indicated.

The examiners may not have discovered every unacceptable or non-compliant activity in which the Company is engaged. The failure to identify, comment on, or criticize specific Company practices does not constitute an acceptance of the practices by the Department.

EXECUTIVE SUMMARY

The market conduct examination of the Company began on November 8, 2011 and concluded on August 31, 2012. The period of review was January 1, 2010 through December 31, 2010. This was a regional multi-state examination including West Virginia, Virginia and Kentucky, Kentucky being the lead state.

The WVOIC relied upon Kentucky's review of Company history, the Company's disaster recovery plan, procedures on information security and fraud detection and investigation, and review of marketing and sales.

The WVOIC examination covered thirty-six (36) standards from the 2011 NAIC Market Regulation Handbook. One (1) standard did not meet the error tolerance level therefore indicating a "failure" of the standard. Although there were additional violations found during the examination, the error ratios fell within error tolerance levels, therefore warranting a "pass" for the remaining thirty-five (35) standards.

The following list summarizes issues raised in this report:

Exceeded Error Tolerance Level

- The Company failed to use forms that were approved by the WVOIC.
 - Eleven (11) instances where the company utilized direct mail offers for "no cost to you" Accidental Death coverage. After returning the form to the Company, the proposed insured(s) were notified by letter that the particular plan indicated is not available to residents of West Virginia. The Company indicated no coverage was issued in West Virginia for this plan.
 - Eleven (11) instances where the company issued group policy certificates that were not approved by the WVOIC.
 - Twenty-eight (28) instances where the company utilized group policy forms (direct response advertisement) that were not approved by the WVOIC.

Within Error Tolerance Level

- The Company failed to comply with the state retention requirements by not accurately accounting for or tracking rescission policies.
- The Company failed to have in file and was unable to produce the termination letter on two (2) terminated agents.
- One (1) instance the Company failed to make initial contact with the claimant in a timely manner.

- The Company failed to adhere to the W. Va. Code and rules, regulations and policy provisions in regards to claims and the incontestability clause for internal replacement policies.

During the examination process, the Company agreed to: remediate two (2) claim errors in the amounts of \$8,803.49 and \$3,173.69, change its records retention practices, forward group certificates as required, obtain approval for required filings and correct content of forms still being utilized, review/retrain Company procedure policies for responding to claimants in a timely manner, as well as retraining for claim instances that pertain to the incontestability clause for internal replacement policies.

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

To date West Virginia Offices of Insurance Commissioner ("WVOIC") had not conducted an examination of Monumental Life Insurance Company. As such, there are no previous recommendations to check compliance.

HISTORY AND PROFILE

Per the West Virginia Secretary of State's office, Monumental Life Insurance Company became licensed to do business in the state on April 1, 1967.

As of the Company's December 31, 2010 annual statement for West Virginia, Monumental Life Insurance Company reported direct premium sales for life insurance considerations in the amount of \$20,077,422 and direct premiums for accident and health insurance in the amount of \$3,858,591.

METHODOLOGY

The examination was based on the standards and tests for market conduct examinations of life and health insurers found in Chapter XVI, XIX and XX of the NAIC Market Regulation Handbook and in accordance with West Virginia statutes and rules.

Some of the business areas were measured using a single type of review, while others used a combination or all types of review. The types of review used in this examination fall into three general categories: Generic, Sample, and Electronic.

A "Generic" review indicates that business areas were tested through an analysis of general data gathered by the examiner, or provided by the examinee in response to queries by the examiner.

A "Sample" review indicates that business areas were tested through direct review of a random sample of files using automated sampling software. For statistical purposes, an error tolerance level of 7% was used for claims and a 10% tolerance was used for other types of review.

An "Electronic" review indicates that business areas were tested through use of a computer program or routine applied to a download of computer records provided by the examinee. This type of review typically reviews 100% of the records of a particular type.

Business areas were measured using tests designed to adequately measure how the Company met certain benchmarks. The various tests utilized are set forth in the NAIC Market Regulation Handbook. In some cases, a review is applicable to more than one phase of the examination. When that occurs, the reader is then directed to the first occurrence of that review for the results of testing, in order to avoid redundancy.

A. COMPANY OPERATIONS / MANAGEMENT

The evaluation of this business area is based on a review of Company responses to information requests, questions, interviews, and presentations made to the examiner. This portion of the examination is designed to provide a view of how the Company is structured and how it operates and is not based on sampling techniques. Many troubled companies have become so because management has not been structured to adequately recognize and address problems that can arise. Well run companies generally have processes that are similar in structure. While these processes vary in detail and effectiveness from company to company, the absence of them or the ineffective application of them are often reflected in failure of the various standards tested throughout the examination. The processes usually include:

- A planning function where direction, policy, objectives and goals are formulated;
- An execution or implementation of the planning function elements;
- A measurement function that considers the results of the planning and execution; and
- A reaction function that utilizes the results of measurement to take corrective action or to modify the process to develop more efficient and effective management of its operations.

State Record Retention Requirement

The review methodology is generic and based on NAIC Market Regulation Handbook - Chapter XVI, §A, Standard 7. This review has a direct legislative rule requirement W. Va. Code St. R. §§114-15-1 and 4. The review is intended to assure that an adequate and accessible record exists of the Company's transactions. The focus is on the records and actions considered in a market conduct examination such as, but not limited to, trade practices, claim practices, policy selection and issuance, rating, and complaint handling, etc. Inadequate, disorderly, inconsistent, and inaccessible records can lead to inappropriate rates and other issues, which can provide harm to the public.

The data provided by the Company for this examination indicated no rescissions for the exam period. However, during the course of the examiners review, three (3) individual life claim sample were rescinded... (ref. WV OM-2). *This is a violation of W.Va. Code St. R. §§114-15-4.3, 4.8 and 4.9.*

Licensed for the Line(s) of Business

The review methodology is generic and based on NAIC Market Regulation Handbook - Chapter XVI, § A, Standard 8. This review has a direct statutory requirement W. Va. Code §§33-1-10 and 33-3-1. The review is intended to assure the Company's operations are in conformance with its certificate of authority.

The Company has a valid West Virginia Certificate of Authority to transact business for Life, Accident & Sickness, Variable Annuities and Variable life. The Company is acting within the scope of its authority.

No violations noted.

Data Reported to WVOIC is Complete and Accurate

The review methodology is generic and based on NAIC Market Regulation Handbook - Chapter XVI, §A, Standard 18. This review has no direct statutory requirement. The review is intended to assure that the Company provides complete and accurate data to The West Virginia Offices of the Insurance Commissioner.

The Company was asked to provide a reconciliation of specific examination data to 2010 NAIC MCAS data and the 2010 State Page of their Annual Statement. The submitted reconciliation was reviewed and was determined acceptable to the satisfaction of the WVOIC.

No violations noted.

B. COMPLAINT HANDLING

Evaluations of this business area is based on Company responses to various requests for information and the review of the Company's complaint files. W. Va. Code §33-11-4(10) requires the Company to "...maintain a complete record of all the complaints which it has received since the date of its last examination." The statute also requires that "this 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." The definition of a complaint is "any written communication primarily expressing a grievance."

Complaint Register

The review methodology is sample and generic and based on NAIC Market Regulation Handbook - Chapter XVI, §B, Standard 1. This review has a direct statutory requirement W. Va. Code §33-11-4(10) and legislative rule W. Va. Code St. R. §114-15-4.6. The review is concerned with whether the Company keeps formal track of complaints or grievances as required by statute. An insurer is required to maintain a complete record of all complaints received. The record must indicate the total number of complaints since the last examination, the classification of each complaint by line of insurance, the nature of each complaint, the disposition of each complaint, and the time it took to process each complaint.

The Company provided complaint registers for both WVOIC generated and Company received complaints. The examiners review of the sampled policies and claim did not reveal any additional complaints.

No violations noted.

Complaint Handling Procedures

The review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §B, Standard 2. This review is concerned with whether the Company has adequate complaint handling procedures in place and communicates such procedures to policyholders.

The examiner's review of the Company's complaint handling procedures indicates definition of complaint, responding to complaints and complaint handling procedures. The Company's complaint handling procedures appear to be compliant.

No violations noted.

Finalization and Disposition of the Complaint

The review methodology is generic and based on NAIC Market Regulation Handbook - Chapter XVI, §B, Standard 3. This review has a direct legislative rule requirement W.Va. Code St. R. §114-14-5.2. The review is concerned with whether the Company has an adequate complaint handling procedure and whether the Company takes adequate steps to resolve and finalize complaints in accordance with applicable statutes, rules and regulations and contract language.

The examiners review of twenty-four (24) complaints consisting of nineteen (19) WVOIC and five (5) Company internal complaints indicate that the Company took adequate steps to respond to the complaint.

No violations noted.

Time Frame of Response to Complaints

The review methodology is sample and based on NAIC Market Regulation Handbook - Chapter XVI, §B, Standard 4. This review does not have a direct statutory requirement however timeliness is inferred. In the case of complaints concerning claims, direct time requirements found in regulation. The review is concerned with whether the Company responded to complaints timely. West Virginia's complaint handling section uses a fifteen (15) working day standard for responses to complaints.

The examiner's review of the twenty-four (24) complaints consisting of nineteen (19) WVOIC and five (5) Company internal complaints indicates the Company's responses were timely.

No violations noted.

C. MARKETING AND SALES

The evaluation of this business area is based on review of Company responses to information requests, questions, interviews, and presentations made to the examiner. This portion of the examination is designed to evaluate the representations made by the Company about its product(s). It is not typically based on sampling techniques but can be. The areas to be considered in this kind of review include all media (radio, television, videotape, etc.), written and verbal advertising and sales materials.

Advertising and Sales Materials in Compliance

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §C, Standard 1. This review has a direct statutory requirement W. Va. Code §33-11-4 and legislative rule W. Va. Code St. R. §114-11-1. The review is intended to assure compliance with the prohibitions on misrepresentation. It is concerned with all forms of media (print, radio, television, etc.).

In order to reduce duplication of effort, West Virginia relied on Kentucky's review for this section of the examination. To the extent corrective action is deemed appropriate for Kentucky, the company is expected to apply corrective action to advertising materials utilized in West Virginia as appropriate. The Company also indicated they are to begin filing advertising for prior approval as appropriate. (Ref. WV AD-1)

Insurer's Rules Pertaining to Insurer Requirements with Replacements

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XIX, §C, Standard 2. This review has a direct legislative rule requirement W. Va. Code St. R. §114-8 et seq. The review is aimed at assuring compliance by insurers and producers with respect to the replacement of life and annuity purchasers.

The examiners reviewed a sample of fifty (50) replacement policies; one (1) file was determined to be not applicable and not considered a replacement, per Company file notes and examiner review there was no information in the file to indicate the file as a replacement.

The examiner's review of the sample indicated that the Company is in compliance in regards to replacement of life policies and annuities.

No violations noted.

Illustration Contains All Required Information and is Delivered

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XIX, §C, Standard 4. This review has a direct legislative rule requirement W. Va. Code St. R. §114-11C et seq. The review is aimed at assuring compliance with the prohibitions on misrepresentation.

The examiners requested, received and reviewed a sample of fifty (50) randomly selected replacement policies; one (1) file was determined to be not applicable, as it was not considered a replacement, as per the Company file notes and examiner review there was no information in the file to indicate file as a replacement. The examiners requested, received and reviewed fifty (50) randomly selected individual issued policies; two (2) files determined to be not applicable, as they were not issued.

The examiners' review of samples containing illustrations indicated that forms were provided and contained all necessary information.

No violations noted.

Insurer has Suitability Standard for its Products

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XIX, §C, Standard 5. This review has a legislative rule requirement W.Va. Code St. R. §§114-11C et seq., 114-11A, 114-11E, 114-8-4.3 & 114-8-4.4. The review is aimed at assuring compliance by insurers and producers with respect to minimum standards and guidelines for determining suitability, specifically determining if there are instances of encouraging multiple sales, over-insurance of policyholders and predatory sales practices.

The examiners requested, received and reviewed a sample of fifty (50) randomly selected replacement policies; one (1) file was determined to be not applicable was not considered a replacement, per Company file notes and examiner review there was no information in the file to indicate the file as a replacement.

The examiners' review indicated that the Company suitability standards are compliant.

No violations noted.

D. PRODUCER LICENSING

The evaluation of this business area is based on review of the Insurance Commissioner's files and Company responses to information requests, questions, interviews, and presentations made to the examiner. This portion of the examination is designed to test the Company's compliance with West Virginia producer licensing laws and rules.

Records of Licensed and Appointed Agents/Producers

Review methodology is electronic and based on NAIC Market Regulation Handbook - Chapter XVI, §D, Standard 1. The review has a direct statutory requirement W. Va. Code §§33-12-3 and 33-12-18. It is not file specific. The review is aimed at assuring compliance with the requirement that producers be properly licensed and appointed. Such producers are presumed to have met the test to be qualified for such license. W.Va. Code §33-12-3 states, "No person shall in West Virginia act as or hold himself out to be an agent, broker or solicitor, nor shall any person in any manner solicit, negotiate, make or procure insurance covering subjects of insurance resident, located or to be performed in West Virginia, unless then licensed therefore pursuant to this article." W.Va. Code §33-12-3(d) states, "No insurer shall accept any business from or pay any commission to any individual insurance producer who does not then hold an appointment as an individual insurance producer for such insurer pursuant to this article."

The Company provided a list of West Virginia agents and their status as of December 31, 2010. The examiner's comparison and review of the Company listing to the WVOIC listing did not indicate any discrepancies.

No violations noted.

Properly Licensed and Appointed

Review is based on NAIC Market Regulation Handbook - Chapter XVI, §D, Standard 2. This review has a direct statutory requirement W. Va. Code §§33-12-3 and 33-12-18. The review is aimed at assuring compliance with the requirement that producers be properly licensed and appointed for business solicited in West Virginia.

The examiners reviewed the samples of fifty (50) individual issued policies, fifty (50) replacement policies and fifty (50) declined policies. Two (2) individual issued policies were determined to be not applicable, as they were not issued, one (1) replacement policy was determined to be not applicable as it was not a replacement per Company notes and examiner's review and eight (8) declined policies were determined to be not applicable as they were not in the examination period. The examiner's review of the sampled policies did not indicate any unlicensed producer / agents.

No violations noted.

Termination of Agents / Producers

Review is based on NAIC Market Regulation Handbook - Chapter XVI, § D, Standard 3. This review has a direct statutory requirement W. Va. Code §33-12-25 and legislative rule W. Va. Code St. R. §114-2. It is generally not file specific. The review is aimed at avoiding unlicensed placements of insurance.

The examiners reviewed the sample of fifty (50) individual issued policies and fifty (50) replacement policies. Two (2) individual issued policies were determined to be not applicable, as they were not issued. One (1) replacement policy was determined to be not applicable as it was not a replacement per Company notes and examiner's. The examiner's review of the sampled policies did not indicate any policy that was issued with an unlicensed agent / producer.

No violations noted.

Agent / Producer Appointment and Termination Policy

Review methodology for this standard is generic and based on NAIC Market Regulation Handbook - Chapter XVI, §D, Standard 4. This review does not have a direct statutory requirement. It is generally not file-specific. The review is concerned with potential geographical discrimination through the insurer's selection and instructions to its producers.

The examiner's review of the provided agent appointment and termination material did not indicate any unfair discrimination against policyholders.

No violations noted.

Records Document Reason(s) for Terminations

Review is based on NAIC Market Regulation Handbook - Chapter XVI, §D, Standard 5. This review has a direct statutory requirement W. Va. Code §33-12-25 and legislative rule W. Va. Code St. R. §§114-2-1 and 114-15-1. It is generally file specific. The review is intended to aid in the identification of producers involved in unprofessional behavior, which is harmful to the public. W.Va. Code §33-12-25 provides, "(a) An insurer or authorized representative of the insurer that terminates the appointment, employment, contract or other insurance business relationship with a producer shall notify the Insurance Commissioner within thirty days following the effective date of the termination, using a format prescribed by the Insurance Commissioner.... Upon written request of the Insurance Commissioner, the insurer shall provide additional information, documents, records or other data pertaining to the termination or activity of the producer...(d)(1) At the time of making the notification...the insurer shall simultaneously mail a copy of the notification to the producer at his or her last known address..."

The Company provided four (4) terminated for cause, agent files. The examiners review of the files indicates that the Company provided appropriate notification to the WVOIC.

The WVOIC sampled fifty (50) of one hundred eighty two (182) terminated agent files. Sixteen (16) were selected that had the following terminated reason on the spreadsheet: Human Resources / Compliance Issues, Failure to Adapt to Sales Position, No Reason, Position being eliminated, Failure to generate sufficient new sales, Another job and the remaining thirty-four (34) were randomly selected by using ACL.

Per examiner's review, two (2) of the agent / producer files did not contain the appropriate termination letter to the agent / producer. (Ref. WV PL-1) *This is a violation of W. Va. Code St. R. §114-15-4.5 "...Licensing records shall be maintained so as to show clearly the licensing status of the producer at the time of solicitation, negotiation or procurement, dates of the appointments and terminations of each producer, and any document relating to a termination of the producer's appointment, including but not limited to producer termination letters that must include the specific reason for termination".*

E. POLICYHOLDER SERVICES

The evaluation of this business area is based on review of Company responses to information requests, questions and interviews, presentations made to the examiner, files and file samples during the examination process. The policyholder service portion of the examination is designed to test a company's compliance with statutes regarding notice/billing, delays/no response, premium refund, and coverage questions.

Premium Notices and Billing Notices Are Sent Out With an Adequate Amount of Advance Notice

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §E, Standard 1. There is no direct statutory requirement. The review is intended to provide insureds with information in a timely fashion so they can make informed decisions.

Per examiner's review of sampled policies, the Company's premium and billing notices utilized in large part the scheduled ACH/PAC (Automatic Clearing House/Pre-Authorized Check), as the Company referred to as "Monumatic". There were issued policies with alternative methods of payment such as direct quarterly, semi-annual and annual. The information provided indicated that notifications were extended to the insureds in a timely manner.

No violations noted.

Policy Issuance and Insured- Requested Cancellations Are Timely

Review methodology is generic, sample, and electronic and based on NAIC Market Regulation Handbook - Chapter XVI, §E, Standard 2. There is no direct statutory requirement. The review is intended to provide insureds with information in a timely fashion so they can make informed decisions.

The examiners requested, received and reviewed fifty (50) randomly selected individual issued policies; two (2) files were determined to be not applicable from this sample, as they were not issued. Also reviewed were fifty (50) randomly selected group policies; there were four (4) determined to be not applicable as they were preneed funeral policies. Requested cancellation population reviewed was a sample of fifty (50); there were nine (9) considered not applicable as they were cash surrenders other than insured requested life.

The examiners' review of the sampled policies for issued and cancelled policies did not indicate any unnecessary delay during this process.

No violations noted.

Non-Forfeiture Options

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XIX, §E, Standard 2. This review has a direct statutory requirement W. Va. Code §33-13-30. This standard is intended to provide insureds with appropriate non-forfeiture options.

The examiners requested, received and reviewed fifty (50) randomly selected individual issued policies; there were two (2) files determined to be not applicable from this sample, as they were not issued. Also reviewed were a sample of fifty (50) from the automatic premium loan population, five (5) from the extended term insurance population and five (5) from the reduced paid up population.

Per examiner review of the samples, policies contained the non-forfeiture options. The examiner also noted that some of the policies issued as other than applied for included the form "Amendment to Application", which indicated how this modification to the policy affected the non-forfeiture options – the applicant would have to sign the form to acknowledge changes as indicated by the form.

No violations noted.

Each Policyowner is Provided an Annual Report

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XIX, §E, Standard 3. This review has a direct statutory requirement W. Va. Code §33-13-7. This standard is intended to provide insureds with an annual report of policy values in accordance with statutes, rules and regulations and, upon request, an in-force illustration or contract policy summary.

The examiners requested, received and reviewed fifty (50) randomly selected cash surrender policies; there were nine (9) determined to be not applicable as they were cash surrenders other than insured requested life. Also reviewed was a random sample of five (5) from the extended term insurance population and five (5) from the reduced paid up population.

Per examiner review of the sampled policies, the Company provided annual reports for the policies indicated in filing(s) approved by WVOIC. Annual reports included information as required by statutes, rules and regulations.

No violations noted.

F. UNDERWRITING AND RATING

The evaluation of this business area is based on a review of Company responses to information requests, questions, interviews, presentations made to the examiner, files and file samples. The underwriting and rating practices portion of the examination is designed to provide a view of how the Company treats the public and whether that treatment comply with applicable statutes and rules. It is typically determined by testing a random sample of files and applying various tests to those files. This review is concerned with compliance issues.

Rates Charged for the Policy

Review methodology is generic and based on NAIC Market Regulation Handbook - Chapter XVI, §F, Standard 1. This review has a direct statutory requirement W. Va. Code §§ 33-11-4(7)(a),(b),(c) & 33-16B-2. It is file-specific. Wide scale application of incorrect rates by a company may raise financial solvency questions or be indicative of inadequate management oversight. Deviation from established rating plans may also indicate a company is engaged in unfair competitive practices.

A sample of fifty (50) individual issue policies was received; two (2) policies were determined to be not applicable due to not being issued.

The examiner's review of the individual issue policies indicated that the Company followed the rate schedule filed with the WVOIC. The Company's use of table rating appeared to be appropriate in the sampled policies.

No violations noted.

Mandated Disclosures are Documented

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §F, Standard 2. This review has a direct statutory requirement W. Va. Code §33-6-8 and legislative rule W. Va. Code St. R. §114-11A. It is necessary to provide insureds with appropriate disclosures, both mandated and reasonable. Without appropriate disclosures, insureds find it difficult to make informed decisions.

A sample of fifty (50) individual issue policies was received; two (2) policies were determined to be not applicable due to not being issued. The sampled issued policies indicated that the appropriate mandated disclosures were documented.

The examiner reviewed a sample of fifty (50) policy loans and the disclosures were documented.

No violations noted.

Illegal Rebating, Commission Cutting or Inducements

Review methodology is generic and sample and based on NAIC Market Regulation Handbook – Chapter XVI, §F, Standard 3. The review has a direct statutory requirement W. Va. Code §§33-12-23 and 33-11-4(8). It is generally file specific. Illegal rebating, commission cutting or other illegal inducements are a form of unfair discrimination.

The examiners did not find any evidence of illegal rebating, commission cutting or inducements during the review of the sample files.

No violations noted.

Underwriting Practices are not Unfairly Discriminatory

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §F, Standard 3. The review has a direct statutory requirement W. Va. Code §33-11-4(7). Insurers must treat all employers and members the same within the same class to ensure no unfairly discriminatory practices occur.

The examiners did not find any evidence of underwriting practices being unfairly discriminatory.

No violations noted.

Forms, Contracts, Riders, Endorsement Forms and Certificates are filed with WVOIC

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §F, Standard 5. The review has a direct statutory requirement W. Va. Code §33-6-8 and legislative rule W. Va. Code St. R. §114-10-18. An insurer is not to issue policies, forms or endorsements that have not been filed with and approved by the WVOIC.

The examiner noted eleven (11) declination files that were direct mail offers for “no-cost-to-you” Accidental Death coverage. However, the company indicated the plan was not available in West Virginia. In addition, the form(s) utilized were not approved by the WVOIC. (Ref. WV UW-1) *This is a violation of W. Va. Code §33-6-8, “No insurance policy form, no group certificate form, no insurance application form...shall be issued for delivery in this state by an insurer unless it has been filed with the commissioner...”*

During the examiner’s review of the fifty (50) group policies issued sample indicated eleven (11) certificates (form CA1000GCM) that were issued and not approved by the WVOIC. (Ref. WV UW-2) *This is a violation of W. Va. Code §33-6-8, “No insurance policy form, no group certificate form, no insurance application form...shall be issued for delivery in this state by an insurer unless it has been filed with the commissioner...”*

Examiner's note: The Company understands that the Department position is that filing of these forms is now required and will take the necessary action to file the forms with the Department as soon as possible.

The examiner's review of the fifty (50) group policy samples indicates twenty-eight (28) sampled group policies had one of the following forms: AD1100GEM (rev. 04/02) Activation Form Accidental Death Insurance, CA4000GAM (Rev. 6/07) Invitation to Apply for Cancer Protection, CA4000GAM Confirmation of Enrollment Cancer Plan, CA1000GEM (4/95) Cancer Care Plan were not approved for use in West Virginia. (Ref. WV UW-4) *This is a violation of W. Va. Code St. R. §114-10-18.1, "Filing of advertisements. -- The Commissioner in his discretion may require that an insurer file with this Department, for review prior to use, direct response advertising materials. When so required, such advertising materials must be filed not less than a reasonable time to be specified by the Commissioner prior to the date the insurer desires to use the advertisement in West Virginia."*

Examiner's note: The Company responded: "W. Va. Code §33-6-8 (a) states in part, "No insurance policy form, no group certificate form, no insurance application form where a written application is required and is to be made a part of the policy..." Form AD1100GEM is not an application but is an enrollment form, this enrollment form is not made a part of the policy. Form CA4000GAM (Rev. 6/07) and form CA1000GEM (4/95) are applications and the Company believed that these forms as well as the Cancer policy forms, issued to residents of West Virginia under association policies issued out of state, were acknowledged to be exempt from filing under W. Va. §33-6-8 (e) which states in part, "... any mass marketed life and/or health insurance policy offered to members of any association by an association where the primary purpose of such association is other than the sale of insurance to its members, shall be exempt from the provision requiring prior approval under this section."

The Company understands that the Department's position is that filing of these forms is now required and will take the necessary action to file the forms with the Department as soon as possible.

This results in an error ratio of 17%, exceeding the 10% error tolerance applied.

Policies, Riders and Endorsements are Issued/Renewed Accurately, Timely and Completely

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §F, Standard 6. The review has a direct insurance statutory requirement W. Va. Code §§33-15-2, 33-16-3, 33-29-5. Insurers must provide the proper insurance coverage for which the insured requested in the application process and in a timely basis.

A sample of fifty (50) individual and fifty (50) group issue policies was received; two (2) individual issue policies were determined to be not applicable due to not being issued and

four (4) group issue policies were determined to be not applicable as they were preneed funeral policies.

During the examiner's review, four (4) group policy certificate holders were not provided form AD2000GCM – Group Non-Contributory Accidental Death & Dismemberment Insurance Certificate regarding the \$2,500 No Cost To You. (Ref. WV UW-3) *This is a violation of W. Va. Code §33-16-3(b) "...the insurer will furnish to the policyholder, for delivery to each employee or member of the insured group, an individual certificate setting forth in substance the essential features of the insurance coverage..."*.

Examiner's Note: The Company responded: "Due to a miscommunication regarding issuance, the certificates in question were not generated for distribution by the administrator. The Company has addressed this issue, and all such certificates will be timely distributed going forward."

Rejections and Declinations are not Unfairly Discriminatory

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §F, Standard 7. The review has a direct statutory requirement W.Va. Code §§ 33-11-4 & 33-11-7 and legislative rule W.Va. Code St. R. §114-15-4.3(b), stating an insurer must use valid reasons for rejections/declinations and document those reasons and shall maintain all declined application files. Insurers must maintain copies of all communications associated with an application for coverage.

The declination sample included fifty (50) files; eight (8) files were determined to be not applicable as they were not in the examination period. Eleven (11) declination files are commented upon (ref. WV UW-1) in section 'Forms, Contracts, Riders, Endorsement Forms and Certificates are filed with WVOIC.'

The examiner's review of the declination files did not indicate any discriminatory action by the Company.

No violations noted.

Cancellation/nonrenewal, Discontinuance and Declination Notices Comply

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §F, Standard 8. The review has a direct statutory requirement W.Va. Code §§33-2-9, 33-14-9 and legislative rule W.Va. Code St. R. §114-15-4.3(b). This review is to determine if the Company's cancellation/nonrenewal, discontinuance and declination notices comply with W. Va. Code and rules, regulations and policy provisions.

Per examiners review of the sampled policies, notices regarding cancellation/nonrenewal, discontinuance and declination complied with policy provisions, state laws and the regulated entity's guidelines.

No violations noted.

Rescissions are not Made for Non-Material Misrepresentation

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §F, Standard 9. The review has a direct statutory requirement W.Va. Code §33-6-7. The intent is to ensure rescission of coverage occurs only when it is determined that material information required for an underwriter to make an adequate assessment of risk was not provided to the insurer.

The Company originally indicated no rescissions were made in the examination period. The examiner's review of the complaints and policy samples revealed rescissions were made during the examination period. See sections 'State Record Retention Requirement' and 'Denied and Closed-Without-Payment Claims are Handled in Accordance with Policy Provisions'.

The examiners did not find any evidence of rescissions being made for non-material misrepresentation.

No violations noted.

Information on Applications

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XIX, §F, Standard 1. The review has a direct statutory requirement W. Va. Code §§33-6-5a, 33-6-6 and 33-6-7. The intent is to ensure coverages are issued as applied for, that the Company has a verification process of application information, non-forfeiture options and automatic premium options are disclosed/chosen, as well as any changes should show applicant initials, as well as correct signatures indicated on the application or any supplemental applications as necessary.

The examiner reviewed the applications in the individual issued policy sample. The sampled policies indicated the applications were completed appropriately and included signatures.

No violations noted.

Complies with the requirements for AIDS-related concerns.

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XIX, §F, Standard 2. The review has a direct legislative rule requirement W. Va. Code St. R. §114-27. The intent is to determine if the regulated entity follows West Virginia statutes, rules and regulations concerning AIDS-related underwriting questions and AIDS testing.

The Company provided the appropriate completed forms when testing the applicant regarding AIDS virus (HIV) antibody/antigen testing in the sampled policies reviewed.

No violations noted.

G. CLAIMS PRACTICES

The evaluation of this business area is based on the Company's responses to informational items requested by the examiner and file sampling during the examination process. This portion of the examination is designed to provide a view of how the Company treats claimants and whether that treatment is in compliance with applicable statutes, rules and regulations.

Initial Contact by the Regulated Entity with the Claimant is Within Required Time Frame

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §G, Standard 1. This review has a direct statutory requirement W.Va. Codes §§ 33-11-4(9)(b) & 33-13-14 and legislative rule W.Va. Code St. R. § 114-14-1 et seq. This review derives directly from W. Va. Code § 33-11-4(9) (b) which states, "Failing to acknowledge and act reasonably upon communication with respect to claims arising under insurance policies."

The WVOIC requested, received and reviewed a random sample of fifty (50) group health claims, of those twenty-five (25) were considered not applicable as they were Medicare Supplements; a random sample of fifty (50) group life claims, thirty-four (34) considered not applicable as they were preneed funeral claims; a random sample of fifty (50) individual health claims, twelve (12) considered not applicable as they were Medicare Supplement; and a random sample of fifty (50) individual life claims, four (4) considered not applicable as three (3) were preneed funeral policies and one (1) was an assignment to a funeral home.

The company failed to timely acknowledge one (1) group life claim sampled. (ref. WV CL-2) This is a violation of W. Va. Code §§33-11-4(9)(b) & (e) "Failing to acknowledge and act reasonably promptly upon communications with respect to claims..." & "Failing to affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed", 33-13-14 "...when a policy shall become a claim by the death of the insured settlement shall be made upon receipt of due proof of death...shall not exceed two months..." and W. Va. Code St. R. §114-14-5 & 6 "Every insurer upon receiving notification of a claim shall, within fifteen (15) working days, acknowledge the receipt of such notice unless full payment is made within such period of time" and "Every insurer shall provide...notification of all items, statements and forms...within fifteen (15) working days of receiving notice of the claim."

Examiner's Note: The Company agrees this claim was not acknowledged within a reasonable time after notification of claim. The Company indicates they do have procedures in place to forward claim paperwork to the Claims Department if another Department or Business Unit receives it. The Company indicated that re-training on this process has occurred.

Claims Resolved in A Timely Manner

Review methodology is generic, sample, and electronic and based on NAIC Market Regulation Handbook - Chapter XVI, §G, Standard 3. This review has a direct statutory requirement W. Va. Code §33-11-4(9) and legislative rule W. Va. Code St. R. §114-6.7. This review is to determine if the Company is resolving claims submitted in a timely manner.

The WVOIC requested, received and reviewed a random sample of fifty (50) group health claims, of those twenty-five (25) were considered not applicable as they were Medicare Supplements; a random sample of fifty (50) group life claims, thirty-four (34) considered not applicable as they were preneed funeral claims; a random sample of fifty (50) individual health claims, twelve (12) considered not applicable as they were Medicare Supplement; and a random sample of fifty (50) individual life claims, four (4) considered not applicable as three (3) were preneed funeral policies and one (1) was an assignment to a funeral home.

The examiner's review of the sampled claim files indicated the Company resolved the claims submitted in a timely manner. Although one (1) group life claim (see Initial Contact by Regulated Entity) was not acknowledged in a timely manner, though the Company did resolve the claim timely once acknowledged.

No violations noted.

Claims Are Properly Handled

The methodology for this review is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §G, Standard 6. This review has a direct statutory requirement W. Va. Code §33-11-4(9) and legislative rule W. Va. Code St. R. §114-14-6. This review is to determine if the Company is properly handling the claims pertaining to W. Va. Code and rules, regulations and policy provisions.

The WVOIC requested, received and reviewed a random sample of fifty (50) group health claims, of those twenty-five (25) were considered not applicable as they were Medicare Supplements; a random sample of fifty (50) group life claims, thirty-four (34) considered not applicable as they were preneed funeral claims; a random sample of fifty (50) individual health claims, twelve (12) considered not applicable as they were Medicare Supplement; and a random sample of fifty (50) individual life claims, four (4) considered not applicable as three (3) were preneed funeral policies and one (1) was an assignment to a funeral home.

The examiner's review of the sample claim files indicate the Company appeared to be in compliance for proper handling other than the exceptions listed in the following areas of the report. See sections: "Initial Contact by the Regulated Entity with the Claimant is Within Required Time Frame" and "Denied & Closed-Without-Payment Claims are Handled in Accordance with Policy Provisions".

Examiner's Note: Other than the notated exceptions indicated in "Initial Contact by the Regulated Entity with the Claimant is Within Required Time Frame" and "Denied & Closed-Without-Payment Claims are handled in Accordance with Policy Provisions", no other exceptions were noted.

Denied & Closed-Without-Payment Claims are Handled in Accordance with Policy Provisions

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §G, Standard 9. This review has a direct statutory requirement W.Va. Code §§33-11-4(9) and 33-11-5a and legislative rule W.Va. Code St. R. §§114-8-6 and 114-14-6. This review is to determine if the Company is properly handling denied and closed without payment claims pertaining to W. Va. Code and rules, regulations and policy provisions.

The WVOIC requested, received and reviewed a random sample of fifty (50) group health claims, of those twenty-five (25) were considered not applicable as they were Medicare Supplements; a random sample of fifty (50) group life claims, thirty-four (34) considered not applicable as they were preneed funeral claims; a random sample of fifty (50) individual health claims, twelve (12) considered not applicable as they were Medicare Supplement; and a random sample of fifty (50) individual life claims, four (4) considered not applicable as three (3) were preneed funeral policies and one (1) was an assignment to a funeral home.

Review of replacement policies sampled indicated one (1) internal replacement of a policy that did not adhere to the incontestability clause. (Ref. WV CL-1) *This is a violation of W. Va. Code §33-11-5 a (b) (1) "the new life insurance issued by the replacing insurer will not be contestable by it in the event of such insured's death to any greater extent than the existing life insurance would have been contestable" and W. Va. Code St. R. §114-8-6.2 "In transactions where the replacing insurer and existing insurer are the same...allow credit for the period of time that has elapsed...up to the face amount of the existing policy..."*

Examiner's note: The Company agreed and a letter of explanation was sent to the beneficiary stating an error had been found due to the Market Conduct Exam performed by the State of West Virginia, as per code, and a check in the amount of \$8,803.49 was issued to the beneficiary. As a result, the WVOIC requested an extended time of review of files from 2008 to current to check for severity of this scenario occurring. One additional instance was found and the Company forwarded a letter of explanation and a check in the amount of \$3,173.69 was issued to the beneficiary. In addition, the Company completed an extended review for other states as well.

Cancelled Benefit Checks and Drafts Reflect Appropriate Claim Handling Practices

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §G, Standard 10. This review does not have a direct statutory requirement. This review is to determine if the Company has appropriate claim handling

practices concerning cancelled benefit checks and drafts pertaining to W. Va. Code and rules, regulations and policy provisions.

The WVOIC requested, received and reviewed a random sample of fifty (50) group health claims, of those twenty-five (25) were considered not applicable as they were Medicare Supplements; a random sample of fifty (50) group life claims, thirty-four (34) considered not applicable as they were preneed funeral claims; a random sample of fifty (50) individual health claims, twelve (12) considered not applicable as they were Medicare Supplement; and a random sample of fifty (50) individual life claims, four (4) considered not applicable as three (3) were preneed funeral policies and one (1) was an assignment to a funeral home.

The examiners' review of the claim sample indicated that checks and drafts complied with claim handling practices, included proper amount, and were timely.

Examiner's note: Per Kentucky review, the Company discontinued the use of retained asset accounts in early 2011.

No violations noted.

SUMMARY OF EXAMINERS' FINDINGS

Company Operations/Management

State Record Retention Requirement

The Company indicated no rescissions during exam period, however, rescissions were found throughout other samples during the review. This is a violation of W.Va. Code St. R. §§114-15-4.3, 4.8 and 4.9.

Marketing and Sales

Advertising and Sales Materials in Compliance

The Company utilized advertising that did not comply with W. Va. Code and Regulations regarding content and prior approval when appropriate.

Producer Licensing

Records Document Reason(s) for Terminations

The Company agent / producer files did not contain the appropriate termination letter to the agent/producer in two files. This is a violation of W. Va. Code St. R. §114-15-4.5.

Underwriting and Rating

Forms, Contracts, Riders, Endorsement Forms and Certificates are filed with WVOIC

- The Company used direct mail offers for "no-cost-to-you" Accidental Death coverage, which were declined, as "...plan is not available to residents in your state". The form used in the direct sale was not approved by the WVOIC. This is a violation of W. Va. Code §33-6-8.
- The Company issued group certificates that were not approved by the WVOIC. This is a violation of W. Va. Code §33-6-8.
- The Company used the following forms in the group policy sample: AD1100GEM (rev. 04/02) Activation Form Accidental Death Insurance, CA4000GAM (Rev. 6/07) Invitation to Apply for Cancer Protection, which was not approved by the WVOIC. This is a violation of W. Va. Code St. R. §114-10-18.1.

Policies, Riders and Endorsements are Issued/Renewed Accurately, Timely and Completely the Company did not provide certificates to four (4) group policy members. This is a violation of W. Va. Code §33-16-3.

Claims Practices

Initial Contact

The Company failed to acknowledge the receipt of notice of claim from the claimant within 15 days. This is a violation of W. Va. Code §§33-11-4(9)(b) & (c) & 33-13-14 and W. Va. Code St. R. §114-14-5 & 6.

Denied and Closed-Without-Payment Claims are Handled in Accordance with Policy Provisions

The Company declined an internal replacement individual life insurance claim stating the incontestability clause, however, credit of policy in force was not given from the original replaced policy, which exceeded the two years. This is a violation of W. Va. Code §33-11-5 a (b) (1) and W. Va. Code St. R. §114-8-6.2.

CORRECTIVE ACTION PLAN

Based on the findings stated in this report, the examiners recommend that the Company implement the following corrective actions. Monumental Life Insurance Company shall:

- Take steps to ensure compliance with W. Va. Code St. R. §§114-15-4.3, 4.8 and 4.9 for compliance of proper record retention and file maintenance. Note: During the examination review, the Company's initial response was that there were no rescissions during the exam period, however, rescissions were found during review and the Company responded that this was due to human error. The Company has reinforced their requirement to follow set up procedures with appropriate staff to ensure proper record retention and file maintenance.
- Review all advertisements and policy forms for current use to ensure compliance with W. Va. Code §33-11-4 and legislative rule W. Va. Code St. R. §114-11-1, assuring all information provides full and accurate disclosure. Note: During the examination review, the Company implemented corrective action in regards to advertising and policy language by filing Accident and Sickness advertising and assuring full and accurate disclosure.
- Establish and/or maintain procedures and training to comply with W. Va. Code St. R. §114-15-4.5 on retaining proper documentation on agent terminations. Note: During the examination review, the Company agreed that documents were not retained in two (2) agent files, however new procedures have been implemented for compliance by including all documents in agent files.
- Establish and/or maintain procedures and training to comply with W. Va. Code §33-6-8 by obtaining prior approval for use of forms. As well as complying with W. Va. Code St. R. §114-10-18.1 in regards to prior approval for advertisements as appropriate. Note: During examination review, the Company implemented corrective action to implement the procedure going forward to be to file forms with the Department prior to use. Forms indicated in WV UW-1 and WV UW-2 have since been filed and approved for use by the West Virginia Offices of the Insurance Commissioner.
- Establish and/or maintain procedures and training to assure compliance with W. Va. Code §33-16-3, in that group certificates are provided as required. Note: During the examination review, the Company responded that the issue was due to miscommunication and that the issue had been addressed and all such certificates will be timely distributed going forward.
- Establish and/or maintain procedures and training to assure compliance with W. Va. Code §§33-11-4(9)(b) & (e) & 33-13-14 and W. Va. Code St. R. §114-14-5 & 6, in that proper and timely acknowledgement is made upon receipt of a claim. Note: During the examination review, the Company agreed a claim had not been timely acknowledged and that procedures for timeliness were already in place, however

retraining was done to reinforce the correct process. The Company will re-enforce procedures for timely acknowledgement of claims.

- Establish and/or maintain procedures and training to assure compliance with W. Va. Code §33-11-5 a (b) (1) and W. Va. Code St. R. §114-8-6, in that proper handling of a claim occurs when in regards to non-forfeiture benefits. Note: During the examination review, the Company responded by completing a claim payment review on all states as applicable and no other situations regarding improper handled non-forfeiture benefits were found. In addition, the Company stated that proper handling of claims had been reiterated with the claims department and refresher training is being planned for the future. The Company will re-enforce procedures for handling of claims in regards to non-forfeiture benefits.

EXAMINER'S SIGNATURE AND ACKNOWLEDGMENT

The examiner would like to acknowledge the cooperation and assistance extended by the Company during the course of the examination.

In addition to the undersigned, Desiree D. Mauller, MCM, CWCP, also participated in the examination.



Robert Parsons CIE, MCM, AIRC, ACS, CICS, CWCP
Examiner in Charge

EXAMINER'S AFFIDAVIT

State of West Virginia
County of Kanawha

EXAMINER'S AFFIDAVIT AS TO STANDARDS AND PROCEDURES
USED IN AN EXAMINATION

I, Robert Parsons, being duly sworn, state as follow:

1. I have the authority to represent West Virginia in the examination of Monumental Life Insurance Company.
2. I have reviewed the examination work papers and examination report, and the examination of Monumental Life Insurance Company was performed in a manner consistent with the standards and procedures required by West Virginia.

The affiant says nothing further.

Robert Parsons

Robert Parsons CIE, MCM, AIRC, ACS, CICSR, CWCP
Examiner in Charge

Subscribed and sworn before me by Robert Parsons on this 27 day of August, 2013

Georgia Lea Cisco
Notary Public

My commission expires 10/11/2014

