

DELAWARE DEPARTMENT OF INSURANCE

MARKET CONDUCT EXAMINATION REPORT

**RiverSource Life Insurance Company
NAIC #65005**

1818 Ameriprise Financial Center
Minneapolis, MN 55474

As of

September 30, 2020

Trinidad Navarro
Commissioner



Delaware Department of Insurance

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of September 30, 2020 on

RiverSource Life Insurance Company

is a true and correct copy of the document filed with this Department.

Attest By:

A handwritten signature in blue ink, appearing to read "Trinidad Navarro", written over a horizontal line.



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 22 day of September, 2021.

A handwritten signature in blue ink, appearing to read "Trinidad Navarro", written over a horizontal line.

Trinidad Navarro
Insurance Commissioner

Trinidad Navarro
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION
OF THE
RiverSource Life Insurance Company
AS OF
September 30, 2020

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.



In Witness Whereof, I have hereunto set my hand
and affixed the official seal of this Department at the
City of Dover, this 22 day of September, 2021.

Handwritten signature of Trinidad Navarro in blue ink.

Trinidad Navarro
Insurance Commissioner

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Honorable Trinidad Navarro Insurance
Commissioner State of Delaware
1351 West North Street
Suite 101
Dover, DE 19904

Dear Commissioner Navarro:

In compliance with the instructions contained in Exam Authority Number 65005-20-ANN-714, and pursuant to statutory provisions including 18 *Del. C.* §§ 318 - 322, a market conduct examination has been conducted of the affairs and practices of:

RiverSource Life Insurance Company
NAIC #65005

The examination was performed as of September 30, 2020. The examination consisted of an off-site phase which was performed at the offices of the Delaware Department of Insurance, hereinafter referred to as the "Department" or "DDOI," or other suitable locations.

The report of examination herein is respectfully submitted.

EXECUTIVE SUMMARY

The examination was announced as part of a series of examinations on companies in the annuity marketplace in Delaware. The examination focused on the Company's annuity and life insurance business in the following areas of operation: Company Operations and Management; Complaint Handling; Marketing and Sales; Producer Licensing; Policyholder Services and Underwriting and Rating. This effort was conducted to gauge the Company's practices in the suitability, replacement and surrender transactions.

All the exceptions were noted in the areas of Complaint Handling, Producer Licensing, Policyholder Services and Underwriting and Rating.

The following exceptions were noted:

8 Exceptions 18 Del. C. § 1716(d)(1). Notification to Insurance Commissioner of Termination.

(d) Copy of notification to be provided to producer. --

(1) Within 15 days after making the notification required by subsections (a), (b) and (c) of this section, the insurer shall mail a copy of the notification to the producer at his or her last known address. If the producer is terminated for cause for any of the reasons listed in § 1712 of this title, the insurer shall provide a copy of the notification to the producer at that producer's last known address by certified mail, return receipt requested, postage prepaid or by overnight delivery using a nationally recognized carrier.

The Company failed to prove that a notification to the producer was sent within 15 days.

2 Exceptions 18 Del. Admin. C. 1204 § 7.3 Duties of Insurers That Use Agents or Brokers

7.3 The replacing insurer shall maintain evidence of the "Notice Regarding Replacement," the Policy Summary, and any Ledger Statements used, and a replacement register, cross indexed, by replacing agent and existing insurer to be replaced. The existing insurer shall maintain evidence of Policy Summaries or Ledger Statements used in any conservation. Evidence that all requirements were met shall be maintained for at least three years or until the conclusion of the next succeeding regular examination by the Insurance Department of its state of domicile, whichever is earlier.

The Company failed to maintain evidence of the "Notice Regarding Replacement".

1 Exception 18 Del. Admin. C. 1204 § 7.4 Duties of Insurers That Use Agents or Brokers

7.4 The replacing insurer shall provide in its policy or in a separate written notice which is delivered with the policy that the applicant has a right to an unconditional refund of all premiums paid, which right may be exercised within a period of twenty days commencing from the date of delivery of the policy.

The Company failed to provide a 20-day period in which the applicant may review the contract.

3 Exceptions 18 Del. C. § 2712(a) Filing, approval of forms.

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(a) No basic insurance policy or annuity contract, form, or application form where written application is required and is to be made a part of the policy or contract or printed rider or endorsement form or form of renewal certificate shall be delivered or issued for delivery in this State, unless the form has been filed with the Commissioner. This provision shall not apply to surety bonds or to specially rated inland marine risks nor to policies, riders, endorsements, or forms of unique character designed for and used with relation to insurance upon a particular subject or which relate to the manner of distribution of benefits or to the reservation of rights and benefits under life or health insurance policies and are used at the request of the individual policyholder, contract holder, or certificate holder. With respect to group and blanket health insurance policies issued and delivered to a trust or to an association outside of this State and covering persons resident in this State, the group certificates to be delivered or issued for delivery in this State shall be filed with the Commissioner pursuant to this section provided, however, that this requirement shall not apply to an association group having received a waiver from the Commissioner upon a finding that the association group meets the qualifications set forth in § 3506 of this title. In the case of forms for use in property, marine (other than wet marine and transportation insurance), casualty, surety and title insurance coverages, the filing required by this subsection may be made by rating organizations on behalf of their members and subscribers, but this provision shall not be deemed to prohibit any such member or subscriber from filing any such forms on its own behalf.

The Company used a form number that was not approved by the Department.

3 Exceptions 18 Del. Admin. C. 1204 § 7.1.2.2 Duties of Insurers That Use Agents or Brokers.

Each insurer that uses an agent of broker in a life insurance or annuity sale shall:

7.1.2.2 Send to each existing insurer a written communication advising of the replacement or proposed replacement of the policy. The communication should include the information obtained pursuant to section 7.1.2.1 above and a Summary or Ledger Statement describing the proposed new policy. This written communication shall be made within 7 working days of the date the application is received in the replacing insurer's home office, or the date the proposed life insurance policy or annuity Policy is issued, whichever is sooner.

The Company failed to send the existing insurer written communication advising of the replacement or proposed replacement of the policy within 7 working days.

1 Exception 18 Del. Admin. C. 1214 § 5.2.9 Insurance Producer Training

5.2.9 An insurer shall verify that an insurance producer has completed the annuity training course required under this subsection before allowing the producer to sell an annuity product for that insurer. An insurer may satisfy its responsibility under this subsection by obtaining certificates of completion of the training course or obtaining reports provided by Commissioner-sponsored database systems or vendors or from a reasonably reliable commercial database vendor that has a reporting arrangement with approved insurance education providers.

The Company failed to confirm that the required annuity training was completed by the producer in order to sell an annuity product for the insurer.

3 Exceptions 18 Del. Admin. C. 1210 § 9.1.1 Delivery of Illustration and Record Retention

9.1.1 If a basic illustration is used by an insurance producer or other authorized representative of the insurer in the sale of a life insurance policy and the policy is applied for as illustrated, a copy of that illustration, signed in accordance with this regulation, shall be submitted to the insurer at the time of policy application. A copy also shall be provided to the applicant.

The Company failed to have the illustration signed at the time of application.

15 Exceptions 18 Del. Admin. C. 1210 § 9.2.1 Delivery of Illustration and Record Retention

9.2.1 If no illustration is used by an insurance producer or other authorized representative in the sale of a life insurance policy or if the policy is applied for other than as illustrated, the producer or representative shall certify to that effect in writing on a form provided by the insurer. On the same form the applicant shall acknowledge that no illustration conforming to the policy applied for was provided 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 at the time of policy application.

The Company failed to provide a certification that an illustration was not used at the time of application.

SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by 18 *Del. C.* §§318-322 and covered the experience period of January 1, 2018 through September 30, 2020, unless otherwise noted. The purpose of the examination was to determine compliance by the Company with Delaware annuity suitability, replacement and surrender laws and regulations related to the sales and marketing of individual cash value life insurance, individual fixed annuities and individual variable annuities.

The examination was a targeted market conduct examination of the Company's life insurance and annuity business in the following areas of operation: Company Operations and Management; Complaint Handling; Marketing and Sales; Producer Licensing Policyholder Services; Underwriting and Rating; and Claims.

METHODOLOGY

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC. While examiners report on the errors found in individual files, the examiners also focus on general business practices of the Company.

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The Company was requested to identify the universe of files for each segment of the review. Based on the universe sizes identified, random sampling was utilized to select the files reviewed for this examination.

Delaware Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. An exception is any instance of Company activity that does not comply with an insurance statute or regulation. Exceptions contained in the Report may result in imposition of penalties. Generally, practices, procedures, or files that were reviewed by Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted. However, the Examination Report may include 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 in order to determine the potential impact upon Company operations or future compliance.

Throughout the course of the examination, Company officials were provided status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials to discuss the various types of exceptions identified during the examination and review written summaries provided on the exceptions found.

COMPANY HISTORY AND PROFILE

The Company was incorporated in 1957 under the laws of the State of Minnesota as the Investors Syndicate Life Insurance and Annuity Company. The Company changed its name in 1973 to IDS Life Insurance Company. Effective December 31, 2006, IDS Life merged with and assumed the obligations of its subsidiaries American Enterprise Life Insurance Company and American Partners Life Insurance Company. IDS Life changed its name at that time to RiverSource Life Insurance Company (RiverSource Life). RiverSource Life is a wholly-owned subsidiary of Ameriprise Financial, Inc. (AFI). RiverSource Life is domiciled in Minnesota and holds Certificates of Authority in the District of Columbia and all states except New York.

RiverSource Life issues insurance and annuity products and distributes its products through the retail distribution channel Ameriprise Financial Services, LLC. As of their 2019 annual statement for the State of Delaware, RiverSource Life Insurance Company reported direct business life insurance premiums in the amount of \$4,943,345, annuity considerations in the amount of \$32,417,416.

COMPANY OPERATIONS AND MANAGEMENT

The Company provided the requested information documenting its management and operational procedures in areas for which they conduct business for the State of Delaware.

- The Company's History and Profile

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- The Company's Organizational Charts
- Internal Audit & Compliance Procedures and Reports
- Antifraud Program Compliance Manual
- Documentation indicating that the Company does not use managing general agents (MGAs), general agents (GAs), third-party administrators (TPAs)
- A statement that all Company business functions are conducted internally, and therefore, no monitoring is required or takes place
- A list of five (5) States that imposed fines and five (5) Market Conduct Examination reports conducted by other States during the last five (5) years
- Copies of the Annual Reports for 2017, 2018, and 2019

The documents were reviewed to ensure compliance with the State of Delaware Laws and Regulations, and the NAIC Standards. No exceptions were noted.

COMPLAINTS HANDLING

The Company had no Delaware consumer complaints received during the experience period.

MARKETING AND SALES

The Company provided a list of 6,374 pieces of advertising materials utilized in Delaware during the examination period. A sample of 114 pieces of advertising materials was requested, received and reviewed. The advertising materials were reviewed to ascertain compliance with 18 *Del. C.* §2303 Unfair Methods of Competition, and Unfair or Deceptive Acts or Practices and 18 *Del. C.* §2304 Unfair Methods of Competition and Unfair or Deceptive Acts or Practices defined.

No exceptions were noted.

PRODUCER LICENSING

The Company provided a list of 1,154 producers appointed with RiverSource in Delaware or authorized to conduct business in Delaware at any time during the examination period. The examiners determined there were 118 producers who actively sold policies during the exam period. For all sampled items, the files were reviewed to ensure compliance with Delaware licensing and appointment laws and regulations.

The following exceptions were noted:

8 Exceptions – 18 *Del. C.* § 1716(d)(1). Notification to Insurance Commissioner of termination.

The Company failed to prove that a notification to the producer of termination was sent within 15 days.

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Recommendation: The Company should ensure that a notification to the producer of termination is sent within 15 days and maintain proof of those producer terminations in accordance with 18 Del. C. § 1716(d)(1).

POLICYHOLDER SERVICES

A) Contracts Surrendered

The Company provided listings of all individual fixed annuity contracts, variable annuity contracts and individual life insurance contract surrenders. The following chart summarizes the universe and the sample size for each category. For all sampled items, the files were reviewed to ensure compliance with contract provisions, Delaware surrender laws and regulations, and to ensure the proper processing of any cash surrender value payment.

Type of Surrender	Universe	Sample Size
Individual Fixed Annuities	60	60
Individual Variable Annuities	430	86
Individual Life Insurance	54	54

No exceptions were noted.

UNDERWRITING AND RATING

The Company provided listings of all individual new and replacement fixed annuity contracts and new and replacement variable annuity contracts. For all sampled items, the files were reviewed to ensure compliance with contract provisions, Delaware issuance and replacement laws and regulations, and to ensure the proper processing of all applications. The following details the findings per category:

A) Individual Fixed Annuities - New

RiverSource provided a list of 33 individual fixed annuity contracts issued, not including replacements, during the examination period. All 33 annuity contract files received and no exceptions were noted.

B) Individual Fixed Annuities - Replacements

RiverSource identified a universe of 10 fixed annuity contracts issued as replacements during the examination period. All 10 fixed annuity contract replacement files were reviewed and the following exceptions were noted:

2 Exceptions – 18 Del. Admin. C. 1204 § 7.3 Duties of Insurers That Use Agents or Brokers

The Company failed to maintain evidence of the “Notice Regarding Replacement”.

Recommendation: It is recommended that the Company review its procedures to ensure that all “Notice Regarding Replacement” documentation is maintained in accordance with 18 *Del. Admin. C. 1204 § 7.3*.

1 Exception – 18 Del. Admin. C. 1204 § 7.4 Duties of Insurers That Use Agents or Brokers

The Company failed to provide a 20-day period in which the applicant may review the contract.

Recommendation: It is recommended that the Company review its procedures to ensure that all replacement contracts provide a 20-day review period in accordance with 18 *Del. Admin. C. 1204 § 7.4*.

3 Exceptions – 18 Del. C. § 2712(a) Filing, approval of forms.

The Company used a Contract number that was not approved by the Department.

Recommendation: It is recommended that the Company review its procedures to ensure that all contracts are approved by the Department prior to use in accordance with 18 *Del. C. § 2712(a)*.

C) Individual Variable Annuities - New

The Company identified a universe of 293 individual fixed annuity contract issued, not including replacements, during the experience period. A random sample of 84 fixed annuity contract replacement files was reviewed and no exceptions were noted.

D) Individual Variable Annuities - Replacements

The Company provided a list of 112 annuity contracts issued as replacements during the examination period. A random sample of 79 variable annuity contract replacement files was reviewed and the following exceptions were noted:

2 Exceptions – 18 Del. Admin. C. 1204 § 7.1.2.2 Duties of Insurers That Use Agents or Brokers

The Company failed to send the existing insurer written communication advising of the replacement or proposed replacement of the policy within 7 working days.

Recommendation: It is recommended that the Company review its procedures to ensure that all Notices Regarding Replacement are sent with the required 7 working days in accordance to 18 *Del. Admin. C. 1204 § 7.1.2.2*.

1 Exception – 18 Del. Admin. C. 1214 § 5.2.9 Insurance Producer Training

The Company failed to confirm that the required annuity training was completed by the producer in order to sell an annuity product for the insurer.

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Recommendation: It is recommended that the Company review its procedures to ensure that all producers have the required training in order to sell an annuity product for the insurer in accordance to 18 *Del. Admin. C. 1214 § 5.2.9*.

E) Individual Life Contracts Issued as New

The Company provided a list of 94 life insurance contracts issued as new during the examination period. A random sample of 79 new life insurance contract files was reviewed and The following exceptions were noted:

2 Exceptions – 18 Del. Admin. C. 1210 § 9.1.1 Delivery of Illustration and Record Retention

The Company failed to have the illustration signed at the time of application.

Recommendation: It is recommended that the Company review its procedures to ensure that all illustrations are signed at the time of application when an illustration is used and the policy is issued as applied in accordance to 18 *Del. Admin. C. 1210 § 9.1.1*.

10 Exceptions – 18 Del. Admin. C. 1210 § 9.2.1 Delivery of Illustration and Record Retention

The Company failed to provide a certification that an illustration was not used at the time of application.

Recommendation: It is recommended that the Company review its procedures to ensure that when an illustrations is not used at the time of application a certification by the producer to that effect is signed and acknowledged by the applicant in accordance to 18 *Del. Admin. C. 1210 § 9.2.1*.

F) Individual Life Contracts Issued as Replacements

The Company provided a list of 37 life insurance contracts issued as replacements during the examination period. All 37 new life insurance contract files were reviewed and the following exceptions were noted:

1 Exception – 18 Del. Admin. C. 1204 § 7.1.2.2 Replacement of Life Insurance

The Company failed to send the existing insurer written communication advising of the replacement or proposed replacement of the policy within 7 working days.

Recommendation: It is recommended that the Company review its procedures to ensure that all Notices Regarding Replacement are sent with the required 7 working days in accordance to 18 *Del. Admin. C. 1204 § 7.1.2.2*.

1 Exception – 18 Del. Admin. C. 1210 § 9.1.1 Delivery of Illustration and Record Retention

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The Company failed to have the illustration signed at the time of application.

Recommendation: It is recommended that the Company review its procedures to ensure that all illustrations are signed at the time of application when an illustration is used and the policy is issued as applied in accordance to 18 *Del. Admin. C.* 1210 § 9.1.1.

5 Exceptions – 18 Del. Admin. C. 1210 § 9.2.1 Delivery of Illustration and Record Retention

The Company failed to provide a certification that an illustration was not used at the time of application.

Recommendation: It is recommended that the Company review its procedures to ensure that when an illustration is not used at the time of application a certification by the producer to that effect is signed and acknowledged by the applicant in accordance to 18 *Del. Admin. C.* 1210 § 9.2.1.

CLAIMS

A) Individual Paid Life Contracts

The Company provided a list of 230 life insurance contracts paid claims during the examination period. A random sample of 82 life insurance paid claims files was requested, received, and reviewed to determine compliance with the Delaware issuance and replacement statutes and regulations. No exceptions were noted.

B) Individual Denied Life Contracts

The Company did not have any denied claims for the examination period.

CONCLUSION

The recommendations made below identify corrective measures the Department finds necessary as a result of the Exceptions noted in the Report. Location in the Report is referenced in parenthesis.

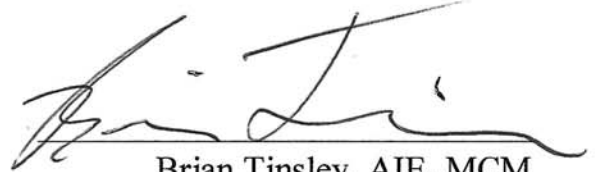
1. It is recommended that the Company review its procedures to ensure that all producer termination letters are sent within 15 days and evidence of the letter be maintained in accordance with 18 *Del. C.* § 1716(d)(1). (Producer Licensing)
2. It is recommended that the Company review its procedures to ensure that all “Notice Regarding Replacement” documentation is maintained in accordance with 18 *Del. Admin. C.* 1204 § 7.3. (Individual Fixed Annuities - Replacements)
3. It is recommended that the Company review its procedures to ensure that all replacement contracts provide a 20-day review period in accordance with 18 *Del. Admin. C.* 1204 § 7.4. (Individual Fixed Annuities - Replacements)
4. It is recommended that the Company review its procedures to ensure that all contracts are approved by the Department prior to use in accordance with 18 *Del. C.* § 2712(a). (Individual Fixed Annuities - Replacements)
5. It is recommended that the Company review its procedures to ensure that all Notices Regarding Replacement are sent with the required 7 working days in accordance to 18 *Del. Admin. C.* 1204 § 7.1.2.2. (Individual Variable Annuity – Replacements; Individual Life Contracts Issued as Replacements)
6. It is recommended that the Company review its procedures to ensure that all Producers have the required training in order to sell an annuity product for the insurer in accordance to 18 *Del. Admin. C.* 1214 § 5.2.9. (Individual Variable Annuity – Replacements)
7. It is recommended that the Company review its procedures to ensure that all illustrations are signed at the time of application when an illustration is used and the policy is issued as applied in accordance to 18 *Del. Admin. C.* 1210 § 9.1.1. (Individual Life Contracts Issued as New; Individual Life Contracts Issued as Replacements)
8. It is recommended that the Company review its procedures to ensure that when an illustrations is not used at the time of application a certification by the producer to that effect is signed and acknowledged by the applicant in accordance to 18 *Del. Admin. C.* 1210 § 9.2.1. (Individual Life Contracts Issued as New; Individual Life Contracts Issued as Replacements)

The examination conducted by Joseph Krug, Brian Tinsley, Pete Salvatore and James Hartsfield is respectfully submitted.



Brian Tinsley, AIE, MCM
Examiner-in-Charge
Market Conduct
Delaware Department of Insurance

I, Brian Tinsley, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 91642-20-518.



Brian Tinsley, AIE, MCM