

DELAWARE DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION REPORT

Symetra Life Insurance Company

NAIC #68608

777 108th Avenue NE, Suite 1200

Bellevue, WA 98004

As of

December 31, 2016

Trinidad Navarro
Commissioner



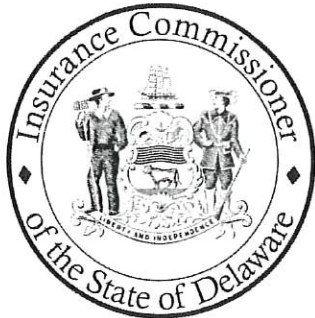
Delaware Department of Insurance

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2016 on

Symetra Life Insurance Company

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

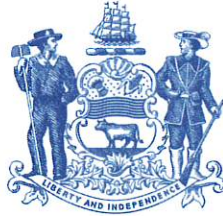
Attest By:



In Witness Whereof, I have hereunto set my hand
and affixed the official seal of this Department at the
City of Dover, this 27th day of August, 2018.

Trinidad Navarro
Insurance Commissioner

Trinidad Navarro
Commissioner



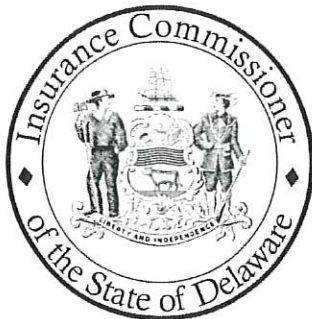
Delaware Department of Insurance

REPORT ON EXAMINATION
OF THE
Symetra Life Insurance Company
AS OF
December 31, 2016


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 27 day of August, 2018.



Trinidad Navarro
Insurance Commissioner

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Honorable Trinidad Navarro
Insurance Commissioner
State of Delaware
841 Silver Lake Boulevard
Dover, Delaware 19904

Dear Commissioner Navarro:

In compliance with the instructions contained in Certificate of Examination Authority Number ANN-68608-16-599, and pursuant to statutory provisions including 18 *Del. C.* §§ 318-322, a market conduct examination has been conducted of the affairs and practices of:

Symetra Life Insurance Company

The examination was performed as of December 31, 2016.

The examination was performed off-site 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 of Symetra Life Insurance Company, hereinafter referred to as SLIC or the Company, 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 suitability, replacement, and surrender transactions.

The Company reported direct business life insurance premiums in the amount of \$4,770,197 and annuity considerations in the amount of \$13,288,475, according to the 2016 Annual Statement for the State of Delaware. As of the 2016 Annual Statement, Symetra Life Insurance Company reported direct business life insurance premiums in the amount of \$462,715,821 and annuity considerations in the amount of \$3,357,928,907 for all States.

All exceptions were noted in the area of Underwriting and Rating.

The following exceptions were noted:

- 2 Exceptions: Individual Fixed Annuities – New Issue
18 *Del. Admin. C.* §1204-5.1.1 Replacement of Life Insurance.
For acceptance of an application in which the applicant failed to sign and/or answer the replacement question.
- 1 Exception - Individual Life – Replacements
18 *Del. Admin. C.* §1204 -7.1.2.2 - Duties of Insurers That Use Agents or Brokers.
For failure to send the existing insurer written communication advising of the replacement or proposed replacement of the policy within seven working days.
- 2 Exceptions – Individual Life – New Issue
18 *Del. Admin. C.* §1210 -9.1.1 - Delivery of Illustration and Record Retention.
For utilizing an illustration in the sale of a life insurance policy that was signed and dated after the application date.
- 5 Exceptions – Individual Life – New Issue
18 *Del. Admin. C.* §1210 - 9.1.2 - Delivery of Illustration and Record Retention.
For failure to label a basic revised illustration as “Revised Illustration.”
- 1 Exception – Individual Life - Replacements
18 *Del. C.* §1715 - Appointments.
For accepting applications for insurance from a producer not duly appointed by the Company within 15 days of receipt of the application.

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- 2 Exceptions – Individual Life
 - 1 Individual Life – New Issue;
 - 1 Individual Life - Replacements

18 Del. C. § 2712 - Filing, approval of forms.

For utilizing application forms in underwriting files not filed with the Department.

DETAILS OF CODES IN VIOLATION:

As several of the violations are repeated in multiple sections of the Report, the legal citations are summarized below for ease of reference:

18 Del. Admin. C. §1204-5.1 - Replacement of Life Insurance.

Each agent or broker who initiates the application shall, on the request of the prospective purchaser, furnish the Buyers Guide as described by Regulation 29 and shall submit to the insurer to which an application for life insurance or annuity is presented, with or as a part of each application:

5.1.1 statement signed by the applicant as to whether the replacement of existing life insurance or annuities are involved in the transaction;

18 Del. Admin. C. §1204 -7.1.2.2 - Replacement of Life Insurance.

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

7.1.2 Where a replacement is involved:

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 contract is issued, whichever is sooner.

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.

18 Del. Admin. C. §1210 -9.1.2 - Delivery of Illustration and Record Retention.

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Symetra Life Insurance Company**

9.1.2 If the policy is issued other than as applied for, a revised basic illustration conforming to the policy as issued shall be sent with the policy. The revised illustration shall conform to the requirements of this regulation, shall be labeled "Revised Illustration" and shall be signed and dated by the applicant or policy owner and producer or other authorized representative of the insurer no later than the time the policy is delivered. A copy shall be provided to the insurer and the policy owner.

18 Del. C. § 1715 – Appointments.

(a) An insurance producer shall not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer. An insurance producer who is not acting as an agent of an insurer is not required to become appointed.

(b) To appoint a producer as its agent, the appointing insurer shall file, in a format approved by the Insurance Commissioner, a notice of appointment within 15 days from the date the agency contract is executed or the first insurance application is submitted. An insurer may also elect to appoint a producer to all or some insurers within the insurer's holding company system or group by the filing of a single appointment request. The group appointment provision of this section is only applicable upon implementation by this Department of an electronic appointment process.

(c) Upon receipt of the notice of appointment, the Insurance Commissioner shall verify within a reasonable time not to exceed 30 days that the insurance producer is eligible for appointment. If the insurance producer is determined to be ineligible for appointment, the Insurance Commissioner shall notify the insurer within 5 days of its determination.

(d) An insurer shall pay an appointment fee, in the amount and method of payment set forth in Chapter 7 of this title, for each insurance producer appointed by the insurer.

18 Del. C. § 2712 - Filing, approval of forms.

(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.

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, 2014, through December 31, 2016, 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; and Underwriting and Rating.

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.

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 referenced 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 to review written summaries in regard to the exceptions noted.

COMPANY HISTORY AND PROFILE

SLIC has its statutory home office at 4125 Westown Parkway, Suite 102, West Des Moines, Iowa 50266 and its principal executive office at 777 108th Avenue NE, Suite 1200, Bellevue, Washington 98004. SLIC became a controlled insurer of its insurance holding company, Symetra Financial Corporation (SFC), on August 2, 2004, when 100% of its outstanding capital stock was sold to SFC. Control was acquired and is maintained by stock ownership. SLIC is the principal insurance company in this insurance holding company system. SLIC's board of directors oversees corporate governance and internal controls and its senior management has approved, implemented, and continues to maintain and monitor corporate governance and internal control procedures.

The ultimate controlling person of SLIC is Sumitomo Life Insurance Company; a mutual company (*sougo kaisha*) organized under the laws of Japan (Sumitomo Life). Sumitomo Life became the ultimate controlling person on February 1, 2016 when, pursuant to an Agreement and Plan of Merger, dated as of August 11, 2015, by and among SFC,

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Sumitomo Life, and SLIC Financial Corporation, a Delaware corporation and a wholly-owned subsidiary of Sumitomo Life (Merger Sub), Merger Sub merged with and into SFC, with SFC surviving the merger as a wholly-owned subsidiary of Sumitomo Life. The Iowa Insurance Division (the IID) issued an order approving the merger on December 30, 2015.

SLIC's products are distributed domestically in all states and the District of Columbia, through benefits consultants, financial institutions, broker-dealers, and independent agents and advisers. Symetra manages its business through three divisions, which are summarized below:

- Benefits Division: Offers medical stop-loss, limited benefit medical and group life and disability income (DI) products and services to employers, unions, and public agencies.
- Retirement Division:
 - Deferred Annuities: Offers fixed deferred annuities, including fixed indexed annuities, and variable deferred annuities to consumers.
 - Income Annuities: Offers single premium immediate annuities to customers. Also services a block of structured settlement annuities and offers funding services options to existing structured settlement clients.
- Individual Life Division: Offers individual life insurance products, such as term and universal life insurance. Also offers institutional products, including bank-owned life insurance and variable corporate-owned life insurance.

According to the 2016 Annual Statement for the State of Delaware, Symetra Life Insurance Company reported direct business life insurance premiums in the amount of \$4,770,197 and annuity considerations in the amount of \$13,288,475. As of the 2016 Annual Statement, Symetra Life Insurance Company reported direct business life insurance premiums in the amount of \$462,715,821 and annuity considerations in the amount of \$3,357,928,907 for all States.

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, including:

- Company History and Profile
- Company Organization
- Internal Audit & Compliance
- Antifraud Program Compliance

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- Managing General Agents (MGAs), General Agents (GAs), and Third-Party Administrators (TPAs)
- Company Records and Records Retention Policies and Procedures
- A statement that the Company's records are adequate, accessible, consistent and orderly and comply with Delaware record retention requirements.
- Copies of Annual Reports for 2014, 2015, and 2016.

The documents were reviewed to ensure compliance with the State of Delaware Laws and Regulations and NAIC Standards.

No exceptions were noted.

COMPLAINTS HANDLING

The Company provided one consumer complaint received during the experience period. The one complaint file was requested, received and reviewed. The Company also provided the complaint logs as requested. The Department's list of written consumer complaints that were forwarded to the Company was compared to the Company's complaint log.

The complaint files and complaint logs were reviewed for compliance with the Delaware statutes and regulations including, but not limited to, 18 *Del. C.* § 2304 (17) and 18 *Del. C.* § 2304 (26).

No exceptions were noted

MARKETING AND SALES

The Company provided a list of 2,279 pieces of advertising materials utilized in Delaware during the examination period. The advertising materials may have consisted of: Letters, Direct Mailers, Brochures, Presentations, Radio and Television Scripts, Cards, Illustrations, Product Guides, Product Manuals, and the Company's Web Page. A sample of 70 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 488 producers appointed with the Company in Delaware or authorized to conduct business in Delaware at any time during the examination period. A sample of 84 producers was compared to departmental records of producers to verify compliance with the Delaware licensing and appointment statutes and regulations. For this examination purposes, producer licensing exceptions found in the other sections of the examination were addressed in their respective sections.

No exceptions were noted.

POLICYHOLDER SERVICES

A) Individual Cash Value Life Insurance Contracts Surrendered

The Company provided a list of three (3) individual cash value life insurance policies surrendered during the examination period. All three (3) policy files were requested, received, and reviewed. The files were reviewed to ensure compliance with contract provisions, surrender laws and regulations, and proper processing of any cash value.

No exceptions were noted:

B) Individual Fixed Annuity Contracts Surrendered

The Company provided a list of 69 individual fixed annuities surrendered during the examination period. A random sample of 50 contract files was requested, received, and reviewed. The files were reviewed to ensure compliance with contract provisions, surrender laws and regulations, and proper processing of any cash value.

No exceptions were noted.

C) Individual Variable Annuity Contracts Surrendered

The Company provided a list of 13 individual variable annuities surrendered during the examination period. All 13 contract files were requested, received, and reviewed. The files were reviewed to ensure compliance with contract provisions, surrender laws and regulations, and proper processing of any cash value.

No exceptions were noted.

UNDERWRITING AND RATING

A) Individual Cash Value Life Policies – New Issue

**Delaware Market Conduct Examination Report
Symetra Life Insurance Company**

The Company identified a universe of 110 individual cash value life insurance policies issued during the experience period. A review of the universe listing revealed 88 “corporate-owned” policies, which were removed from consideration. The remaining 22 policy files were requested, received, and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations

The following exceptions were noted

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

For utilizing an illustration in the sale of a life insurance policy that was signed and dated after the application date.

Recommendation: It is recommended that the Company review its procedures to ensure the proper acknowledgement and certification of the usage of an illustration at the time of application completion as required by 18 Del. Admin. C. 1210 § 9.1.1.

5 Exceptions - 18 Del. Admin. C. §1210 - 9.1.2 - Delivery of Illustration and Record Retention.

For failure to label a basic revised illustration as “Revised Illustration”

Recommendation: It is recommended the Company ensure that, when a policy is issued other than as applied for, a revised basic illustration conforming to the policy as issued is sent with the policy and is labeled as “Revised” in accordance with 18 Del. Admin. C.1210 § 9.1.2.

1 Exceptions – 18 Del. C. § 2712 - Filing, approval of forms.

Application forms utilized in an underwriting file were not filed with the Department.

Recommendation: It is recommended the Company ensure that all forms are filed for use in the State of Delaware in accordance with 18 Del. C. § 2712

B) Individual Cash Value Life Policies Issued – Replacements

The Company provided a list of 29 individual cash value life policies that were categorized as “replacements” during the experience period. Seven of the policies were identified as corporate-owned and, as such, were eliminated from the population. The remaining 22 files were requested, received, and reviewed. The files were reviewed to determine compliance with contract provisions, Delaware replacement laws and regulations, and proper processing of any cash value.

The following exceptions were noted:

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

For failure 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 the Company review its procedures to ensure the written communication advising the existing insurer of the replacement is made within seven working days of the date the application is received in the replacing insurer's home office in accordance with 18 Del. Admin. C. 1204 § 7.1.2.2.

1 Exception - 18 Del. C. § 1715 – Appointments.

The agent listed on application was not appointed by the Company within 15 days from the date the agency policy was executed or the first insurance application was submitted.

Recommendation: It is recommended the Company ensure that producers are properly appointed in accordance with 18 Del. C § 1715.

1 Exception – 18 Del. C. § 2712 - Filing, approval of forms.

Application form utilized in an underwriting file was not filed with the Department.

Recommendation: It is recommended the Company ensure that all forms are filed for use in the State of Delaware in accordance with 18 Del. C. § 2712

C) Individual Fixed Annuities - New

The Company provided a list of 276 individual fixed annuity contracts issued during the experience period. A random sample of 79 annuity contract files was requested, received, and reviewed. The reviewed found 8 (eight) of the files were identified as replacements, as such, an additional 10 (ten) files were requested, received, and reviewed. The files were reviewed to determine compliance with issuance, and replacement statutes and regulations.

The following exceptions were noted:

2 Exceptions - 18 Del. Admin. C. §1204 -5.1.1 - Replacement of Life Insurance.

For accepting an application without the applicant signing the replacement question answer.

Recommendation: It is recommended the Company review its procedures to ensure the required response to the replacement question is signed by the applicant in accordance with 18 Del. Admin. C. §1204 - 5.1.1.

D) Individual Fixed Annuities - Replacements

The Company identified a universe of 25 individual fixed annuity contracts issued as replacements during the examination period. All 25 annuity contract files were requested, received, and reviewed. The files were reviewed to determine compliance with the Delaware issuance and replacement statutes and regulations.

No exceptions were noted:

E) Individual Variable Annuities - New

The Company provided a list of annuities issued during the experience period. The Company initially identified a universe of 9 individual variable annuity contracts issued. However, the Company provided the following clarification in regard to 7 of those contracts: "Requested samples 1-7 are not newly-issued contracts. Upon review, we found that these Section 403(b) contracts were initially opened between 1991 and 2002. Later, at the contract owners request the funds were transferred to other providers either through transfer to another Section 403(b) plan or via a rollover to an IRA and the Symetra contracts were closed. After this, we received additional contributions to the contracts which actually should have been sent to the new provider. In handling these contributions, we mistakenly re-activated and credited the contributions to these old contracts. This error causes the contracts to appear to be newly-issued when, in fact, they are not. Now that this situation has come to our attention, we are reaching out to the contract owners to facilitate the transfer of these balances." Taking into account the information provided by the Company in regard to 7 of the contracts, the review was then reduced to the 2 remaining files. Both files were requested, received, and reviewed.

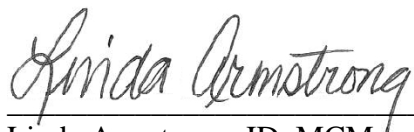
No exceptions were noted.

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 the Company review its procedures to ensure the required response to the replacement question is signed by the applicant in accordance with 18 *Del. Admin. C.* §1204 -5.1.1. (Underwriting and Rating – Variable Annuities – New Issue)
2. It is recommended the Company review its procedures to ensure the written communication advising the existing insurer of the replacement is made within seven working days of the date the application is received in the replacing insurer’s home office in accordance with 18 *Del. Admin. C.* §1204-7.1.2.2. (Individual Cash Value Life – Replacements)
3. It is recommended the Company review its procedures to ensure the proper acknowledgement and certification of the usage of an illustration at the time of application completion as required by 18 *Del. Admin. C.* §1210- 9.1.1. (Underwriting and Rating – Individual Cash Value Life – New Issue)
4. It is recommended the Company ensure that, when a policy is issued other than as applied for, a revised basic illustration conforming to the policy as issued is sent with the policy and is labeled as “Revised” in accordance with 18 *Del. Admin. C.* §1210-9.1.2. (Underwriting and Rating – Individual Cash Value Life - New Issue)
5. It is recommended the Company ensure that producers are appointed in accordance with 18 *Del. C.* §1715. (Underwriting and Rating – Individual Cash Value Life – Replacements)
6. It is recommended the Company ensure that all forms are filed for use in the State of Delaware in accordance with 18 *Del. C.* §2712 (Underwriting and Rating – Individual Cash Value Life – New Issue) (Underwriting and Rating – Individual Cash Value Life – Replacements)

The examination conducted by Shelly Schuman, Joseph Krug, Linda Armstrong, Jim Myers and Pete Salvatore is respectfully submitted.



Linda Armstrong, JD, MCM
Examiner-in-Charge
Market Conduct
Delaware Department of Insurance