

MARKET CONDUCT EXAMINATION REPORT

ON

**LIFE INSURANCE COMPANY
OF NORTH AMERICA**

NAIC #65498

December 31, 2008

**Delaware Market Conduct Examination Report
Life Insurance Company of North America**

I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2008 on

Life Insurance Company of North America.

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

Attest By: *And Shw*

Date: 24 November 2010



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 24th day of November 2010.

***Karen Weldin Stewart, CIR-ML
Insurance Commissioner***

**Delaware Market Conduct Examination Report
Life Insurance Company of North America**

REPORT ON EXAMINATION
OF THE
Life Insurance Company of North America
AS OF
December 31, 2008

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.



Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 24th day of November 2010

**Delaware Market Conduct Examination Report
Life Insurance Company of North America**

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SALUTATION

November 15, 2010

Honorable Karen Weldin Stewart CIR-ML
Insurance Commissioner
State of Delaware
841 Silver Lake Boulevard
Dover, Delaware 19904

Dear Commissioner Stewart:

In compliance with the instructions contained in Certificate of Examination Authority Number 09-704, and pursuant to statutory provisions including 18 *Del. C.* §318-322, a market conduct examination has been conducted of the affairs and practices of:

Life Insurance Company of North America

The examination was performed as of December 31, 2008. Life Insurance Company of North America, hereinafter referred to as the "Company" or as "LINA," is incorporated under the laws of Pennsylvania. The examination consisted of two phases, an on-site phase and an off-site phase. The on-site phase of the examination was conducted at the following Company location:

2 Liberty Place, 1601 Chestnut Street, Philadelphia, PA 19192

The off-site examination phase 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.

Delaware Market Conduct Examination Report Life Insurance Company of North America

EXECUTIVE SUMMARY

Life Insurance Company of North America was founded on September 30, 1985 as a subsidiary of the Connecticut General Corporation. Its home office and principal executive offices are located at 2 Liberty Place, Philadelphia, PA 19192. LINA operates in all 50 states, with New York being sole exception with authorization to transact in life, accident, and health insurance.

The examination was a market conduct examination of the following business areas: Company Operations/Management; Complaint Handling; Marketing/Sales; Producer Licensing, Policyholder Service; Underwriting Claim/Settlements; Grievance Handling; Utilization Review and External Review. This was a targeted examination of the Company's group short and long term disability operations.

One area of concern was noted during the examination. This issue is more fully discussed in the section noted below:

Underwriting and Rating – Improper Denial of Coverage or Discrimination: The Company failed to provide letters of declination notifying the group applying for coverage that it declined to quote the case. By not maintaining complete and accurate information, the Company is violation of 18 *Del. C.* §320(c). As a result of the failure of the Company to maintain the requested documentation, the examiners were unable to determine compliance with the discrimination prohibitions and confidentiality requirements under 18 *Del. C.* §2304.

Recommendations have been made to remedy this concern.

SCOPE OF EXAMINATION

The basic business areas that are subject to a Delaware Market Conduct Examination vary depending on the type on insurer. For all insurers these may include:

- Company Operations/Management
- Complaint Handling
- Marketing and Sales
- Producer Licensing
- Policyholder Service
- Underwriting and Rating
- Claims/Settlements
- Grievance Handling
- Utilization Review
- External Review

This examination report is a report by exception rather than a report by test. This means that only those areas where recommendations are suggested are described and results indicated.

Delaware Market Conduct Examination Report

Life Insurance Company of North America

HISTORY AND PROFILE

Life Insurance Company of North America (LINA) was incorporated September 21, 1956 and commenced operations on September 5, 1957. LINA was originally owned by the INA Financial Corporation.

On March 31, 1982, LINA's parent INA Corporation (INA), merged with INA Merger Corporation, a wholly-owned subsidiary of CIGNA Corporation (CIGNA). As a result LINA became a wholly-owned indirect subsidiary of CIGNA.

The Company's principal products include group life, accident and disability. LINA is domiciled in the State of Pennsylvania and licensed in all 50 states Except New York.

METHODOLOGY

This examination is based on the Standards and Tests for a Market Conduct Examination of a Health Insurer found in the Delaware Market Conduct Examiners' Handbook. This chapter is derived from applicable Delaware Statutes, Rules and Regulations as referenced herein and the *NAIC's Market Regulation Handbook* (2008 edition).

The types of review used in this examination fall into three general categories: generic, sample, and electronic.

A "generic" review indicates that a standard was 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 a standard was tested through direct review of a random sample of files using a sampling methodology described in the Delaware Market Conduct Examiners' Handbook and the *NAIC's Market Regulation Handbook*. Samples of complaint files, underwriting files and settlement files were reviewed to determine that the processes described by the Company are actually used by the Company.

An "electronic" review indicates that a standard was tested through the use of a computer program or routine applied to a download of computer records of the examinee. This type of review typically reviews one hundred percent (100%) of the records of a particular type.

In this examination, the standards were tested through a combination of "generic" review and direct observation of the processes used.

Each Standard contains a brief description of the purpose or reason for the Standard. The examiners' "Observations" are noted following each Standard tested. In some cases a "Recommendation" is made. Comments, Results, Observations and Recommendations are reported with the appropriate corresponding Standard.

**Delaware Market Conduct Examination Report
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A. COMPANY OPERATIONS/MANAGEMENT

Standard A 08

The Company is licensed for the lines of business that are being written.

18 Del. C. §318(a), §505(b)

The review methodology for this standard is “generic.” This standard has a direct insurance statutory requirement. This standard is intended to ensure that the Company’s operations are in conformance with the Company’s Certificate of Authority.

Results: **Pass**

Observations: The Company is licensed for the lines of business being written based upon a review of premium schedules and the Company’s Delaware Certificate of Authority.

Recommendation: None

Standard A 09

The Company cooperates on a timely basis with the examiners performing the examination.

18 Del. C. §318(a), §320(c), §520(b) 3

The review methodology for this standard is “generic.” This standard has a direct insurance statutory requirement. This standard is intended to ensure that the Company is cooperating with the state in the completion of an open review of the Company’s operations. Cooperation with the examiners in the conduct of an examination is not only required by statute, it is conducive to completing the examination in a timely manner thereby minimizing cost.

Results: **Pass with comments**

Observations: While the examiners commend the Company Coordinator and Management for the courteous and extremely cooperative manner in which the examination was conducted, the examiners noted delays in receiving responses to examination handbook interrogatories. In addition, the examiners found that initial information was often inadequate or incomplete and necessitated additional information requests to obtain the documentation required to perform a complete review. The Company also requested time extensions when responding to those follow-up requests.

Recommendation: The Company should review its data management procedures to ensure complete and accurate data is provided timely to the examiners.

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B. UNDERWRITING AND RATING

Standard F 06

The regulated entity does not improperly deny coverage or discriminate based on health status in the group market or against eligible individuals in the individual market.

18 Del. C. §2304 (13)

The review methodology for this standard is “generic.” This standard has a direct insurance statutory requirement. This standard is intended to ensure that the Company is in compliance with state statutes governing discrimination and confidentiality in health insurance.

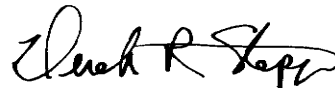
Results: Fail

Observations: The Company identified 10 group applications that it declined to quote during the examination period. The examiners requested additional information to determine the reason coverage was denied in these cases. The Company failed to provide 5 of 10 (50%) letters notifying the group applying for coverage that the Company declined to quote the case. By not maintaining complete and accurate information, the Company is in violation of 18 *Del. C.* §320(c) which states: *Every person being examined, the person's officers, attorneys, employees, agents and representatives, shall make freely available to the Commissioner, or the Commissioner's examiners, the accounts, records, documents, files, information, assets and matters of such person, in the person's possession or control, relating to the subject of the examination and shall facilitate the examination.* As a result of the failure of the Company to maintain the requested documentation, the examiners were unable to determine compliance with the discrimination prohibitions and confidentiality requirements under 18 *Del. C.* §2304 (13).

Recommendation: The Company must review its record management procedures to ensure complete and accurate data is provided to examiners in compliance with 18 *Del. C.* §320(c).

CONCLUSION

The examination was conducted by Debra Boothby, Derek Stepp, Jack Rucidlo and Gloria Dunn, supervised by Shelly Schuman and is respectfully submitted,



Derek R. Stepp, CIE, MCM
Market Conduct Examiner-in-Charge
Insurance Department
State of Delaware