

DELAWARE DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION REPORT

MetLife Investors USA Insurance Company

NAIC #61050

18210 Crane Nest Parkway

Tampa, FL 33647

As of

December 31, 2010

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

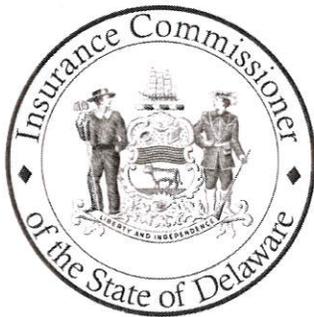
I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2010 on

METLIFE INVESTORS USA INSURANCE COMPANY

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

Attest By:

Juanda Nemes



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

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner



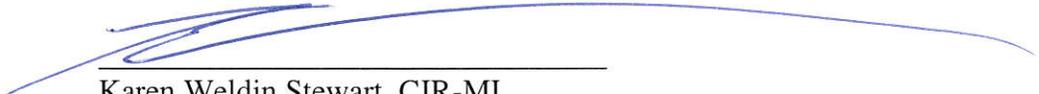
Delaware Department of Insurance

REPORT ON EXAMINATION
OF THE
METLIFE INVESTORS USA INSURANCE COMPANY
AS OF
December 31, 2010

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

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SALUTATION

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 10.718, and pursuant to statutory provisions including 18 *Del. C.* §318-322, a market conduct examination has been conducted of the affairs and practices of:

MetLife Investors USA Insurance Company

The examination was performed as of December 31, 2010. MetLife Investors USA Insurance Company, hereinafter referred to as the "Company" or as "MetLife," was incorporated under the laws of Delaware. 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:

1 MetLife Plaza
27-01 Queens Plaza North
Long Island City, NY 11101

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.

EXECUTIVE SUMMARY

MetLife Investors USA Insurance Company (the "Company") incorporated in Delaware in 1960 and commenced business there in 1961.

On their 2010 annual statement filed with the Department, the MetLife Investors USA Insurance Company reported Delaware direct premium for ordinary life insurance in the amount of \$29,018,299; and direct premium of annuity contracts in the amount of \$29,589,068.

The examination was announced as part of a series of examinations on companies in the Individual Life Insurance marketplace in Delaware. The companies were chosen based on Delaware's market share, market analysis and the company's complaint index.

The purpose of the examination was to focus on the Company's compliance with past regulatory or litigation settlements related to the sales and marketing of life insurance, while additionally determining compliance with Delaware insurance laws and regulations.

In general, the examination focused on the Company's life insurance business in the following areas of operation: Company Operations/Management; Complaint Handling, Marketing/Sales, Producer Licensing, Producer Oversight and Policyholder Service.

The following exceptions were noted in the Underwriting area of review:

- 2 Exceptions - 18 *Del. C.* §2712. Filing, approval of forms- for failure to obtain Department form filing approval of an application.
- 3 Exceptions - 18 Del. Admin. Code 1210 §9.1.1 Delivery of Illustration and Record Retention – for failure of the producer to certify and have the applicant acknowledge illustration usage on or before the application date.
- 4 Exceptions - 18 Del. Admin. Code 1210 §9.2.2 Delivery of Illustration and Record Retention – for failure to provide illustrations no later than policy delivery.
- 9 Exceptions - 18 *Del. C.* §2709. Alteration of application, life and health insurance – for failure to have applicant initial application alterations.
- 3 Exceptions – 18 Del. Admin. Code 1205 §7.1 Information Furnished to Applicants – for failure to provide a signed prospectus delivery receipt at or prior to the execution of the application.
- 1 Exceptions - 18 Del. Admin. Code 1203 §5.1 and 7.1 Disclosure Requirements – for failure to provide verification of Buyers Guide delivery.
- 1 Exception - 18 Del. Admin. Code 1204 §7.1.2.2 Replacement of Life Insurance - for failure to provide written communication advising of the replacement to the existing insurer within seven days.

No exceptions were noted in the other areas of operations reviewed.

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, 2008, through December 31, 2010, unless otherwise noted. The purpose of the examination was to determine compliance by the Company with Delaware insurance laws and regulations related to the sales and marketing of life insurance.

The examination was a target market conduct examination of the Company's life insurance business in the following areas of operation: Company Operations/Management; Complaint Handling, Marketing/Sales, Producer Licensing, Producer Oversight and Policyholder Service.

METHODOLOGY

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC. While the examiners' report on the errors found in individual files, the examination also focuses 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 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 Delaware on September 13, 1960, and commenced business on March 10, 1961. In 1968, control of the Company was purchased by Union Fidelity Investment Corporation, Delaware and incorporated as Associated Traffic Clubs Insurance Corporation; the name was changed to National Consumers Life Insurance Company in 1972.

On July 11, 1979, the Security First Group, Inc., (“SFG”) of Los Angeles acquired the Company and moved the administrative offices to Los Angeles, California. Concurrent with the acquisition, the name was changed to Security First Life Insurance Company (“Security First Life”).

Effective January 1, 1985, an organizational restructuring occurred, and The Holden Group, Inc. became the direct parent of the Company and SFG. From 1985 through mid-1995, SFG was known as The Holden Group.

On September 22, 1986, London Insurance Group, Inc., (“LIG”), the parent of London Life Insurance Company, Ontario, Canada, acquired a 60 percent interest in The Holden Group, Inc. On May 13, 1994, LIG increased that ownership to 100%. Effective on June 1, 1995 the name of The Holden Group was changed back to Security First Group.

On October 30 1997, LIG sold SFG to an affiliate of Metropolitan Life Insurance Company (“MLIC”), a New York domiciled Life Insurance Company. On January 8, 2001, the name of the Company was changed from Security First Life to the present name. On January 29, 2001, the holding company name was changed to MetLife Investors Group, Inc., (“MLIG”) and on December 31, 2002, MetLife, Inc., (“MetLife”) the parent of MLIC, acquired MLIG.

Effective as of January 1, 2005, the Company assumed 100% of General American Life Insurance Company's ("GALIC"), an affiliate, liabilities, net of existing reinsurance, under certain guaranteed level term, universal life and joint survivorship policies issued on and after January 1, 2000. Under the reinsurance agreement, which is structured on a coinsurance basis, GALIC transferred approximately \$1.012 billion of reserves to the Company. Concurrently, the Company entered into a reinsurance agreement with Exeter Reassurance, LTD, an affiliate, under which Exeter reinsures a 100% quota share of the secondary guarantee risks, net of existing reinsurance, associated with the universal life business assumed from GALIC. The assumption and cession agreements were approved by the Delaware Department of Insurance.

According to their 2010 annual statement filed with the Department, the MetLife Investors USA Insurance Company reported Delaware direct premium for ordinary life insurance in the amount of \$29,018,053; and direct premium for annuity contracts in the amount of \$29,589,068. The Company’s main administrative offices are located in New York, New York.

COMPANY OPERATIONS AND MANAGEMENT

A. Underwriting Guidelines

The Company provided access to their underwriting guidelines, manuals and policy procedures that were in use during the experience period. The manuals were reviewed to ensure underwriting guidelines were in place and being followed in a uniform and consistent manner, and no underwriting practices or procedures were reviewed were in use that could be considered discriminatory in nature, or specifically prohibited by the following statutes or regulations:

- 18 *Del. C.* §2304(13) Unfair discrimination; life insurance, annuities, and health insurance.
- 18 *Del. C.* §2304 (24) Discriminatory practices against victims of abuse regarding life and health insurance.
- 18 *Del. C.* §2304 (28) Volunteer firefighters and ambulance personnel.
- 18 *Del. C.* §2316 Refusal to issue policy to blind or deaf persons prohibited.
- 18 *Del. Admin. Code* 1209 §3.0 Life and Health Submissions Regarding Acquired Immunodeficiency Syndrome (AIDS).
- 18 *Del. Admin. Code* 1217 §3.1 Unfair Discrimination in Life Insurance, Annuities and Health Insurance on the Basis of Physical or Mental Impairment.

The following guides and manuals were reviewed:

1. The Life Underwriting Guide and The Condensed Underwriting Condensed Underwriting Guide.
2. Documentation providing the principal responsibilities for Variable Life Insurance Applications.
3. Amendment documentation including General Amendment Guidelines, Amendment Guidelines and Amendment Guidelines for Base Applications and Supplements.
4. Guidelines related to the compliance policy for replacement and switches.

No exceptions were noted.

B. Internal Audit and Compliance Procedures

The Company was requested to provide copies of their internal audit and compliance procedures. The audits and procedures were reviewed to ensure the Company provided for the evaluation of compliance with all statutes and regulations dealing with sales methods, advertising, and filing and approval requirements for life insurance. In addition, the procedures were reviewed to ensure the Company was providing for the following:

- (1) Regular reporting to senior officers and the board of directors or an appropriate committee thereof with respect to any significant findings.

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- (2) The establishment of lines of communication, control and responsibility over the dissemination of advertising and promotional materials, including illustrations and illustration explanations, with the requirement that such materials shall not be used without the approval by company employees whose compensation, other than generally applicable company bonus or incentive plans, is not directly linked to marketing or sales.

No exceptions were noted.

C. Privacy of Consumer Information

The Company provided their enterprise procedures and practices for protecting consumer and customer information. The documentation was reviewed to ensure that guidelines were in place to protect the privacy of nonpublic information of customers, former customers and applicants.

The following program information and documentation was reviewed:

1. The Information Security Program
2. Process and procedure documentation for correcting, amending or deleting personal information
3. Samples of the application privacy notice and annual privacy notice
4. Action and remediation efforts resulting from private data being released

There were no exceptions or concerns noted.

GROUP UNDERWRITING

The Group Underwriting file review included Group Life Policies Issued. The files were reviewed for compliance with applicable Delaware laws and regulations.

A. Group Policies Issued

The Company provided a list of all group policies issued during the experience period. A total of three group policies issued were identified. The three group policy files were requested, received, and reviewed. The policy files were reviewed to determine compliance to issuance statutes and regulations.

No exceptions were noted.

INDIVIDUAL UNDERWRITING

The Underwriting file review was sorted and conducted in eight (8) general segments.

- A. Universal Life Policies Issued
- B. Variable Life Policies Issued
- C. Term Life Policies Issued
- D. Individual Life Policies Declined
- E. Individual Life Policies Not Taken
- F. Individual Term Life Conversions
- G. Term Life Conversions VUL

Each segment was reviewed for compliance with the following Delaware laws and regulations pertaining to: sales and marketing, disclosures, illustrations, underwriting practices, forms approval and producer licensing and oversight.

- 18 *Del. C.* §320. Conduct of examination; access to records; correction.
- 18 *Del. C.* §1703. Producer License Requirements.
- 18 *Del. C.* §1715. Producer Appointment Requirements
- 18 *Del. C.* §2300. Unfair Insurance Practices.
- 18 *Del. C.* §2708. Consent of insured; life, health insurance.
- 18 *Del. C.* §2709. Alteration of application, life and health insurance.
- 18 *Del. C.* §2712, Filing, approval of forms.
- 18 Del. Admin. Code 202 §2.0 Company Producer Licensing Responsibility
- 18 Del. Admin. Code 1203 Life Insurance Solicitation
- 18 Del. Admin. Code 1203 §4.0 Definitions-Policy Summary, Buyers Guide
- 18 Del. Admin. Code 1203 §5.0 Disclosure Requirements
- 18 Del. Admin. Code 1203 §6.0 General Rules of Disclosure
- 18 Del. Admin. Code 1204 §§5.1-5.3 Replacement of Life Insurance-Duties of Producers
- 18 Del. Admin. Code 1204 §6.1 Replacement of Life Insurance- Duties of all Insurers
- 18 Del. Admin. Code 1204 §§7.1-7.4 Replacement of Life Insurance-Duties of Replacing Insurer
- 18 Del. Admin. Code 1204 §8.0 Insurer Duties with Respect to Direct Response Sales
- 18 Del. Admin. Code 1210 §5.0 Policies to be Illustrated
- 18 Del. Admin. Code 1210 §6.0 Life Insurance Illustrations *Rules and Prohibitions*
- 18 Del. Admin. Code 1210 §§7.0-7.5 Standards for Basic Illustrations
- 18 Del. Admin. Code 1210 §8.0 Standards for Supplemental Illustrations
- 18 Del. Admin. Code 1210 §9.0 Delivery of Illustration and Record Retention
- 18 Del. Admin. Code 1210 §10.0 Annual Report; Notice to Policy Owners
- 18 Del. Admin. Code 1210 §11.0 Annual Illustration Certifications

A. Universal Life Policies Issued

The Company identified a universe of 403 universal life policies issued during the experience period. A random sample of 50 policy files was requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations.

The following exceptions were noted:

1 Exception – 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.

An application form was identified that was not filed with the Department as required. The Company noted that a form filed and approved by a different state was utilized in error.

Recommendation: It is recommended that the Company ensure its procedures enforce the proper filing of forms as required by 18 Del. C. §2712 and that the procedures are being following by Company personnel.

4 Exceptions - 18 Del. Admin. Code 1210 §9.0 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 agent certification and applicant's acknowledgement of the illustration used was either not signed or was provided after the application date in four of the files reviewed

Recommendation: It is recommended that the Company ensure its procedures enforce proper acknowledgement and certification of the usage of an illustration at the time of application is completed as required by 18 Del. Admin. Code 1210 §9.1.1 and that the procedures are being following by Company personnel.

2 Exceptions - 18 Del. Admin. Code 1210 §9.0 Delivery of Illustration and Record Retention

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

Two files were identified that did not contain a signed acknowledgment of the delivery of the illustration at the time of policy delivery.

Recommendation: It is recommended that the Company ensure its procedures enforce that a signed acknowledgment of delivery of a basic illustration be provided at the time of delivery as required by 18 Del. Admin. Code 1210 §9.2.2 and that the procedures are being followed by Company personnel.

B. Variable Life Policies Issued

The Company identified a universe of 2,098 life policies issued during the experience period. Of the 2,098 life policies issued, 301 were identified as Variable Life Policies (“VUL”). A random sample of 50 files were requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations.

The following exceptions and concerns were noted:

4 Exceptions - 18 Del. C. §2709. Alteration of application, life and health insurance.

No alteration of any written application for any life or health insurance policy shall be made by any person other than the applicant without his/her written consent, except that insertions may be made by the insurer, for administrative purposes only, in such manner as to indicate clearly that such insertions are not to be ascribed to the applicant.

Four files contained applications that were altered without the applicant’s consent.

Recommendation: It is recommended that the Company ensure its procedures enforce that the applicant’s consent to alterations contained in applications as required by 18 Del. C. §2709 and that the procedures are being following by Company personnel.

1 Exception – 18 Del. Admin. Code 1205 §7.0 Information Furnished to Applicants

7.1 An insurer delivering or issuing for delivery in this state any variable life insurance policies shall deliver to the applicant for the policy, and obtain a written acknowledgment of receipt from such applicant coincident with or prior to the execution of the application, the following information. The requirements of section 6.0 shall be deemed to have been satisfied to the extent that a disclosure containing information required by section 6.0 is delivered, either in the form of (1) a prospectus included in the requirements of the Securities Act of 1933 and which was declared effective by the Securities and Exchange commission; or (2) all information and reports required by the Employee Retirement Income Security Act of 1974 if the policies are exempted from the registration requirements of the Securities Act of 1933 pursuant to section 3(a)(2)

The review identified one file in which the Prospectus was given after the execution of the application.

Recommendation: It is recommended that the Company ensure its procedures enforce that a prospectus be delivered and a written acknowledgment of receipt by the applicant coincident with, or prior to, the execution of the application as required by 18 Del. Admin. Code 1205 §7.1 and that the procedures are being following by Company personnel.

C. Term Life Policies Issued

The Company identified a universe of 2098 life policies issued during the experience period. Of the 2098 life policies issued, 1394 were identified as Term Life Policies. A random sample of 50 term life policies was requested. Of the 50 policies requested, 50 were received and reviewed. The policy files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations.

The following exceptions were noted:

1 Exceptions - 18 Del. Admin. Code 1203 §5.0 Disclosure Requirements

5.1 The insurer shall provide, to all prospective purchasers, a Buyer's Guide and a Policy Summary prior to accepting the applicant's initial premium or premium deposit, unless the policy for which application is made contains an unconditional refund provision of at least ten days or unless the Policy Summary contains such an unconditional refund offer, in which event the Buyer's Guide and Policy Summary must be delivered with the policy or prior to delivery of the policy.

7.1 Failure of an insurer to provide or deliver a Buyer's Guide, or a Policy Summary as provided in section 5.0 shall constitute an omission which misrepresents the benefits, advantages, conditions or terms of an insurance policy. In each such

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instance, the insurer shall, after hearing, be subjected to the penalties as prescribed in 18 Del.C. §106.

One file reviewed did not contain evidence that a Buyers Guide was provided.

Recommendation: It is recommended that the Company ensure its procedures enforce that that a Buyers Guide is provided with evidence maintained in the file in order to comply with *Del. Admin. Code* 1203 §5.1 and §7.1 and that the procedures are being following by Company personnel.

1 Exception - 18 Del. Admin. Code 1204 §7.1 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.

The written communication advising of the replacement to the existing insurer was not provided within seven working days in one (1) of the reviewed files.

Recommendation: It is recommended that the Company ensure its procedures enforce that that the written communication advising of a replacement is provided as required by 18 *Del. Admin. Code* 1204 §7.1.2.2 and that the procedures are being following by Company personnel.

D. Individual Life Policies Declined

The Company was requested to provide a list of all policies declined during the experience period. The Company identified eight individual life policies declined. All eight files were requested, received, and reviewed. The files were reviewed to ensure declinations were not the result of any discriminatory underwriting practice and the proper return of any unearned premium.

No exceptions were noted.

E. Individual Life Policies Not-Taken

The Company was requested to provide a list of all policies not-taken during the experience period. The Company identified 95 individual life policies not-taken. A

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random sample of 25 files was requested for review. All 25 files were received and reviewed. A not-taken policy by definition is a contract that is issued and the insured requests cancellation. The files were reviewed to ensure compliance with the 10-day premium refund provisions of the contract.

There were no exceptions noted as a result of the review.

F. Individual Term Life Conversions

The Company identified a universe of 74 individual term life conversion policies issued during the experience period. A random sampling of 25 term life conversion files was requested. Of the 25 files requested, 25 were received. All 25 files were reviewed to determine compliance to issuance and underwriting statutes and regulations.

The following exceptions were noted:

5 Exceptions - 18 Del. C. §2709. Alteration of application, life and health insurance.

No alteration of any written application for any life or health insurance policy shall be made by any person other than the applicant without his/her written consent, except that insertions may be made by the insurer, for administrative purposes only, in such manner as to indicate clearly that such insertions are not to be ascribed to the applicant.

Six (6) files reviewed contained applications that were altered without the applicants consent. One alteration was determined to be administrative in nature and did not adversely affect the policyholder and was therefore ultimately was not considered an exception. The five remaining files were altered in error.

Recommendation: It is recommended that the Company review its procedures to ensure that the applicant consent to alterations contained in applications as required by 18 Del. C. §2709 and that the procedures are being following by Company personnel.

1 Exception – 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.

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One (1) reviewed file contained an application form that was not filed with the Department, as required.

Recommendation: It is recommended that the Company ensure its procedures enforce proper filing of forms as required by 18 Del. C. §2712 and that the procedures are being following by Company personnel.

1 Exception - 18 Del. Admin. Code 1210 §9.0 Delivery of Illustration and Record Retention

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

One (1) file was identified that did not contain a signed acknowledgment of the delivery of the illustration at the time of policy delivery.

Recommendation: It is recommended that the Company ensure its procedures enforce that a signed acknowledgment of delivery of a basic illustration be provided at the time of delivery as required by 18 Del. Admin. Code 1210 §9.2.2 and that the procedures are being following by Company personnel.

G. Term Life Conversions VUL

The Company identified a universe of 41 individual term life policies converted to variable universal life policies during the experience period. A random sampling of 15 term life conversion files was requested. The 15 files were reviewed to determine compliance to issuance and underwriting statutes and regulations.

The following exceptions were noted:

2 Exceptions – 18 Del. Admin. Code 1205 §7.0 Information Furnished to Applicants

7.1 An insurer delivering or issuing for delivery in this state any variable life insurance policies shall deliver to the applicant for the policy, and obtain a written acknowledgment of receipt from such applicant coincident with or prior to the execution of the application, the following information. The requirements of section 6.0 shall be deemed to have been satisfied to the extent that a disclosure containing information required by section 6.0 is delivered, either in the form of (1) a prospectus included in the requirements of the Securities Act of 1933 and which was declared effective by the Securities and Exchange commission; or (2) all information and reports required by the Employee Retirement Income Security Act of 1974 if the policies are exempted from the registration requirements of the Securities Act of 1933

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pursuant to section 3(a)(2) thereof.

Two (2) of the reviewed files did not contain a signed prospectus delivery receipt documenting that the prospectus was provided at or before the execution of the application.

Recommendation: It is recommended that Company procedures enforce that a signed prospectus delivery receipt be provided at the time of delivery as required by 18 *Del. Admin. Code* 1205 §7.1 and that the procedures are being following by Company personnel.

FORMS

The Company was requested to provide a list and copies of all policy and/or member forms, conversion contracts, applications, riders, amendments and endorsements used during the experience period. The forms provided and forms contained in various underwriting sections of the examination were reviewed to ensure compliance with 18 *Del. C.* §2712, Filing, approval of forms. No exceptions were noted in the form review section. Form exceptions found in the course of the underwriting file review are noted in the respective sections of the report.

CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of consumer complaint logs for 2008, 2009, and 2010. The Company identified one (1) consumer complaint received during the experience period. The complaint identified was not forwarded from the Department. The complaint file was requested, received, and reviewed. The Company also provided a verbal complaint log.

The complaint file and complaint logs were reviewed for compliance with 18 *Del. C.* §2304 (17). This Section of the Code requires maintenance of a complete record of all complaints received since the date of its last examination. The record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of the complaint and the time it took to process each complaint.

No exceptions were noted.

ADVERTISING

The Company was requested to provide a list of all Advertising and Marketing Material in use during the experience period. In addition, the Company was requested to provide a copy of the advertising certificate of compliance submitted to the Department during

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the experience period. The Company provided a list of 1515 pieces of advertising used during the examination period. The advertising 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 75 pieces of advertising was requested, received and reviewed. The 75 advertising items and the Company's web site were reviewed to determine compliance with 18 *Del. C.* §2303, Unfair Methods of Competition and Unfair or Deceptive Acts or Practices.

No exceptions were noted.

PRODUCER LICENSING & OVERSIGHT

The Company was requested to provide a list of all producers active and terminated during the experience period, in addition to the Company's oversight policies and procedures regarding the following activities:

- Appointment Procedures
- Product Training & Compliance
- Allegations of Misconduct Reports
- Producer Terminations
- Monitoring Producer Replacement Activity

The policies and procedures were received and reviewed. The Company provided a list of 2338 active producers, and 1979 terminated producers. Due to the number of producer appointments and terminations, samples were drawn and compared to Department records. In addition, a comparison was made on all applications reviewed in the policy issued sections of the examination; those findings, if any, are noted in the appropriate underwriting section of the report.

No exceptions were noted.

CONCLUSION

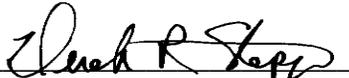
The recommendations made below identify corrective measures the Department finds necessary as a result of the Exceptions noted in the Report. Location in the Report is referenced in parenthesis.

1. It is recommended that the Company ensure its procedures enforce the proper filing of forms as required by 18 *Del. C.* §2712 and that the procedures are being following by Company personnel. (Universal Life Policies Issued)
2. It is recommended that the Company ensure its procedures enforce proper acknowledgement and certification of the usage of an illustration at the time of application is completed as required by 18 *Del. Admin. Code* 1210 §9.1.1 and that the procedures are being following by Company personnel. (Universal Life Policies Issued)
3. It is recommended that the Company ensure its procedures enforce that a signed acknowledgment of delivery of a basic illustration be provided at the time of delivery as required by 18 *Del. Admin. Code* 1210 §9.2.2 and that the procedures are being following by Company personnel. (Universal Life Policies Issued)
4. It is recommended that the Company ensure its procedures enforce that the applicant's consent to alterations contained in applications as required by 18 *Del. C.* §2709 and that the procedures are being following by Company personnel. (Variable Life Policies Issued)
5. It is recommended that the Company ensure its procedures enforce that a prospectus be delivered and a written acknowledgment of receipt by the applicant coincident with or prior to the execution of the application as required by 18 *Del. Admin. Code* 1205 §7.1 and that the procedures are being following by Company personnel. (Variable Life Policies Issued)
6. It is recommended that the Company ensure its procedures enforce that that a Buyers Guide is provided with evidence maintained in the file in order to comply with *Del. Admin. Code* 1203 §5.1 and §7.1 and that the procedures are being following by Company personnel. (Term Life Policies Issued)

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7. It is recommended that the Company ensure its procedures enforce that that that the written communication advising of a replacement is provided as required by 18 Del. Admin. Code 1204 §7.1.2.2 and that the procedures are being following by Company personnel. (Term Life Policies Issued)
8. It is recommended that the Company review its procedures to ensure that the applicant consent to alterations contained in applications as required by 18 *Del. C.* §2709 and that the procedures are being following by Company personnel. (Individual Term Life Conversions)
9. It is recommended that the Company ensure its procedures enforce proper filing of forms as required by 18 *Del. C.* §2712 and that the procedures are being following by Company personnel. (Individual Term Life Conversions)
10. It is recommended that the Company ensure its procedures enforce that a signed acknowledgment of delivery of a basic illustration be provided at the time of delivery as required by 18 Del. Admin. Code 1210 §9.2.2 and that the procedures are being following by Company personnel. (Individual Term Life Conversions)
11. It is recommended that Company procedures enforce that a signed prospectus delivery receipt be provided at the time of delivery as required by 18 Del. Admin. Code 1205 §7.1 and that the procedures are being following by Company personnel. (Term Life Conversions VUL)

The examination conducted by Daniel Stemcosky, Derek Stepp, and John Rucidlo is respectfully submitted.


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