DELAWARE DEPARTMENT OF INSURANCE

MARKET CONDUCT EXAMINATION REPORT

American General Life Insurance Company
NAIC #60488

340 Seven Springs Way
Brentwood TN 37027

As of

December 31, 2016
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

American General Life Insurance Company

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

Attest By:

[Signature]

In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 7 day of November 2018.

Trinidad Navarro
Insurance Commissioner
REPORT ON EXAMINATION

OF THE

American General 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 7th day of November, 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 Examination Authority Number 60488-ANN-16-585, and pursuant to statutory provisions including 18 Del. C. §318-322, a market conduct examination has been conducted of the affairs and practices of:

**American General Life Insurance Company NAIC #60488**

The examination was performed as of December 31, 2016.

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

American General Life Insurance Company, including its wholly owned subsidiaries, is a wholly owned subsidiary of AGC Life Insurance Company (AGC Life or the Parent), an indirect, wholly owned subsidiary of American International Group, Inc. (AIG Parent). Unless the context indicates otherwise, the terms “AGL”, “the Company,” “we,” “us” or “our” mean American General Life Insurance Company and its consolidated entities, and the term “AIG Parent” means American International Group, Inc. and not any of AIG Parent’s consolidated subsidiaries.

The examination of AGL 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 noted were in the areas of Consumer Complaints and Underwriting and Rating.

The following exceptions were noted.

- 11 Exceptions: Complaint Handling
  18 Del. C. §320 (c). Conduct of examination; access to records; correction.
  (c) 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.

  The Company did not provide the proof of submitting a copy of the response to the Department to the complainant as directed by the Department.

- 1 Exception: Complaint Handling
  18 Del. C. §2304 (26) Failure to respond to regulatory inquiries.
  No person shall, with such frequency as to indicate a general business practice, fail to provide preliminary substantive responses to inquiries from the Department of Insurance regarding the denial of claims, cancellation, non-renewal, or refusal of benefits, refusal to pre-authorize benefits, or violations of this title, within 21 calendar days of such inquiry. A response in compliance with this subsection shall not preclude the provision of additional information responsive to the inquiry.
The Company failed to respond to an inquiry from the Department of Insurance within 21 calendar days of receipt of the inquiry.

- 26 Exceptions: Individual Cash Value Life Policies Issued: Non-Replacement
  General Rules and Prohibitions
  6.1 An illustration used in the sale of a life insurance policy shall satisfy the applicable requirements of this regulation, be clearly labeled "life insurance illustration" and contain the following basic information:

  The Company failed to clearly label the illustration "life insurance illustration".

- 2 Exceptions: Individual Cash Value Life Policies Issued: Non-Replacement
  18 Del. Admin. C. 1210 §9.1.2 Delivery of Illustration and Record Retention.
  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.

  The Company failed to label the revised illustrations, "Revised Illustration".

- 1 Exception: Individual Cash Value Life Policies Issued: Non-Replacement
  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 signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy at the time of policy application, and that an illustration conforming to the policy as issued would be provided no later than at the time of policy delivery.

- 16 Exceptions: Individual Cash Value Life Policies Issued: Replacement
  18 Del. Admin. C. 1203 §4.1 Definitions.
  4.1 For the purposes of this regulation, the following definitions shall apply:
  "Buyer's Guide" A Buyer's Guide is a document which contains, and is limited to, the language approved by the National Association of Insurance
Commissioners in its Life Insurance Buyer’s Guide or language approved by the Commissioner.

“Policy Summary” A policy summary is not required to include information available in the policy form or illustrations. If an illustration subject to the provisions of the Delaware Insurance regulation 1210 is used in the sale of a policy, delivery of a policy summary is not required. A policy summary may not include any element that is not guaranteed. For the purposes of this regulation, Policy Summary means a written statement describing the elements of the policy including but not limited to:

- A Policy Summary which includes dividends shall also include a statement that dividends are based on the company's current dividend scale and are not guaranteed in addition to a statement in close proximity to the Equivalent Level Annual Dividend as follows: An explanation of the intended use of the Equivalent Level Annual Dividend is included in the Life Insurance Buyer's Guide.

The Company failed to provide the complete required information in the policy summary.

- 1 Exception: Individual Cash Value Life Policies Issued: Replacement
  18 Del. Admin. C. 1204 §5.2.1 Duties of Agents and Brokers.
  Where replacement is involved, the agent or broker shall:
  5.2.1 Present to the applicant, not later than at the time of taking the application, a "Notice Regarding Replacement" (Delaware Insurance Form R, attached as Exhibit A), or other substantially similar form approved by the Commissioner. The notice shall be signed by both the applicant and the agent or broker and a copy left with the applicant

  The replacement form in one file was dated after the application date.

- 3 Exceptions: Individual Cash Value Life Policies Issued: Replacement
  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 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 Policy is issued, whichever is sooner.

  The Company failed to send the existing insurer a written communication advising of the replacement or proposed replacement of the policy within seven working days of the date the application was received.
• 1 Exception: Individual Cash Value Life Policies Issued: Replacement  
18 Del. Admin. C. 1210 §7.3.1 Numeric Summary.  
7.3 Numeric Summary.  
7.3.1 Following the narrative summary, a basic illustration shall include a numeric summary of the death benefits and values and the premium outlay and contract premium, as applicable. For a policy that provides for a contract premium, the guaranteed death benefits and values shall be based on the contract premium. This summary shall be shown for at least policy years five(5), ten(10) and twenty(20) and at age seventy(70), if applicable, on the three bases shown below. For multiple life policies the summary shall show policy years five(5), ten(10), twenty(20) and thirty(30).  
The illustration in one file did not contain the required values in the Summary of Values.

• 1 Exception: Individual Cash Value Life Policies Issued: Replacement  
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 agent certification and applicant’s acknowledgement of the illustration used was not provided in one file.

• 2 Exceptions: Individual Cash Value Life Policies Issued: Replacement  
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 two files did not contain a signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy at the time of policy application, and that an illustration conforming to the policy as issued would be provided no later than at the time of policy delivery.

• 4 Exceptions: Individual Fixed Annuities: Non-Replacement  
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 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 Policy is issued, whichever is sooner.

The Company failed to provide the proof that the written communication advising of the replacement to the existing insurer contained a Policy Summary or Ledger Statement.

- 1 Exception: Individual Fixed Annuities: Non-Replacement

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 notice or statement providing twenty days for an unconditional refund of all premiums paid.

- 6 Exceptions: Individual Fixed Annuities: Replacement

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 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 Policy is issued, whichever is sooner.

The Company failed to provide the proof of the written communication advising of the replacement to the existing insurer in six files and the communication was not timely in six files.

- 47 Exceptions: Individual Fixed Annuities: Replacement

18 Del. Admin. C. 1204 §7.3 Duties of Insurers That Use Agents or Brokers.
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 provide the evidence of the maintenance of the Policy Summary or Ledger Statements used.

- 2 Exceptions: Individual Variable Annuities: Non-Replacement
  18 Del. Admin. C. 1204 §7.1.1 Duties of Insurers That Use Agents or Brokers
  Each insurer that uses an agent of broker in a life insurance or annuity sale shall:
  7.1.1 Require with or as a part of each completed application for life insurance or annuity, a statement signed by the agent or broker as to whether he or she knows replacement is or may be involved in the transaction.

  The agent’s statement on replacement was not signed on the application in two files.

- 6 Exceptions: Individual Variable Annuities: Non-Replacement
  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 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 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.

- 20 Exceptions: Individual Variable Annuities: Replacement
  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 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 Policy is issued, whichever is sooner.
The Company failed to send the existing insurer a written communication advising of the replacement or proposed replacement of the policy within seven working days.

**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 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 to review written summaries provided on the exceptions found.

**COMPANY HISTORY AND PROFILE**

The Company was incorporated in Delaware on April 11, 1960 and commenced business on August 1, 1960, under the name Knights Life Insurance Company. The Company’s name was changed to American General Life Insurance Company of Delaware, on December 31, 1962. On December 31, 1991, the Company, California-Western States Life Insurance Company and American General Life Insurance Company merged, with the Company being the surviving entity. The Company re-domesticated to Texas and changed its name to American General Life Insurance Company.
Effective December 31, 2012, as part of a project that consolidated seven sister life insurance companies, the following legal entities merged into AGL, with AGL as the surviving company: American General Assurance Company, American General Life and Accident Insurance Company, American General Life Insurance Company of Delaware, SunAmerica Annuity and Life Assurance Company, SunAmerica Life Insurance Company, and Western National Life Insurance Company.

The Company’s primary products include term life insurance, universal, variable universal and whole life insurance, accident and health insurance, single- and flexible-premium deferred fixed and variable annuities, fixed index deferred annuities, single-premium immediate and delayed-income annuities, private placement variable annuities, structured settlements, corporate- and bank-owned life insurance, terminal funding annuities, guaranteed investment contracts (GICs) and funding agreements, stable value wrap products and group benefits. The Company distributes its products through independent marketing organizations, independent insurance agents and financial advisors, banks, broker dealers, structured settlement brokers and benefit consultants, and direct-to-consumer through AIG Direct. The Company also provides support services to certain affiliated insurance companies through our subsidiaries, AIG Enterprise Services LLC (AIGES) and SunAmerica Asset Management LLC (SAAMCo). Additionally, SAAMCo and its wholly owned subsidiaries are engaged in asset management operations, including the distribution and administration of certain mutual funds and variable subaccounts offered within our variable annuity and variable universal life products.

As of their 2016 annual statement for the State of Delaware, American General Life Insurance Company reported ordinary life insurance premium considerations in the amount of $27,341,333, and annuity premium considerations in the amount of $96,239,688. As of their 2016 annual statement for all States, American General Life Insurance Company reported direct business life insurance premiums in the amount of $3,011,078,782 and annuity considerations in the amount of $10,231,077,572. Life insurance premiums reported in 2014 for the State of Delaware were $32,721,695 and decreased to $27,341,333 in 2016. Annuity considerations reported in 2014 for the State of Delaware were $85,555,674 and increased to $96,239,688 in 2016.

COMPANY OPERATIONS AND MANAGEMENT

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

- The Company History and Profile
- The Company Organizational Charts
- A list of internal audits conducted in the last three (3) years and a statement that the audits identified were closed/complete and up-to-date as of the examination period under review
- A copy of the Company’s anti-fraud procedures
• Third Party Administrator (TPA) documentation
• A statement indicating that the Company’s records were adequate, accessible, consistent and orderly and complied with Delaware record retention requirements.
• A list of fines, penalties and recommendations from any state for the last five (5) years.

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

COMPLAINT HANDLING

The Company provided a universe of 96 consumer complaints received during the examination period. All 96 complaint files were requested and reviewed. Of the 96 complaints, 54 were forwarded from the Department. The Company also provided the complaint register as requested. The Department’s list of written consumer complaints that were forwarded to the Company during the experience period was compared to the Company’s complaint register.

The complaint files and the complaint log were reviewed for compliance with the Delaware statutes and regulations including, but not limited to: 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.

The following exceptions were noted:

11 Exceptions - 18 Del. C. §320 Conduct of examination; access to records; correction

The eleven files were missing the evidence that a copy of the response to the Department was provided to the complainant, as directed by the Department.

Recommendation: It is recommended that the Company review its procedures to ensure that all records are maintained as required by 18 Del. C. §320.

1 Exception - 18 Del. C. §2304 (26) Failure to respond to regulatory inquiries.

The Company failed to respond to inquiries from the Department of Insurance within 21 calendar days of receipt of the inquiry in one file.

Recommendation: It is recommended that the Company review its procedures to ensure inquiries from the Department are responded to timely as required by 18 Del. C. §2304 (26).
MARKETING AND SALES

The Company was requested to provide a list of all advertising materials, whether printed or audio/visual, approved for use by field personnel for the examination period. The material was to be segregated into two sections - 1) Company Generated Advertising and 2) Producer Generated Advertising along with a log showing which policy form is associated with the identified piece of advertising material. The Company provided a list of 9,680 pieces of advertising that was utilized. The advertising materials consisted of ad reports, ad slicks, announcements, articles, banners, banner ads, booklets, brochures, bulletins, consumer guides, consumer pieces, correspondence, cover sheets, direct mailers, DVDs, emails, fact sheets, Frequently Asked Questions (FAQ) sheets, field bulletins, field communications, flyers, handouts, illustrations, invitations, letters, newsletters, playbooks, post cards, power points, presentations, print advertising, producer guides, product specification sheets, prospecting letters, prospectus, Question and Answer (Q&A) sheets, questionnaires, radio ads, rep training, sales concepts, sales ideas, scripts, social media, surveys, telemarketing, scripts, video clips, video streams, web pages, and websites. A sample of 116 pieces of advertising was requested. It was determined that of the 116 pieces of advertisement requested, 7 pieces were included in error. The remaining 109 pieces of advertisement were received and reviewed. The advertising materials were reviewed to ascertain compliance with 18 Del. C. §2303, Unfair Methods of Competition and 18 Del. C. §2304, Unfair or Deceptive Acts or Practices. No exceptions were noted.

PRODUCER LICENSING

The Company provided a list of 4,617 active producers. Upon review, it was determined that the Company included numerous duplicates, some individuals listed more than ten times and there were several agencies. The duplicate listings and the agencies were removed. A sample of 116 producers was selected from the revised listing for review. The sampled list of active producers was compared to Departmental records of producers to verify the licensing and appointments, in compliance with 18 Del. C. §1703 License required, and 18 Del. C. §1715 Appointment of producer as agent. In addition, a comparison was made on producers identified on applications reviewed in the policy issued sections of the exam. For the exam purposes, producer licensing exceptions found in the other sections of the examination are addressed in their respective summaries. No exceptions were noted.

The Company provided a list of 784 producers terminated during the examination period of January 1, 2014 through December 31, 2016. A random sample of 113 terminated producers was compared to Departmental records of producers, and the NAIC Lookup Search, to verify the terminations reporting in compliance with 18 Del. C. §1716. Notification to Insurance Commissioner of termination. No exceptions were noted.
POLICYHOLDER SERVICES

A) Individual Cash Value Policies Surrendered

The Company provided a list of 1,198 individual cash value life insurance policies surrendered during the examination period. A random sample of 113 policy files was requested, received and reviewed. The files were reviewed to ensure compliance with contract provisions, surrender laws and regulations, and the proper processing of any cash value. No exceptions were noted.

B) Individual Fixed Annuity Contracts Surrendered

The Company provided a list of 396 individual fixed annuities surrendered during the experience period. From the universe of 396, a sample of 84 contract files was identified and requested. The Company identified 13 contract files that were erroneously included in the sample: two were identified to be minimum required distributions, two were identified to belong to a sister company, VALIC, and nine were group contracts. The remaining 71 contract files were received and reviewed to ensure compliance with Delaware statutes and regulations. No exceptions were noted.

C) Individual Variable Annuity Contracts Surrendered

The Company provided a list of 132 individual variable annuity contracts surrendered during the experience period. A random sample of 79 contract files was requested and reviewed. The files were reviewed to ensure compliance with contract provisions, surrender laws and regulations, and proper processing of any cash surrender value. No exceptions were noted.

UNDERWRITING AND RATING

A) Forms

The Company provided a list of 377 forms approved for use during the experience period. A sample of 84 forms was requested and reviewed. The forms provided and forms reviewed in various sections of the examination were reviewed to ensure compliance with 18 Del. C. §2712, Filing, approval of forms. No exceptions were noted.

B) Individual Cash Value Life Policies Issued – Non-Replacement

The Company provided a list of 340 cash value life insurance non-replacement policies issued during the examination period of January 1, 2014 through December 31, 2016.
Out of a Universe of 340, a total of 66 policies issued to individuals 65+ were selected plus an additional 13 policies to arrive at a Sample of 79. The 79 policy files were requested, received and reviewed to determine compliance with the Delaware underwriting and issuance statutes and regulations.

The following exceptions were noted:


The illustration in 26 files was not clearly labeled "life insurance illustration".

Recommendation: It is recommended that the Company ensure all illustrations are labeled as required by 18 Del. Admin. C. 1210 §6.1.

2 Exceptions - 18 Del. Admin. C. 1210 §9.1.2.1 Delivery of Illustration and Record Retention

The illustration in two files was not labeled "Revised Illustration".

Recommendation: It is recommended that the Company ensure all illustrations are labeled as required by 18 Del. Admin. C. 1210 §9.1.2.1.

1 Exception - 18 Del. Admin. C. 1210 §9.2.1 Delivery of Illustration and Record Retention

The one file did not contain the signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy at the time of policy application, and that an illustration conforming to the policy as issued would be provided no later than at the time of policy delivery.

Recommendation: It is recommended that the Company maintain the signed certification and acknowledgement that no illustration was used as required by 18 Del. Admin. C. 1210 §9.2.1.

C) Individual Cash Value Life Policies Issued – Replacements

The Company identified a universe of 65 cash value life insurance policies issued as replacements during the experience period of January 1, 2014 through December 31, 2016. All 65 policy files were requested. The Company identified one file as being a non-replacement policy and was included in error. The Company provided the remaining 64 policy files. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations.

The following exceptions were noted:
16 Exceptions - 18 Del. Admin. C. 1203 §4.1 Definitions

The policy summaries included in the 16 files were incomplete. The Life Insurance Cost Indexes and a statement in close proximity to the Life Insurance Cost Indexes stating: “An explanation of the intended use of these indexes is provided in the Life Insurance Buyer's Guide.” were not evident in the policy summary.

Recommendation: It is recommended that the Company ensure all policy summaries contain the required information in accordance with 18 Del. Admin. C. 1203 §4.0.

1 Exception - 18 Del. Admin. C. 1204 §5.2.1 Duties of Agents and Brokers

The replacement form was dated after the application date in one file.

Recommendation: It is recommended that the Company review its procedures to ensure the notice regarding replacement is presented to the applicant not later than at the time of taking the application as required by 18 Del. Admin. C. 1204 §5.2.1.

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

The written communication advising of the replacement to the existing insurer was not provided as required or was beyond seven working days in two files, and the written communication was sent to the wrong insurer in one file.

Recommendation: It is recommended that the Company ensure the written communication advising of the replacement or proposed replacement of the policy be made within seven working days in compliance with 18 Del. Admin. C. 1204 §7.1.2.2.

1 Exception - 18 Del. Admin. C. 1210 §7.3.1 Numeric Summary

The illustration in one file did not contain the required values in the Summary of Values.

Recommendation: It is recommended that the Company ensure all illustrations contain the required values in accordance with 18 Del. Admin. C. 1210 §7.3.1

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

The agent certification and applicant’s acknowledgement of the illustration used in one file was not provided.

Recommendation: It is recommended that the Company maintain the agent certification and applicant’s acknowledgement of the illustration used as required by 18 Del. Admin. C. 1210 §9.1.1.
2 Exceptions - 18 Del. Admin. C. 1210 §9.2.1 Delivery of Illustration and Record Retention

The two files did not contain the signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy at the time of policy application, and that an illustration conforming to the policy as issued would be provided no later than at the time of policy delivery.

Recommendation: It is recommended that the Company maintain the signed certification and acknowledgement that no illustration was used as required by 18 Del. Admin. C. 1210 §9.2.1.

D) Individual Fixed Annuities – Non-Replacement

The Company identified a universe of 450 non-replacement fixed annuity contracts issued during the experience period of January 1, 2014 through December 31, 2016. A random sampling of 84 fixed annuity contract files was requested, received and reviewed. It was determined that five of the files were issued as replacements; however, the five files were included in the review. The remaining 79 files were reviewed to determine compliance with issuance, and replacement statutes and regulations.

The following exceptions were noted:

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

The proof that the written communication advising of the replacement to the existing insurer contained a Policy Summary or Ledger Statement could not be established in four files.

Recommendation: It is recommended that the Company ensure the written communication advising of the replacement or proposed replacement of the policy be contains the Policy Summary or Ledger Statement in compliance with 18 Del. Admin. C. 1204 §7.1.2.2.

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

The notice or statement providing twenty days for an unconditional refund of all premiums paid was not evident in one file.

Recommendation: It is recommended the Company ensure the notice or statement specifying twenty (20) days for an unconditional refund of all premiums paid be provided to the applicants in compliance with 18 Del. Admin. C. 1204 §7.4.
E) **Individual Fixed Annuities - Replacements**

The Company identified a universe of 55 fixed annuity contracts issued as replacements during the experience period of January 1, 2014 through December 31, 2016. All 55 annuity contract files were requested, received and reviewed. The files were reviewed to determine compliance with the Delaware issuance and replacement statutes and regulations.

The following exceptions were noted:

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

The written communication advising of the replacement to the existing insurer was not evident in six files, and the communication was not timely in six files.

*Recommendation:* It is recommended that the Company ensure the written communication advising of the replacement or proposed replacement of the policy be made within seven working days in compliance with 18 Del. Admin. C. 1204 §7.1.2.2.

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

The 47 files did not contain evidence of the maintenance of the Policy Summary or Ledger Statements used.

*Recommendation:* It is recommended that the Company review its procedures to ensure the Policy Summary or Ledger Statement is used and maintained in compliance with 18 Del. Admin. C. 1204 §7.3.

F) **Individual Variable Annuities – Non-Replacement**

The Company identified a universe of 328 non-replacement variable annuity contracts, issued during the experience period of January 1, 2014 through December 31, 2016. A random sample of 79 variable annuity contract files was requested, received and reviewed. The Company identified 16 of the provided samples as replacements, which were included due to a programming error. The remaining 63 files were reviewed to determine compliance with Delaware statutes and regulations.

The following exceptions were noted:

**2 Exceptions - 18 Del. Admin. C. 1204 §7.1.1 Duties of Insurers That Use Agents or Brokers**

The agent’s statement on replacement was not signed on the application in two files.
Recommendation: It is recommended that the Company ensure the replacement statement is answered and signed by the agent in accordance with 18 Del. Admin. C. 1204 §7.1.1

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

The proof of the written communication advising of the replacement to the existing insurer was not provided as required in six files.

Recommendation: It is recommended that the Company ensure the written communication advising of the replacement or proposed replacement of the policy be made within seven working days in compliance with 18 Del. Admin. C. 1204 §7.1.2.2.

G) Individual Variable Annuities - Replacements

The Company provided a list of 102 individual variable annuity contracts issued as replacements during the examination period of January 1, 2014 through December 31, 2016. All 102 contract files were requested. Of the 102 files requested, 95 were received and reviewed. The Company did not provide seven files which were included in the universe list in error. Of the remaining 95 contracts, 15 were determined to be fixed annuity contracts, which were included in error. Of the remaining 80 contracts, 13 were issued in states other than Delaware and were included on the list of contracts issued in Delaware in error. The remaining 67 contract files were reviewed to determine compliance with Delaware statutes and regulations.

The following exceptions were noted:

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

The proof of the written communication (letter) advising of the replacement to the existing insurer was not evident in 19 files, the communication was not timely in one file.

Recommendation: It is recommended that the Company ensure the written communication advising of the replacement or proposed replacement of the policy be made within seven working days in compliance with 18 Del. Admin. C. 1204 §7.1.2.2.
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 records are maintained as required by 18 Del. C. §320. (Complaint Handling)

2. It is recommended that the Company review its procedures to ensure inquiries from the Department are responded to timely as required by 18 Del. C. §2304 (26). (Complaint Handling)

3. It is recommended that the Company ensure all illustrations are labeled as required by 18 Del. Admin. C. 1210 §6.1 (Individual Cash Value Life-Non-Replacements)

4. It is recommended that the Company ensure all illustrations are labeled as required by 18 Del. Admin. C. 1210 §9.1.2.1. (Individual Cash Value Life-Non-Replacements)

5. It is recommended that the Company maintain the signed certification and acknowledgement that no illustration was used as required by 18 Del. Admin. C. 1210 §9.2.1. (Individual Cash Value Life-Non-Replacements)

6. It is recommended that the Company ensure all policy summaries contain the required information in accordance with 18 Del. Admin. C. 1203 §4.1. (Individual Cash Value Life-Replacements)

7. It is recommended that the Company review its procedures to ensure the notice regarding replacement is presented to the applicant not later than at the time of taking the application as required by 18 Del. Admin. C. 1204 §5.2.1. (Individual Cash Value Life-Replacements)

8. It is recommended that the Company ensure the written communication advising of the replacement or proposed replacement of the policy be made within seven working days in compliance with 18 Del. Admin. C. 1204 §7.1.2.2. (Individual Cash Value Life-Replacements)

9. It is recommended that the Company ensure all illustrations contain the required values in accordance with 18 Del. Admin. C. 1210 §7.3.1. (Individual Cash Value Life-Replacements)
10. It is recommended that the Company maintain the agent certification and applicant’s acknowledgement of the illustration used as required by 18 Del. Admin. C. 1210 §9.1.1. (Individual Cash Value Life-Replacements)

11. It is recommended that the Company maintain the signed certification and acknowledgement that no illustration was used as required by 18 Del. Admin. C. 1210 §9.2.1. (Individual Cash Value Life-Replacements)

12. It is recommended that the Company ensure the written communication advising of the replacement or proposed replacement of the policy be contains the Policy Summary or Ledger Statement in compliance with 18 Del. Admin. C. 1204 §7.1.2.2. (Individual Fixed Annuities- Non-Replacements)

13. It is recommended the Company ensure the notice or statement specifying twenty (20) days for an unconditional refund of all premiums paid be provided to the applicants in compliance with 18 Del. Admin. C. 1204 §7.4. (Individual Fixed Annuities- Non-Replacements)

14. It is recommended that the Company ensure the written communication advising of the replacement or proposed replacement of the policy be made within seven working days in compliance with 18 Del. Admin. C. 1204 §7.1.2.2. (Individual Fixed Annuities-Replacements)

15. It is recommended that the Company review its procedures to ensure the Policy Summary or Ledger Statement is used and maintained in compliance with 18 Del. Admin. C. 1204 §7.3. (Individual Fixed Annuities-Replacements)

16. It is recommended that the Company ensure the replacement statement is answered and signed by the agent in accordance with 18 Del. Admin. C. 1204 §7.1.1. (Individual Variable Annuities- Non-Replacements)

17. It is recommended that the Company ensure the written communication advising of the replacement or proposed replacement of the policy be made within seven working days in compliance with 18 Del. Admin. C. 1204 §7.1.2.2. (Individual Variable Annuities- Non-Replacements)

18. It is recommended that the Company ensure the written communication advising of the replacement or proposed replacement of the policy be made within seven working days in compliance with 18 Del. Admin. C. 1204 §7.1.2.2. (Individual Variable Annuities-Replacements)
Delaware Market Conduct Examination Report
American General Life Insurance Company

The examination conducted by Joseph Krug, Christina Hughart, Gwendolyn Douglas and Frank Kyazze is respectfully submitted.

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