DELAWARE DEPARTMENT OF INSURANCE

MARKET CONDUCT EXAMINATION REPORT

American General Life Insurance Company
NAIC #60488

2727-A Allen Parkway
Houston, TX, US 77019

As of

April 30, 2020
I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of April 30, 2020 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 28 day of June, 2021.

[Signature]
Trinidad Navarro
Insurance Commissioner
REPORT ON EXAMINATION

OF THE

American General Life Insurance Company

AS OF

April 30, 2020

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

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

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

In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 28th day of June, 2021.

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

Dear Commissioner Navarro:

In compliance with the instructions contained in Examination Authority Number 60488-20-706 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 April 30, 2020.

The examination was conducted off-site at the offices of the Delaware Department of Insurance, hereinafter referred to as the Department or DDOI, or other suitable locations.

The report of examination herein is respectfully submitted.
EXECUTIVE SUMMARY

American General Life Insurance Company 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). The Company is a stock life insurance company domiciled and licensed under the laws of the State of Texas. The Company is licensed in 49 states and the District of Columbia. The Company’s administrative offices are located in Houston, Texas.

The examination was announced as a follow-up to a previously issued targeted market conduct examination to review the Company’s practices in the annuity and life insurance 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 Service, Underwriting and Rating, and Claims.

All the exceptions noted were in the areas of Complaint Handling, Marketing and Sales, Producer Licensing, Underwriting and Rating, and Claims.

The following exceptions were noted:

• 1 Exception

  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 failed to provide a copy of the complaint response sent to the complainant as required by the Department of Insurance. This is a repeat exception previously noted in the prior examination.

• 2 Exceptions

  18 Del. C. § 2304(2) False information and advertising generally.
  (2) No person shall make, publish, disseminate, circulate or place before the public, or cause, directly or indirectly, to be made, published, disseminated, circulated or placed before the public, in a newspaper, magazine or other publication, or in the form of a notice, circular, pamphlet, letter or poster, or over any radio or television station, or in any other way, an advertisement, announcement or statement containing any assertion, representation or statement with respect to the business of insurance or with respect to any person in the conduct of the insurance business, which is untrue, deceptive or misleading.
The two advertisements contained statements which were unsubstantiated and are considered to be misleading without evidence of the accuracy of the claim or statement.

- **2 Exceptions**
  - **18 Del. C. § 1716(a)(b). Notification to Insurance Commissioner of termination.**
    
    (a) Termination for cause. -- An insurer or authorized representative of the insurer that terminates the appointment, employment, contract or other insurance business relationship with a producer shall notify the Insurance Commissioner within 30 days following the effective date of the termination, using a format prescribed by the Insurance Commissioner, if the reason for termination is 1 of the reasons set forth in § 1712 of this title or the insurer has knowledge the producer was found by a court, government body or self-regulatory organization authorized by law to have engaged in any of the activities in § 1712 of this title. Upon the written request of the Insurance Commissioner, the insurer shall provide additional information, documents, records or other data pertaining to the termination or activity of the producer.
    
    (b) Termination without cause. -- An insurer or authorized representative of the insurer that terminates the appointment, employment or contract with a producer for any reason not set forth in § 1712 of this title shall notify the Insurance Commissioner within 30 days following the effective date of the termination, using a format prescribed by the Insurance Commissioner. Upon written request of the Insurance Commissioner, the insurer shall provide additional information, documents, records or other data pertaining to the termination.

The Company failed to mail the producer termination notification to the Commissioner within 30 days following the effective date of the termination.

- **51 Exceptions**
  - **18 Del. C. § 1716(d). Notification to Insurance Commissioner of termination.**
    
    (a) Termination for cause. -- An insurer or authorized representative of the insurer that terminates the appointment, employment, contract or other insurance business relationship with a producer shall notify the Insurance Commissioner within 30 days following the effective date of the termination, using a format prescribed by the Insurance Commissioner, if the reason for termination is 1 of the reasons set forth in § 1712 of this title or the insurer has knowledge the producer was found by a court, government body or self-regulatory organization authorized by law to have engaged in any of the activities in § 1712 of this title. Upon the written request of the Insurance Commissioner, the insurer shall provide additional information, documents, records or other data pertaining to the termination or activity of the producer.
    
    (b) Termination without cause. -- An insurer or authorized representative of the insurer that terminates the appointment, employment or contract with a producer for any reason not set forth in § 1712 of this title shall notify the Insurance Commissioner within 30 days following the effective date of the termination, using
a format prescribed by the Insurance Commissioner. Upon written request of the Insurance Commissioner, the insurer shall provide additional information, documents, records or other data pertaining to the termination.

(c) Ongoing notification requirement. -- The insurer or the authorized representative of the insurer shall promptly notify the Insurance Commissioner in a format acceptable to the Insurance Commissioner if, upon further review or investigation, the insurer discovers additional information that would have been reportable to the Insurance Commissioner in accordance with subsection (a) of this section had the insurer then known of its existence.

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

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

(2) Within 30 days after the producer has received the original or additional notification, the producer may file written comments concerning the substance of the notification with the Insurance Commissioner. The producer shall, by the same means, simultaneously send a copy of the comments to the reporting insurer, and the comments shall become a part of the Insurance Commissioner's file and accompany every copy of a report distributed or disclosed for any reason about the producer as permitted under subsection (f) of this section.

The Company failed to mail the producer termination notification to the producers as required.

• 33 Exceptions

18 Del. Admin. C. § 1203-4.0 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 prominently placed title as follows: STATEMENT OF POLICY COST AND BENEFIT INFORMATION.

• The name and address of the insurance agent, or, if no agent is involved, a statement of the procedure to be followed in order to receive responses to inquiries regarding the Policy Summary.
The full name and home office or administrative office address of the company in which the life insurance policy is to be or has been written.

The Generic Name of the basic policy and each rider.

The following amounts, where applicable, for the first five policy years and representative policy years thereafter sufficient to clearly illustrate the premium and benefit patterns, including, but not necessarily limited to, the years for which Life Insurance Cost Indexes are displayed and at least one age from sixty through sixty-five or maturity whichever is earlier:

- The annual premium for the basic policy.
- The annual premium for each optional rider.
- Guaranteed amount payable upon death, at the beginning of the policy year regardless of the cause of death other than suicide, or other specifically enumerated exclusions, which is provided by the basic policy and each optional rider, with benefits provided under the basic policy and each rider shown separately.
- Total guaranteed cash surrender values at the end of the year with values shown separately for the basic policy and each rider.
- Cash Dividends payable at the end of the year with values shown separately for the basic policy and each rider. (Dividends need not be displayed beyond the twentieth policy year.)
- Guaranteed endowment amounts payable under the policy which are not included under guaranteed cash surrender values above.
- The effective policy loan annual percentage interest rate, if the policy contains this provision, specifying whether this rate is applied in advance or in arrears. If the policy loan interest rate is variable, the Policy Summary includes the maximum annual percentage rate.
- Life Insurance Cost Indexes for ten and twenty years but in no case beyond the premium paying period. Separate indexes are displayed for the basic policy and for each optional term life insurance rider. Such indexes need not be included for optional riders which are limited to benefits such as accidental death benefits, disability waiver of premium, preliminary term life insurance coverage of less than 12 months and guaranteed insurability benefits nor for the basic policies or optional riders covering more than one life.
- The Equivalent Level Annual Dividend, in the case of participating policies and participating optional term life insurance riders, under the same circumstances and for the same durations at which Life Insurance Cost Indexes are displayed.
- 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.
- A statement in close proximity to the Life Insurance Cost Indexes as follows: An explanation of the intended use of these indexes is provided in the Life Insurance Buyer's Guide.

The Company failed to include a required statement in the policy summaries, “A statement in close proximity to the Life Insurance Cost Indexes as follows: An
explanation of the intended use of these indexes is provided in the Life Insurance Buyer's Guide.”

- **3 Exceptions**
  
  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”. This is a repeat exception previously noted in the prior examination.

- **9 Exceptions**
  
  18 Del. Admin. C. § 1210-9.2.1 Delivery of Illustration and Record Retention
  
  9.2.1 If no illustration is used by an insurance producer or other authorized representative in the sale of a life insurance policy or if the policy is applied for other than as illustrated, the producer or representative shall certify to that effect in writing on a form provided by the insurer. On the same form the applicant shall acknowledge that no illustration conforming to the policy applied for was provided and shall further acknowledge an understanding that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery. This form shall be submitted to the insurer at the time of policy application.
  
  The Company failed to provide proof of 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.

- **2 Exceptions**
  
  
  (a) An insurance producer shall not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer. An insurance producer who is not acting as an agent of an insurer is not required to become appointed.
  
  (b) To appoint a producer as its agent, the appointing insurer shall file, in a format approved by the Insurance Commissioner, a notice of appointment within 15 days from the date the agency Policy is executed or the first insurance application is submitted. An insurer may also elect to appoint a producer to all or some insurers within the insurer’s holding company system or group by the filing of a single appointment request. The group appointment provision of this section is only applicable upon implementation by this Department of an electronic appointment process.
(c) Upon receipt of the notice of appointment, the Insurance Commissioner shall verify within a reasonable time not to exceed 30 days that the insurance producer is eligible for appointment. If the insurance producer is determined to be ineligible for appointment, the Insurance Commissioner shall notify the insurer within 5 days of its determination.

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

The Company accepted two applications from a producer who was not appointed by the Company.

- 2 Exceptions
  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 notice in two files was dated after the application date. This is a repeat exception previously noted in the prior examination.

- 1 Exception
  18 Del. Admin. C. § 902.1.2.1.2 Prohibited Unfair Claim Settlement Practices
  Failing to acknowledge and respond within 15 working days, upon receipt by the insurer, to communications with respect to claims by insureds arising under insurance policies.

  The Company failed to acknowledge the claim within 15 working days.

SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by 18 Del. C. § 318-322 and covered the experience period of January 1, 2018 through April 30, 2020, unless otherwise noted. The purpose of the examination was to determine compliance by the Company with Delaware complaints handling, claims handling, agent appointment and termination, annuity suitability, replacement and surrender laws and regulations related to the sales and marketing of individual life insurance policies and individual annuity contracts.

The examination was a follow-up targeted market conduct examination of 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 Service, Underwriting and Rating, and Claims.
METHODOLOGY

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

American General Life Insurance Company 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” and the “Company” 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 Company is a stock life insurance company domiciled and licensed under the laws of the State of Texas. The Company is licensed in 49 states and the District of Columbia.

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. 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.

In the United States, the Company provides individual term and universal life insurance solutions to middle-income and high net worth customers, as well as fixed and variable annuities. The Company’s primary products include term life, universal, variable universal and whole life 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, private placement variable universal life insurance, structured settlements, corporate and bank-owned life insurance, terminal funding annuities, guaranteed investment contracts (GICs), funding agreements and stable value wrap product. The Company distributes its products through a broad multi-channel distribution network, which includes 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 directly and through its subsidiaries including 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 the Company’s variable annuity and variable universal life products.

As of its 2018 annual statement for the State of Delaware, American General Life Insurance Company reported direct business life insurance premiums in the amount of $28,503,870, and annuity considerations in the amount of $28,864,018. As of its 2019 annual statement for the State of Delaware, American General Life Insurance Company reported direct business life insurance premiums in the amount of $24,248,928 and annuity considerations in the amount of $36,544,462.

COMPANY OPERATIONS AND MANAGEMENT

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

- A copy of the Company’s Certificate of Authority.
- The Company Overview and History and Profile.
• A description of the Company’s management including a list of the Board of Directors and Officers as of June 25, 2020.
• A list of 41 audits conducted during 2017, 2018 and 2019. Three claims audits were requested and reviewed.
• The Company’s Special Investigation Unit (“SIU”) Referral Guidelines, which address the Company’s anti-fraud and related procedures, a copy of the Company’s SIU Investigation Best Practice document, the Company’s Fraud Investigation Guidelines, and the Company’s Fraud Reporting Policy.
• Copies of Third-Party Administrator (TPA) contracts and agreements.
• Documentation that AIG Global Third-Party Risk Management Policy and supporting Standards directs the Company’s oversight and monitoring activities over the entirety of the lifecycle of the Third-Party engagement.
• A copy of AIG Global Records and Information Management Policy, which manages the retention and disposition of all information created, received, or maintained by AIG so that records are accurate and consistent with AIG standards.
• A description of fines during 2016 through 2019, with the details of the fines imposed.
• Market Conduct Examination Reports for Connecticut, Illinois and Texas.
• The Company’s Annual Statements for 2017, 2018 and 2019.

The documentation was reviewed for compliance with the State of Delaware Laws and Regulations. No exceptions were noted.

COMPLAINTS HANDLING

A. Consumer Complaints

The Company identified 49 consumer complaints received during the examination period. All 49 complaint files were requested, received and reviewed. The complaint files were reviewed for compliance with the State of Delaware Laws and Regulations, including but not limited to, 18 Del. C. §2304(17) Failure to maintain complaint handling procedures. 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 exception was noted:

1 Exception - 18 Del. C. § 320(c). Conduct of examination; access to records; correction.

The Company failed to provide a copy of the complaint response sent to the complainant as directed by the Department.

There were 11 similar exceptions noted in the previous examination as of December 31, 2016.
Recommendation: It is recommended that the Company review its procedures to ensure that all records are maintained as required by 18 Del. C. §320(c).

MARKETING AND SALES

A. Advertising and Sales Materials

The Company provided a universe of 4,297 pieces of advertising and sales materials in use during the examination period. The material consisted of: Ad Slicks and Reprints, Sales Announcements, Articles, Banner Ads, Billboards, Binders Booklets, Bulletins, Conference Signs, Consumer Guides, Digital Assets, Emails, Fact Sheets, Field Communications, Flyers, Invitations, Letters, Letterheads, Mailers, NAIC Training, Performance Reports, Playbooks, Post Cards, PowerPoints, Provider Guides, Product Specification Sheets, Radio, Sales and Investment Ideas, and Sales Concepts, Statements, Messages and Stuffers, Telemarketing Scripts, Television Commercials, Training Materials, Videos, Video Streams, Web Banners, Webinars, Websites, and Wholesale Bios. Of the 4,297 materials, 1,663 were determined to be client and consumer based. Of the 1,663 a sample of 115 pieces of advertising materials was requested, received and reviewed. The advertising materials were reviewed for compliance with the State of Delaware Laws and Regulations, including but not limited to, 18 Del. C. §2304, Unfair Methods of Competition and Unfair or Deceptive Acts or Practices. The following exceptions were noted:

2 Exceptions - 18 Del. C. § 2304(2) False information and advertising generally.

The two advertisements contained statements which were unsubstantiated and were considered to be misleading without evidence of the accuracy of the claim or statement.

Recommendation: It is recommended that the Company review its procedures to ensure that all advertising materials contain substantiated statements as required by 18 Del. Admin. C. § 2304(2).

PRODUCER LICENSING

A. Producer Licensing and Appointments

The Company also provided a list of 2,654 active producers. A random sample of 114 producers was selected. The list was compared to departmental records of producers for compliance with the State of Delaware Laws and Regulations. In addition, a comparison was made on the producers identified on applications reviewed in the policy and contract issued sections of the examination. For this examination purposes, producer licensing exceptions found in the other sections of the examination were addressed in their respective sections. No exceptions were noted.
**B. Producer Terminations**

The Company provided a list of 716 terminated producers. A random sample of 86 terminated producers was selected. The list was compared to departmental records of terminated producers for compliance with the State of Delaware Laws and Regulations. The following exceptions were noted:

**2 Exceptions - 18 Del. C. § 1716(a)(b). Notification to Insurance Commissioner of termination.**

The Company failed to mail the producer termination notification to the Commissioner within 30 days following the effective date of the termination.

*Recommendation:* It is recommended that the Company ensure the producer termination notification is mailed to the Commissioner timely as required by 18 Del. C. § 1716(a)(b).

**51 Exceptions - 18 Del. C. § 1716(d). Notification to Insurance Commissioner of termination.**

The Company failed to mail the producer termination notification to the producers as required.

*Recommendation:* It is recommended that the Company ensure the producer termination notification is mailed to the terminated producer timely as required by 18 Del. C. § 1716(d).

**POLICYHOLDER SERVICE**

**A. Individual Cash Life Insurance Policies Surrendered**

The Company provided a universe of 630 individual cash value life insurance policies surrendered during the examination. A random sample of 86 policy files was requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Laws and Regulations. No exceptions were noted.

**B. Individual Fixed Annuity Contracts Surrendered**

The Company provided a universe of 201 individual fixed annuity contracts surrendered during the examination period. A random sample of 79 contract files was requested, received and reviewed. The files were reviewed to ensure compliance with the State of Delaware Laws and Regulations. No exceptions were noted.

**C. Individual Variable Annuity Contracts Surrendered**

The Company provided a universe of 126 individual variable annuity contracts surrendered during the examination period. A random sample of 79 contract files was requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Laws and Regulations. No exceptions were noted.
UNDERWRITING AND RATING

A. Forms

The Company provided a universe of 275 forms in use during the examination period. A random sample of 79 forms was requested, received and reviewed. The forms provided and forms reviewed in various underwriting sections of the examination were reviewed for compliance with the State of Delaware Laws and Regulations, including but not limited to, 18 Del. C. §2712, Filing, approval of forms. For this examination purposes, form exceptions found in the other sections of the examination are addressed in their respective sections. No exceptions were noted.

B. Individual Cash Value Life Insurance Policies Issued as New

The Company provided a universe of 686 cash value life insurance policies issued during the examination period. A random sample of 86 policies was requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Laws and Regulations. The following exceptions were noted:

33 Exceptions - 18 Del. Admin. C. § 1203-4.1 Definitions

The policy summaries were missing the required statement, “A statement in close proximity to the Life Insurance Cost Indexes as follows: An explanation of the intended use of these indexes is provided in the Life Insurance Buyer's Guide.”

Recommendation: It is recommended that the Company ensure the policy summaries contain all statements required by 18 Del. Admin. C. § 1203-4.1.

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

The revised illustrations in three files were not labeled as “Revised Illustration”.

There were 26 similar exceptions noted in the previous examination as of December 31, 2016.

Recommendation: It is recommended that the Company ensure the revised illustration is labeled as such as required by 18 Del. Admin. C. § 1210-9.1.2.

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

The Company failed to provide proof of 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.
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American General Life Insurance Company

There was one similar exception noted in the previous examination as of December 31, 2016.

Recommendation: It is recommended that the Company ensure a signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy is provided as required by 18 Del. Admin. C. § 1210-9.2.1.


The Company accepted applications from a producer who was not appointed by the Company.

Recommendation: It is recommended that the Company ensure the producers soliciting and selling the Company’s products are appointed as required by 18 Del. C. § 1715.

C. Individual Cash Value Life Insurance Policies Issued as Replacements

The Company provided a universe of 18 cash value life insurance policies issued as replacements during the examination period. All 18 policy files were requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Laws and Regulations. The following exceptions were noted:

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

The Company failed to provide proof of 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.

Recommendation: It is recommended that the Company ensure a signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy is provided as required by 18 Del. Admin. C. § 1210-9.2.1.

D. Individual Fixed Annuity Contracts Issued as New

The Company provided a universe of 275 fixed annuity contracts issued during the examination. A random sample of 79 contracts was requested, received and reviewed. The contract files were reviewed for compliance with the State of Delaware Laws and Regulations. No exceptions were noted.

E. Individual Fixed Annuity Contracts Issued as Replacements

The Company provided a universe of 107 fixed annuity contracts issued as replacements during the examination period. A random sampling of 79 annuity contract files was requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Laws and Regulations. No exceptions were noted.
F. Individual Variable Annuity Contracts Issued as New

The Company provided a universe of 70 variable annuity contracts issued during the experience period. All 70 variable annuity contract files were requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Laws and Regulations. No exceptions were noted.

G. Individual Variable Annuity Contracts Issued as Replacements

The Company provided a universe of 52 individual variable annuity contracts issued as replacements during the examination period. All 52 variable annuity contract files were requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Laws and Regulations. The following exceptions were noted:

2 Exceptions - 18 Del. Admin. C. § 1204-5.2.1 Replacement of Life Insurance

The replacement notice in two files was dated after the application date. There were three similar exceptions noted in the previous examination as of December 31, 2016.

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.

H. Individual Non-Cash Value (Term) Life Insurance Policies Issued as New

The Company provided a universe of 603 individual non-cash value (term) life insurance policies issued during the examination period. A random sample of 86 policy files was requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Laws and Regulations. No exceptions were noted.

I. Individual Non-Cash Value (Term) Life Insurance Policies Issued as Replacements

The Company provided a universe of 145 individual non-cash value (term) life insurance policies issued as replacements during the examination period. A random sample of 79 policy files was requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Laws and Regulations. No exceptions were noted.

CLAIMS

A. Individual Life Insurance Policy Claims Paid

The Company provided a universe of 1,081 individual life insurance policy claims paid during the examination period. A random sample of 105 paid claims was requested, received and reviewed. The claim files were reviewed for compliance with the State of
Delaware Laws and Regulations. The following exception was noted:

1 Exception - 18 Del. Admin. C. § 902-1.2.1.2 Prohibited Unfair Claim Settlement Practices

The Company failed to acknowledge the claim within 15 working days.

Recommendation: It is recommended that the Company ensure all claims are acknowledged within 15 working days as required by 18 Del. Admin. C. § 902-1.2.1.2.

B. Individual Fixed Annuity Contract Claims Paid

The Company provided a universe of 145 fixed annuity claims paid during the examination period. A random sample of 76 paid claims was requested, received and reviewed. The claims files were reviewed for compliance with the State of Delaware Laws and Regulations. No exceptions were noted.

C. Individual Variable Annuity Contract Claims Paid

The Company provided a universe of 56 variable annuity claims paid during the examination period. The entire universe of 56 paid claims was requested, received, and reviewed. The claim files were reviewed for compliance with the State of Delaware Laws and Regulations. No exceptions were noted.

D. Denied Claims

The Company was requested to provide a list of all claims received and denied during the examination period, for each line of business. The Company indicated that there were no claims denied during the examination period. 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 review its procedures to ensure that all records are maintained as required by 18 Del. C. § 320(c). (Complaint Handling)

2. It is recommended that the Company review its procedures to ensure that all advertising materials contain substantiated statements as required by 18 Del. Admin. C. § 2304(2). (Marketing and Sales)

3. It is recommended that the Company ensure the producer termination notification is mailed to the Commissioner timely as required by 18 Del. C. § 1716(a)(b). (Producer Licensing-Producer Terminations)

4. It is recommended that the Company ensure the producer termination notification is mailed to the terminated producer as required by 18 Del. C. § 1716(d). (Producer Licensing-Producer Terminations)

5. It is recommended that the Company ensure the policy summaries contain all statements required by 18 Del. Admin. C. § 1203-4.1. (Underwriting and Rating-Individual Cash Value Life Insurance Policies Issued as New)

6. It is recommended that the Company ensure the revised illustration is labeled as such as required by 18 Del. Admin. C. § 1210-9.1.2. (Underwriting and Rating-Individual Cash Value Life Insurance Policies Issued as New)

7. It is recommended that the Company ensure a signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy is provided as required by 18 Del. Admin. C. § 1210-9.2.1. (Underwriting and Rating-Individual Cash Value Life Insurance Policies Issued as New, and Replacements)

8. It is recommended that the Company ensure the producers soliciting and selling the Company’s products are appointed as required by 18 Del. C. § 1715. (Underwriting and Rating-Individual Cash Value Life Insurance Policies Issued as New)

9. 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. (Underwriting and Rating-Individual Variable Annuity Contracts Issued as Replacements)

10. It is recommended that the Company ensure all claims are acknowledged within 15 working days as required by 18 Del. Admin. C. § 902-1.2.1.2. (Claims)
The examination conducted by Joseph Krug, Christina Hughart, Stephen Misenheimer and Frank Kyazze is respectfully submitted.

Frank W. K. Kyazze, MCM, CIE, FLMI, ALHC
Examiner-in-Charge
Market Conduct
Delaware Department of Insurance

I, Frank W.K. Kyazze, hereby verify and attest, under oath, that the above is a true and correct copy of the examination report and findings of the market conduct examination submitted to the Delaware Department of Insurance pursuant to examination authority #60488-20-706.

Frank W. K. Kyazze, MCM, CIE, FLMI, ALHC