

DELAWARE DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION REPORT

Midland National Life Insurance Company
NAIC #66044

8300 Mills Civic Parkway
West Des Moines, IA 50266

As of

March 31, 2023

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF THE
Midland National Life Insurance Company
AS OF
March 31, 2023

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 11th day of April, 2024.

Handwritten signature of Trinidad Navarro in blue ink.

Trinidad Navarro
Insurance Commissioner

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of March 31, 2023 on

Midland National Life Insurance Company

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

Attest By:



In Witness Whereof, I have hereunto set my hand
and affixed the official seal of this Department at the
City of Dover, this 11th day of April, 2024.

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 66044-23-901 and pursuant to statutory provisions including 18 *Del. C.* §§ 318-322, a market conduct examination has been conducted of the affairs and practices of:

Midland National Life Insurance Company
NAIC #66044

The examination was performed as of March 31, 2023.

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

The report of examination herein is respectfully submitted.

EXECUTIVE SUMMARY

The examination was announced as a market conduct examination to review the Company's practices in the life insurance and annuity marketplace in Delaware. The examination focused on the Company's life insurance and annuity business in the following areas of operation: Company Operations and Management, Complaints Handling, Marketing and Sales, Producer Licensing, Policyholder Service, Underwriting and Rating, and Claims.

All the exceptions noted were in the areas of Underwriting and Rating, and Claims.

The following exceptions were noted:

- 1 Exception
18 *Del. Admin. C.* § 1204-5.1.1 Duties of Agents and Brokers
Each agent or broker who initiates the application shall, on the request of the prospective purchaser, furnish the Buyers Guide as described by Regulation 29 and shall submit to the insurer to which an application for life insurance or annuity is presented, with or as a part of each application:
5.1.1 statement signed by the applicant as to whether the replacement of existing life insurance or annuities are involved in the transaction;

The Company failed to ensure that the applicant's replacement question was answered on the application.

- 1 Exception
18 *Del. Admin. C.* § 1204-5.2.2 Duties of Agents and Brokers
Where replacement is involved, the agent or broker shall:
5.2.2 Obtain with or as a part of each application a list of all existing life insurance and/or annuity to be replaced, properly identified by name of insurer, the insured and contract number. If a contract number has not been assigned by the existing insurer, provide other identifying information such as an application or receipt number.

The Company failed to obtain a list of all existing life insurance to be replaced, properly identified by name of the insurer, the insured and contract number.

- 7 Exceptions
18 *Del. Admin. C.* § 1210-6.1.2 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:
6.1.1 Name of insurer;
6.1.2 Name and business address of producer or insurer's authorized representative, if any;
6.1.3 Name, age and sex of proposed insured, except where a composite illustration

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is permitted under this regulation.

6.1.4 Underwriting or rating classification upon which the illustration is based;

6.1.5 Generic name of policy, the company product name, if different, and form number;

6.1.6 Initial death benefit; and

6.1.7 Dividend option election or application of non-guaranteed elements, if applicable.

The Company failed to include the business address of the producer on the illustration used.

- 19 Exceptions

18 *Del. Admin. C. § 1210-7.4 Standards for Basic Illustrations*

7.4 Statements. Statements substantially similar to the following shall be included on the same page as the numeric summary and signed by the applicant, or the policy owner in the case of an illustration provided at time of delivery, as required in this regulation.

7.4.1 A statement to be signed and dated by the applicant or policy owner reading as follows: "I have received a copy of this illustration and understand that any non-guaranteed elements illustrated are subject to change and could be higher or lower. The agent has told me they are not guaranteed."

7.4.2 A statement to be signed and dated by the insurance producer or other authorized representative of the insurer reading as follows: "I certify that this illustration has been presented to the applicant and that I have explained that any non-guaranteed elements illustrated are subject to change. I have made no statements that are inconsistent with the illustration."

The Company failed to include the statements required to be signed and dated by both the applicant and the producer on the same page as the numeric summary.

- 1 Exception

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 ensure that the revised illustration was signed and dated by the producer and applicant.

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- 8 Exceptions
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 contract is issued, whichever is sooner.*

The Company failed to send a written communication advising of the replacement to the existing insurer.

- 1 Exception
18 *Del. Admin. C. § 1201-9.1 Examination of Agents and Other Persons*
9.1 *No agent shall be eligible to sell or offer for sale in this State any variable contract unless prior to making any solicitation or sale of such a contract, he also be licensed by this Department as a variable contract agent per the authority and subject to the provisions of 18 Del. C. §1714(d) and these regulations.*

The Company failed to ensure that the producer was licensed to sell any variable contract before accepting the application for insurance.

- 5 Exceptions
18 *Del. C. § 1715. Appointments.*
(a) *An insurance producer shall not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer. An insurance producer who is not acting as an agent of an insurer is not required to become appointed.*
(b) *To appoint a producer as its agent, the appointing insurer shall file, in a format approved by the Insurance Commissioner, a notice of appointment within 15 days from the date the agency contract is executed or the first insurance application is submitted. An insurer may also elect to appoint a producer to all or some insurers within the insurer's holding company system or group by the filing of a single appointment request. The group appointment provision of this section is only applicable upon implementation by this Department of an electronic appointment process.*

The Company failed to ensure that the producers were appointed within 15 days of submitting the applications.

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- 2 Exceptions
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.

The Company failed to ensure that one form was approved in Delaware and one form contained all the pages of the version of the form approved in Delaware.

- 1 Exception
18 *Del. Admin. C.* § 1204-7.4 Duties of Insurers That Use Agents or Brokers
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 in its policy or in a separate written notice, which was 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.

- 4 Exceptions
18 *Del. C.* § 1703. License required.
A person shall not sell, solicit or negotiate insurance in this State for any class or classes of insurance unless the person is licensed for that line of authority in accordance with this chapter.

The Company failed to ensure that the producer was licensed before accepting the application for insurance.

- 1 Exception
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 the proof that a signed certification and acknowledgement that no illustration was used in the sale of the life insurance

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policy at the time of application and that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery.

- 1 Exception
18 *Del. Admin. C.* § 902-3.1.2
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.

- 2 Exceptions -18*Del. Admin. C.* § 902-3.1.5
Failing to affirm or deny coverage or a claim or advise the person presenting the claim, in writing, or other proper legal manner, of the reason for the inability to do so, within 30 days after proof of loss statements have been received by the insurer.

The Company failed to pay the claims within 30 days after the proof of loss statements were received.

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, 2019, through March 31, 2023, 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 and annuity contracts

The examination was a comprehensive market conduct examination of the Company's individual annuity and individual life lines of business in the following areas of operation: Company Operations and Management, Complaints 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

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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

Midland National Life Insurance Company (“The Company” or “Midland National”) is a wholly owned subsidiary of Sammons Financial Group, Inc. Midland National is domiciled in Iowa and licensed to sell life and health insurance products in 49 states (not in New York), the District of Columbia, Guam, Puerto Rico, the U.S. Virgin Islands, the Northern Mariana Islands, Anguilla, and the British Virgin Islands. Midland National markets life insurance and annuity products through multiple distribution channels, including independent broker-dealers and bank channels. The Company’s operations are aligned by product with support functions provided on a shared services platform.

According to the State of Delaware Department of Insurance Certificate of Authority, Midland National Life Insurance Company is authorized to transact the business of life, including annuities, variable annuities, variable life, and health insurance, within the State of Delaware.

Sammons Financial Group, Inc. is a financial services holding company made up of several member companies that offer a variety of financial and retirement products through multiple distribution channels. Sammons Financial Group, Inc. is an indirect wholly owned subsidiary of Sammons Enterprises, Inc., the ultimate controlling person.

The Company is divided into the following four business units:

Life Division: The Life Division is located principally in Sioux Falls, South Dakota. Operations at this location include marketing, sales, policy administration, claims, and licensing and contracting. The Company’s life insurance business unit markets a broad array of individual life insurance products, including term life, whole life, traditional universal life, and indexed universal life.

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Annuity Division: The Annuity Division (also known as the Sammons Independent Annuity Group, or SIAG) is located principally in West Des Moines, Iowa. Operations at this location include marketing, sales, contract administration, claims, and licensing and contracting. The annuity business unit offers traditional fixed deferred and immediate annuities and fixed index annuities.

Sammons Institutional Group, Inc.: Sammons Institutional Group (SIG) is designed to help individuals round out their retirement savings by establishing IRAs and non-qualified retirement accounts. Individuals can fund their accounts with variable annuities and/or a registered indexed variable annuity issued by Midland National. SIG is located principally in West Des Moines, Iowa. Operations at this location include marketing, sales, contract administration, claims, and licensing and contracting.

Corporate Markets: The Corporate Markets Group is located in Fargo, North Dakota. Corporate Markets specializes in Bank Owned Life Insurance (BOLI) as well as Credit Union Owned Life Insurance (COLI). This location is responsible for the marketing, sales, and administration of life insurance products. This includes product development, new business, policy administration, and licensing and contracting. This is a stand-alone division and is separate from the retail Life division.

The Corporate Markets business unit markets its products through independent marketing organizations (“IMOs”) that specialize in corporate markets, including through independent agents, third party marketers and administrators.

As of their 2019 Annual Statement for the State of Delaware, Midland National reported life insurance premiums in the amount of \$8,198,668, annuity considerations in the amount of \$2,892,367 and Accident and Health Insurance Premiums, Including Policy, Membership and Other Fees in the amount of \$0.

As of their 2020 Annual Statement for the State of Delaware, Midland National reported life insurance premiums in the amount of \$10,417,145, annuity considerations in the amount of \$13,083,968 and Accident and Health Insurance Premiums, Including Policy, Membership and Other Fees in the amount of \$0.

As of their 2021 Annual Statement for the State of Delaware, Midland National reported life insurance premiums in the amount of \$257,358,699 annuity considerations in the amount of \$11,833,527 and Accident and Health Insurance Premiums, Including Policy, Membership and Other Fees in the amount of \$0.

As of their 2022 Annual Statement for the State of Delaware, Midland National reported life insurance premiums in the amount of \$33,986,998 annuity considerations in the amount of \$26,482,895 and Accident and Health Insurance Premiums, Including Policy, Membership and Other Fees in the amount of \$0.

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 History Narrative.
- Copies of the Company's Organization Charts.
- A list of 41 Internal Audits and 4 External (Financial) Audits.
- A copy of the Company's Anti-Fraud Plan.
- A copy of an Agreement for one Company, SE2, which acted as a Third-Party Administrator for Midland National.
- Documentation that periodic reviews of the operations of its Third-Party Administrator SE2 are conducted on a regular basis.
- Copies of the Company's Records Management Policy, Records Retention Management Procedures, and a Records Retention Schedule.
- A description of one Consent Order and a list of two Market Conduct Examinations.
- The Company's Annual Statements for 2019, 2020, 2021 and 2022.

The documentation was reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

COMPLAINTS HANDLING

A. Consumer Complaints

The Company was requested to provide a list of all complaints filed with the Company during the experience period. The list was to include all complaints received from the Delaware Department of Insurance and the complaints made directly to the Company on behalf of Delaware consumers. The Company provided a list of only one complaint involving a Delaware policy received during the experience period.

The complaint file and the complaint log were reviewed for compliance with the State of Delaware Statute 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 from 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.

MARKETING AND SALES

A. Advertising and Sales Materials

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 experience 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 11,409 Company generated pieces of advertising utilized by producers during the experience period. The advertising consisted of brochures, business cards, consumer product brochures, disclosures, emails, leaders, letterheads, magazines, newsletters, newspapers, post cards, presentations, press releases, social media, video scripts, videos, web pages, webinar descriptions, webinars, and website links. A sample of 116 pieces of advertising were requested, received and reviewed. The advertising material was reviewed for compliance with the State of Delaware Statutes and Regulations, including but not limited to, 18 Del. C. §2303, Unfair Methods of Competition and Unfair or Deceptive Acts or Practices.

No exceptions were noted.

PRODUCER LICENSING

A. Producer Licensing and Appointments

The Company provided a universe of 402 active life insurance producers. A random sample of 84 producers was compared to Departmental records of producers and the NAIC State Based System (SBS) Lookup Search, to verify the licensing and appointments. The sample was also reviewed for compliance with the State of Delaware Statutes and Regulations. In addition, a comparison was made on the producers identified on applications reviewed in the policy issued sections of the exam. For this examination purposes, producer licensing exceptions found in the other sections of the examination were addressed in their respective summaries.

No exceptions were noted.

B. Producer Terminations

The Company provided a universe of 106 producers terminated during the experience period. A random sample of 79 terminated producers was selected for review. The sample was reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

POLICYHOLDER SERVICE

A. Individual Life Insurance Policies Surrendered

The Company provided a universe of 54 individual life insurance policies surrendered during the experience period. All 54 policy files were requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

B. Individual Fixed Annuity Contracts Surrendered

The Company provided a universe of 46 individual fixed annuity contracts surrendered during the experience period. All 46 annuity contracts were requested, received, and reviewed. The contract files were reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

C. Individual Variable Annuity Contracts Surrendered

The Company provided a universe a universe of three individual variable annuity contracts surrendered during the experience period. The three annuity contracts were requested, received, and reviewed. The contract files were reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

UNDERWRITING AND RATING

A. Policy Forms

The Company provided a universe of 416 forms available for use during the experience period. A random sample of 84 forms was requested, received and reviewed. The forms provided were reviewed for compliance with the State of Delaware Statutes 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 Whole Life Insurance Policies Issued as New

The Company provided a universe of 15 whole life insurance policies issued during the experience period. All 15 policies were requested, received and reviewed. The policy files were reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

C. Individual Life Insurance Policies Issued as Replacements

The Company provided a universe of 50 individual life insurance policies issued as replacements during the experience period. All 50 policy files were requested, received and reviewed. The policy files were reviewed for compliance with the State of Delaware Statutes and Regulations.

The following exceptions were noted:

1 Exception- 18 Del. Admin. C. § 1204-5.1.1 Duties of Agents and Brokers

The Company failed to ensure that the applicant's replacement question was answered on the application.

Recommendation: It is recommended that the Company review its procedures to ensure the statement signed by the applicant as to whether the replacement of existing life insurance or annuities are involved in the transaction is answered as required by 18 Del. Admin. C. § 1204-5.1.1.

1 Exception - 18 Del. Admin. C. § 1204-5.2.2 Duties of Agents and Brokers

The Company failed to obtain a list of all existing life insurance to be replaced, properly identified by name of the insurer, the insured and contract number.

Recommendation: It is recommended that the Company review its procedures to ensure the agent obtains with or as a part of each application a list of all existing life insurance and/or annuity to be replaced as required by 18 Del. Admin. C. § 1204-1204-5.2.2.

2 Exceptions - 18 Del. Admin. C. § 1210-6.1.2 General Rules and Prohibitions 6.1

The Company failed to include the business address of the producer on the illustration used.

Recommendation: It is recommended that the Company review its procedures to ensure the business address of the producer is included on the illustrations used as required by 18 Del. Admin. C. § 1210-6.1.2.

5 Exceptions - 18 Del. Admin. C. § 1210-7.4 Standards for Basic Illustrations

The Company failed to include the statements required to be signed and dated by both the applicant and the producer on the same page as the numeric summary.

Recommendation: It is recommended that the Company review its procedures to ensure the statements required to be signed and dated by both the applicant and the producer are included on the same page as the numeric summary as required by 18 Del. Admin. C. § 1210-7.4.

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

The Company failed to ensure that the revised illustration was signed and dated by the producer and applicant.

Recommendation: It is recommended that the Company review its procedures to ensure all illustrations are signed and dated by the producer and applicant as required by 18 Del. Admin. C. § 1210-9.1.2.

D. Individual Fixed Annuity Contracts Issued as New

The Company provided a universe of 171 individual fixed annuity contracts issued as new during the experience period. A random sample of 79 annuity contracts was requested, received and reviewed. The contract files were reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

E. Individual Fixed Annuity Contracts Issued as Replacements

The Company provided a universe of 68 individual fixed annuity contracts issued as replacements during the experience period. All 68 annuity contracts were requested, received, and reviewed. The contract files were reviewed for compliance with the State of Delaware Statutes and Regulations.

The following exceptions were noted:

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

The Company failed to send a written communication advising of the replacement to the existing insurer.

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Recommendation: It is recommended that the Company review its procedures to ensure that a written communication advising of the replacement or proposed replacement of the policy is sent to each existing insurer as required by 18 *Del. Admin. C.* § 1204-7.1.2.2.

F. Individual Variable Annuity Contracts Issued as New

The Company provided a universe of eight variable annuity contracts issued as new during the experience period. All eight variable annuity contract files were requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations.

The following exceptions were noted:

1 Exception - 18 *Del. Admin. C.* § 1201-9.1 Examination of Agents and Other Persons

The Company failed to ensure that the producer was licensed to sell any variable contract before accepting the application for insurance.

Recommendation: It is recommended that the Company ensure the producers are licensed for the line of authority as required by 18 *Del. Admin. C.* § 1201-9.1.

2 Exceptions – 18 *Del. C.* § 1715(a). Appointments.

The Company failed to ensure that the producers were appointed within 15 days of submitting the applications.

Recommendation: It is recommended that the Company review its procedures to ensure that all producers are appointed by the Company within 15 days of submitting an application as required by 18 *Del. C.* § 1715(a).

2 Exceptions - 18 *Del. C.* § 2712(a). Filing, approval of forms.

The Company failed to ensure that one form was approved in Delaware and one form contained all the pages of the version of the form approved in Delaware

Recommendation: It is recommended that the Company review its procedures to ensure that all forms used are those that have been filed with the Commissioner required by 18 *Del. C.* § 2712(a).

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

The Company failed to send a written communication advising of the replacement to the existing insurer.

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Recommendation: It is recommended that the Company review its procedures to ensure that a written communication advising of the replacement or proposed replacement of the policy is sent to each existing insurer as required by 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 Company failed to provide in its policy or in a separate written notice, which was 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.

Recommendation: It is recommended that the Company review its procedures to ensure the provision in all its policies 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 as required by 18 *Del. Admin. C.* § 1204-7.4.

G. Individual Variable Annuity Contracts Issued as Replacements

The Company provided a universe of four individual variable annuity contracts issued as replacements during the experience period. The four annuity contracts were requested, received and reviewed. The contract files were reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

H. Individual Universal Life Insurance Policies Issued as New

The Company provided a universe of 1,336 universal life insurance policies issued as new during the experience period. A random sample of 113 policies was requested, received, and reviewed. The policy files were reviewed for compliance with the State of Delaware Statutes and Regulations.

The following exceptions were noted:

6 Exceptions - 18 *Del. Admin. C.* § 1210-7.4 Standards for Basic Illustrations

The Company failed to include the statements required to be signed and dated by both the applicant and the producer on the same page as the numeric summary.

Recommendation: It is recommended that the Company review its procedures to ensure the statements required to be signed and dated by both the applicant and the producer are included on the same page as the numeric summary as required by 18 *Del. Admin. C.* § 1210-7.4.

2 Exceptions - 18 Del. Admin. C. § 1210-6.1.2 General Rules and Prohibitions

The Company failed to include the business address of the producer or insurer's authorized representative on the illustration used in the sale of the life insurance policy.

Recommendation: It is recommended that the Company review its procedures to ensure that the illustrations contain the business address of the producer as required by 18 Del. Admin. C. § 1210-6.1.2.

I. Individual Universal Life Insurance Application Declined

The Company provided a universe of eight universal life insurance applications declined during the experience period. All eight declined application files were requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations.

The following exceptions were noted:

5 Exceptions - 18 Del. Admin. C. § 1210-7.4 Standards for Basic Illustrations

The Company failed to include the statements required to be signed and dated by both the applicant and the producer on the same page as the numeric summary.

Recommendation: It is recommended that the Company review its procedures to ensure the statements required to be signed and dated by both the applicant and the producer are included on the same page as the numeric summary as required by 18 Del. Admin. C. § 1210-7.4.

2 Exceptions - 18 Del. Admin. C. § 1210-6.1.2 General Rules and Prohibitions

The Company failed to include the business address of the producer or insurer's authorized representative on the illustration used in the sale of the life insurance policy.

Recommendation: It is recommended that the Company review its procedures to ensure the illustrations contain the business address of the producer as required by 18 Del. Admin. C. § 1210-6.1.2.

J. Individual Universal Life Insurance Applications Closed Out

The Company provided a universe of 21 universal life insurance policy applications closed out during the examination. Closed Out: The Company's New Business Department stopped the application process when the applicant did not provide information or documentation requested which was necessary to either underwrite the application or place the policy in force. All 21 closed out application files were requested, received and

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reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations.

The following exceptions were noted:

1 Exception - 18 Del. C. § 1703. License required.

The Company failed to ensure that the producer was licensed before accepting the application for insurance.

Recommendation: It is recommended that the Company ensure the producers are licensed for the line of authority as required by 18 Del. C. § 1703.

1 Exception - 18 Del. C. § 1715(a). Appointments.

The Company failed to ensure the producer was appointed by the Company within 15 days of submitting the application.

Recommendation: It is recommended that the Company review its procedures to ensure that all producers are appointed by the Company within 15 days of submitting an application as required by 18 Del. C. § 1715(a).

K. Individual Universal Life Insurance Applications Pending

The Company provided a universe of three universal life insurance policies pending during the experience period. All three application files were requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations.

The following exceptions were noted:

1 Exception - 18 Del. C. § 1703. License required.

The Company failed to ensure that the producer was licensed before accepting the application for insurance.

Recommendation: It is recommended that the Company ensure the producers are licensed for the line of authority as required by 18 Del. C. § 1703.

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

The Company failed to provide the proof that a signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy at the time of application and that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery.

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Recommendation: It is recommended that the Company review its procedures to ensure that a signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy at the time of application and that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery as required by 18 *Del. Admin. C.* § 1210-9.2.1.

3 Exceptions - 18 *Del. Admin. C.* § 1210-7.4 Standards for Basic Illustrations

The Company failed to include the statements required to be signed and dated by both the applicant and the producer on the same page as the numeric summary.

Recommendation: It is recommended that the Company review its procedures to ensure the statements required to be signed and dated by both the applicant and the producer are included on the same page as the numeric summary as required by 18 *Del. Admin. C.* § 1210-7.4.

1 Exception - 18 *Del. Admin. C.* § 1210-6.1.2 General Rules and Prohibitions

The Company failed to include the business address of the producer or insurer's authorized representative on the illustration used in the sale of the life insurance policy.

Recommendation: It is recommended that the Company review its procedures to ensure the illustrations contain the business address of the producer as required by 18 *Del. Admin. C.* § 1210-6.1.2.

L. Individual Universal Life Insurance Applications Withdrawn

The Company provided a universe of seven universal life insurance policy applications withdrawn during the experience period. All seven application files were requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

M. Individual Universal Life Insurance Policies Not Taken

The Company provided a universe of three universal life insurance policies not taken by the applicant during the experience period. All three policy files were requested, received and reviewed. The policy files were reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

N. Individual Term Life Insurance Policies Issued as New

The Company provided a universe of 68 term life insurance policies issued during the experience period. All 68 policy files were requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

O. Individual Term Life Insurance Policy Applications Declined

The Company provided a universe of nine term life insurance policies declined during the experience period. All nine policy files were requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

P. Individual Term Life Insurance Policy Applications Closed Out

The Company provided a universe of 17 term life insurance applications closed out during the experience period. All 17 application files were requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations.

The following exceptions were noted:

2 Exceptions - 18 Del. C. § 1703. License required.

The Company failed to ensure that the producer was licensed before accepting the application for insurance.

Recommendation: It is recommended that the Company ensure the producers are licensed for the line of authority as required by 18 Del. C. § 1703.

2 Exceptions - 18 Del. C. § 1715(a). Appointments.

The Company failed to provide the proof that the producer was appointed by the Company within 15 days of submitting the applications.

Recommendation: It is recommended that the Company review its procedures to ensure that all producers are appointed by the Company within 15 days of submitting an application as required by 18 Del. C. § 1715(a).

Q. Individual Term Life Insurance Policies Not Taken

The Company provided a universe of nine term life insurance policies not taken during the experience period. The nine policy files were requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

R. Individual Term Life Insurance Applications Withdrawn

The Company provided a universe of 10 term life insurance applications withdrawn during the experience period. All ten policy files were requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

CLAIMS

A. Paid Claims

The Company provided a universe of 146 claims received and paid during the experience period. A random sample of 76 claims was requested, received and reviewed. The claim files were reviewed for compliance with the State of Delaware Statutes and Regulations.

The following exceptions were noted:

1 Exception - 18 Del. Admin. C. § 902-3.1.2

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

Recommendation: It is recommended that the Company review its procedures 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 as required by 18 Del. Admin. C. § 902-3.1.2.

2 Exceptions -18 Del. Admin. C. § 902-3.1.5

The Company failed to pay the claims within 30 days after the proof of loss statements were received.

Recommendation: It is recommended that the Company review its procedures to affirm or deny coverage or a claim or advise the person presenting the claim, in writing, or other proper legal manner, of the reason for the inability to do so, within 30 days after proof of loss statements have been received by the insurer as required by 18 Del. Admin. C. § 902-3.1.5.

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B. Denied Claims

The Company was requested to provide a list of all claims received and denied during the experience period. The Company indicated that there were no claims denied during the experience 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 the statement signed by the applicant as to whether the replacement of existing life insurance or annuities are involved in the transaction is answered as required by 18 *Del. Admin. C.* § 1204-5.1.1. (Underwriting and Rating)
2. It is recommended that the Company review its procedures to ensure the agent obtains with or as a part of each application a list of all existing life insurance and/or annuity to be replaced as required by 18 *Del. Admin. C.* § 1204-5.2.2. (Underwriting and Rating)
3. It is recommended that the Company review its procedures to ensure the business address of the producer is included on the illustrations used as required by 18 *Del. Admin. C.* § 1210-6.1.2. (Underwriting and Rating)
4. It is recommended that the Company review its procedures to ensure the statements required to be signed and dated by both the applicant and the producer are included on the same page as the numeric summary as required by 18 *Del. Admin. C.* § 1210-7.4. (Underwriting and Rating)
5. It is recommended that the Company review its procedures to ensure all illustrations are signed and dated by the producer and applicant as required by 18 *Del. Admin. C.* § 1210-9.1.2. (Underwriting and Rating)
6. It is recommended that the Company review its procedures to ensure that a written communication advising of the replacement or proposed replacement of the policy is sent to each existing insurer as required by 18 *Del. Admin. C.* § 1204-7.1.2.2. (Underwriting and Rating)
7. It is recommended that the Company ensure the producers are licensed for the line of authority as required by 18 *Del. Admin. C.* § 1201-9.1. (Underwriting and Rating)
8. It is recommended that the Company review its procedures to ensure that all producers are appointed by the Company within 15 days of submitting an application as required by 18 *Del. C.* § 1715. (Underwriting and Rating)
9. It is recommended that the Company review its procedures to ensure that all forms used are those that have been filed with the Commissioner required by 18 *Del. C.* § 2712. (Underwriting and Rating)
10. It is recommended that the Company ensure the producers are licensed for the line of authority as required by 18 *Del. C.* § 1703. (Underwriting and Rating)
11. It is recommended that the Company review its procedures 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 as required by 18 *Del. Admin. C.* § 902-3.1.2. (Claims)
12. It is recommended that the Company review its procedures to affirm or deny coverage or a claim or advise the person presenting the claim, in writing, or other proper legal manner, of the reason for the inability to do so, within 30 days after proof of loss statements have been received by the insurer as required by 18 *Del. Admin. C.* § 902-3.1.5. (Claims)

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The examination conducted by Joseph Krug, CPA, AFE, MCM; Christina Hughart, JD, MCM; Stephen Misenheimer; and Frank Kyazze, MCM, CIE, FLMI, ALHC, MBA, 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 #66044-23-901.



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