

REPORT ON
MULTI-STATE TARGET MARKET CONDUCT
EXAMINATION
OF
MONUMENTAL LIFE INSURANCE COMPANY
AS OF DECEMBER 31, 2010

Conducted from December 22, 2011

through

November 30, 2012

By

Market Conduct Section
Life and Health Division
BUREAU OF INSURANCE
STATE CORPORATION COMMISSION
COMMONWEALTH OF VIRGINIA

FEIN: 52-0419790
NAIC: 66281

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



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I, Jacqueline K. Cunningham, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Market Conduct Examination of Monumental Life Insurance Company, conducted at the State Corporation Commission's Bureau of Insurance in Richmond, VA, as of December 31, 2010, is a true copy of the original Report on file with this Bureau, and also includes a true copy of the Company's response to the findings set forth therein, the Bureau's review letter, the Company's offer of settlement, and the State Corporation Commission's Settlement Order in Case No. INS-2013-00256.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of this Bureau at the City of Richmond, Virginia this 20th day of December, 2013.

A handwritten signature in black ink that reads "Jacqueline K. Cunningham".

Jacqueline K. Cunningham
Commissioner of Insurance

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

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AT RICHMOND, DECEMBER 11, 2013

SCC-CLERK'S OFFICE
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IN THE MATTER OF

MONUMENTAL LIFE INSURANCE COMPANY

CASE NO. INS-2013-00256

Ex Parte: In the matter of Approval of a
Regulatory Settlement Agreement
between Monumental Life Insurance Company
and the Insurance Commissioners of the
Commonwealths of Virginia and Kentucky and the
State of West Virginia

ORDER APPROVING SETTLEMENT AGREEMENT

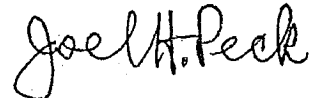
ON THIS DAY came the Bureau of Insurance ("Bureau"), by counsel, and requested approval and acceptance by the State Corporation Commission ("Commission") of a Regulatory Settlement Agreement ("Agreement") dated November 18, 2013, a copy of which is attached hereto and made a part hereof, by and between the commissioners of insurance for the Commonwealths of Virginia and Kentucky, and the State of West Virginia; and Monumental Life Insurance Company ("Monumental Life"), domiciled in Iowa and licensed to transact the business of insurance in the Commonwealth of Virginia.

NOW THE COMMISSION, having considered the terms of the Agreement together with the recommendation of the Bureau that the Commission approve and accept the Agreement, is of the opinion, finds, and ORDERS that the Agreement be, and it is hereby, APPROVED AND ACCEPTED.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:

Sean Mooney, Compliance Manager, Monumental Life Insurance Company, 4333 Edgewood Road NE, Cedar Rapids, Iowa 52499; Russ Hamblen, Chief Market Conduct Examiner, Commonwealth of Kentucky, 215 West Main Street, P.O. Box 517, Frankfort, Kentucky 40601; and Mark Hooker, Chief Market Conduct Examiner, State of West Virginia, 1124 Smith Street, P.O. Box 50540, Charleston, West Virginia 25305; and a copy shall be delivered to the Bureau of Insurance in care of Deputy Commissioner Althelia P. Battle.

A True Copy
Teste:



Clerk of the
State Corporation Commission

COPY

REGULATORY SETTLEMENT AGREEMENT

IN THE MATTER OF:

Monumental Life Insurance Company
4333 Edgewood Road, NE
Cedar Rapids, Iowa 52499
NAIC No. 66281

This Regulatory Settlement Agreement (hereinafter referred to as "Agreement") is entered into as of the date all parties hereto have executed this agreement (hereinafter referred to as "Execution Date") by and among the Monumental Life Insurance Company (hereinafter referred to as "Company"), an Iowa domestic insurer; the Commissioner of the Department of Insurance, Commonwealth of Kentucky; the Commissioner of the Bureau of Insurance, Commonwealth of Virginia; and the Commissioner of the Offices of the Insurance Commissioner, State of West Virginia (hereinafter referred to, collectively, as "Participating States" or as "States"). The Company carries National Association of Insurance Commissioners (NAIC) number 66281, and is currently authorized to transact the business of insurance in the Commonwealths of Kentucky and Virginia, and the State of West Virginia. The parties hereto agree to adopt this Agreement as follows:

A. Recitals

1. The Company is an Iowa domestic insurance company and at all relevant times has been a licensed insurance company admitted to do business in the Commonwealth of Kentucky, the Commonwealth of Virginia, and the State of West Virginia.

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NOV 01 2013
ADMINISTRATIVE SERVICES
KY DEPT. OF INSURANCE

2. In November of 2011, the Participating States each initiated a market conduct examination (hereinafter referred to as "Examination") of the Company for the purpose of reviewing the overall general business practices of the Company.
3. As a result of this Examination, the Participating States shared with the Company in the form of a report from each of the states (copies of which are attached) various areas of regulatory concern that were identified during the Examination, including but not limited to advertisement requirements; discrimination in issuance and declination of coverage; AUD notices; replacement procedures; and payment of interest.
4. The Company agrees to take remedial measures to cure the deficiencies identified in the Examination, and desires to enter into this Agreement, which constitutes full and complete settlement of all matters addressed within the Examination report.

B. Corrective Action Plan and Reporting

1. The Company agrees to develop and to submit to the Participating States for approval a detailed corrective action plan (hereinafter referred to as "CAP") to ensure compliance with the laws of each of the Participating States and to the CAP identified by each Participating State in the final Examination reports. This CAP will be submitted by the Company to the Participating States no later than sixty (60) days from the Execution Date of the Agreement.
2. After approval by the Participating States, the Company agrees to fully implement the CAP, and the Company shall cure all issues identified in the Examination within twelve (12) months of the Execution Date hereof.
3. The Company shall submit to the Participating States semi-annual reports stating the progress made to implement the CAP requirements. Reporting shall include, but not

be limited to, progress, completion, and updates of all CAP requirements. The Company shall provide the first semi-annual report within one hundred eighty (180) days from the Execution Date, with the final report to be submitted within three hundred sixty-five (365) days from the Execution Date.

C. Monitoring

1. The Participating States shall monitor the Company's compliance with this Agreement for a time period of 365 days, and any Consent Order to which it is attached. Compliance with the Agreement will be measured according to the standards set forth in the CAP.
2. To the extent permitted by law, the work papers, including, but not limited to, recorded information and documents produced by, obtained by, or disclosed to the Participating States by the Company, the Company's CAP, and semi-annual reports as discussed in Section B of this Agreement, shall be given confidential treatment at all times and shall not be subject to subpoena. Such work papers may also not be made public by the Participating States or by any person, and shall not be public record subject to disclosure as provided by any Participating State's law. Nothing in this Agreement is intended to, nor shall it, preclude the Participating States from disclosing the results of compliance with this Agreement.
3. If the Participating States determine that the semi-annual reports show, or if the Participating States otherwise have information from any reliable source, that the Company has not fully and timely complied with parts of the CAP, including, but not limited to, the failure to fully and timely achieve certain standards as stated in the CAP, the Participating States, at their election, may take additional regulatory action,

including, but not limited to, subsequent examination, extension of the monitoring period, or any other regulatory action as the Participating States deem proper to enforce compliance with the CAP.

4. The Participating States agree that during the Monitoring Time Period, their regulatory agencies:

- A. Will not engage in any investigation or examination of the Company relating to any of the issues subject to this Agreement;
- B. Will not impose a fine, injunction, or any other remedy on the Company for any of the matters that are the subject matter of this Agreement; and,
- C. May only participate in any assessment or remedy that may be imposed under this Agreement pursuant to the terms set forth in this Agreement

Notwithstanding the foregoing, this Agreement does not prevent any Participating State from taking appropriate action should the Company violate any provision of the Participating States' insurance laws and regulations outside the scope of this Agreement. Further, nothing in this Agreement limits the authority of the Participating States to conduct any regulatory functions, including dealing with specific instances of consumer complaints, licensing changes, or rate and form filings. This Agreement is not intended and may not be construed to limit the authority of any Participating State to investigate, examine, and take appropriate action, including bringing an administrative enforcement action with claim for penalties, against the Company with regard to a consumer complaint.

D. Assessments, Penalties, and Remedies

1. In full and final settlement and resolution of the Examination, the Company agrees to pay a monetary penalty in the total amount of forty five thousand dollars (\$45,000.00), which will be allocated in the following manner:

- A. To Kentucky \$13,000.00
- B. To Virginia \$27,000.00
- C. To West Virginia \$5,000.00

2. The monetary penalty shall be payable to each Participating State as allocated above, within thirty (30) days of the Execution Date of this Agreement. Each Participating State shall notify the Company as to payment and delivery requirements.

E. Other Provisions

- 1. By entering into this Agreement, the Participating States and the Company intend to resolve all of the concerns addressed during the Examination. In no event shall the Company be excused from any actions required of the Company by the CAP.
- 2. This Agreement shall be binding upon and inure to the benefit of the Participating States and the Company and their respective legal representatives, successors, and assigns.
- 3. Each and every Participating State has full and unqualified legal authority to enter into this Agreement, and, where such signatory is signing on behalf of a party to the Agreement, to bind that party now and in the future.
- 4. The failure of the Participating States at any time to require the strict performance by the Company of any of the terms, provisions, or conditions, hereof, shall in no way affect the right thereafter to enforce the same, nor shall the waiver by the Participating

States of strict performance for any breach of any terms, provisions, or conditions, hereof, be construed as or deemed to constitute such a waiver for any subsequent breach of any term, provision, or condition thereof.

5. When an issue pertaining to this Agreement is specific to a particular Participating State, the Participating States and the Company agree that the particular substantive law of that state shall be utilized for the purpose of interpreting, applying, and enforcing any provision of this Agreement in that Participating State. In such instance, the forum shall be the courts or regulatory agency of that Participating State, as appropriate. Nothing in this Agreement enlarges, supersedes, or preempts the insurance laws and regulations of any of the Participating States.
6. If the Company defaults with respect to any obligation under this Agreement, it shall use reasonable efforts to cure such default as soon as reasonably practicable. If such default is not remedied within thirty (30) days following delivery of a written notice pursuant to paragraph 17 below, specifying such default, during which period the Participating States and the Company shall make reasonable efforts to amicably resolve any disputes regarding the default, the Participating States may seek administrative or judicial enforcement, or both, of this Agreement in the forums of each respective Participating State. In addition to any administrative or judicial enforcement relief sought; in the event of a claimed breach of the Agreement, any Participating State may seek relief therefor and any applicable legal remedy in a court of proper jurisdiction.
7. Nothing herein shall confer any rights upon any persons or entities other than the Participating States and the Company.

8. This Agreement shall not be effective until the Execution Date.
9. The Participating States and the Company may in writing mutually agree to reasonable extensions of time necessary to carry out the provisions of this Agreement.
10. This Agreement and any Consent Order or like order relating hereto, if any, constitute the entire agreement between the Company and the Participating States with respect to its subject matter, and supersedes all prior agreements, arrangements, or understandings (whether in written or oral form) between the Participating States and the Company.
11. Nothing in this Agreement or in any of its terms and conditions shall be interpreted to alter in any way the contractual terms of any insurance policy issued or acquired either by the Company or by the parties to such insurance contract.
12. Nothing contained herein shall limit the authority of the Participating States to conduct other office-based regulatory functions. Such regulatory functions shall not be deemed within the scope of this Agreement. Nothing herein shall prevent or otherwise restrict a Participating State from pursuing regulatory actions against the Company for regulatory issues not the subject of this Agreement.
13. The Agreement may be signed in multiple counterparts, each of which shall constitute a duplicate original, and which taken together shall constitute one and the same instrument.
14. In the event that any portion of this Agreement is held invalid under any Participating State's law, such invalid portion shall be deemed to be severed only in that Participating State and all remaining provisions of this Agreement shall be given full force and effect.

15. The Company understands and agrees that by executing this Agreement the Company waives any and all rights to notice, hearing, and appeal relating to the issues and claims that arose out of the Examination; provided, however, with regard to any questions or issues that arise out of the implementation and monitoring of this Agreement, other than a default subject to paragraph E.6, above, the Company may, upon notice and request for hearing, have such questions or issues heard in the proper venue of the Participating State or States where such questions or issues arose.
16. No changes or amendments to the Agreement shall be effective unless made in writing and signed by all parties to the Agreement.
17. All notices permitted or required to be delivered under this Agreement shall be in writing, addressed to the principal thereof, and shall be deemed delivered as follows: one (1) business day after transmission by facsimile or other electronic system (evidenced by machine generated receipt); five (5) business days after being placed in the hands of a commercial courier service for express delivery; or ten (10) business days after placement in the U.S. Mail by registered or certified mail, return receipt requested, postage prepaid, and addressed to the following addresses or a party's most current principal address of which the party sending the notice has been notified:

The Company Sean Mooney
 Compliance Manager
 4333 Edgewood Road, NE
 Cedar Rapids, IA 52499
 317-355-8615
 sean.mooney@transamerica.com

Participating States Russ Hamblen
Chief Market Conduct Examiner
Commonwealth Of Kentucky
215 West Main St.
P.O. Box 517
Frankfort, KY 40601
Russell.Hamblen@ky.gov

Mark Hooker
Chief Market Conduct Examiner
State of West Virginia
1124 Smith St.
P.O. Box 50540
Charleston WV 25305
mark.hooker@wvinsurance.gov

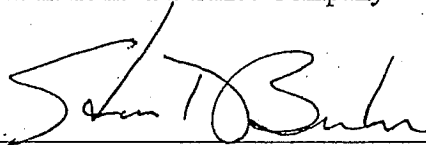
Julie Fairbanks
Principal Insurance Market Examiner
Commonwealth of Virginia
1300 East Main St.
P.O. Box 1157
Richmond, Virginia 23218-1157
julie.fairbanks@scc.virginia.gov

IN WITNESS WHEREOF, the following subscribe their names on behalf of the
Company and the Participating States, respectively, on the dates indicated:

Dated this 30 day of October, 2013

Monumental Life Insurance Company

By



Position Vice President - Compliance

Dated this 12 day of November, 2013

Kentucky Department of Insurance

By Sharon P. Clark
Sharon P. Clark, Commissioner

Dated this _____ day of _____, 2013

Virginia State Corporation Commission's Bureau of Insurance

By _____
Jacqueline K. Cunningham, Commissioner

Dated this _____ day of _____, 2013

West Virginia Offices of the Insurance Commissioner

By _____
Michael D. Riley, Commissioner

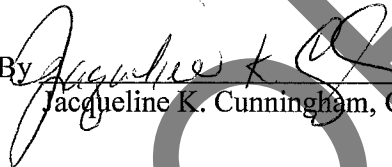
Dated this _____ day of _____, 2013

Kentucky Department of Insurance

By _____
Sharon P. Clark, Commissioner

Dated this 13th day of November, 2013

Virginia State Corporation Commission's Bureau of Insurance

By 
Jacqueline K. Cunningham, Commissioner

Dated this _____ day of _____, 2013

West Virginia Offices of the Insurance Commissioner

By _____
Michael D. Riley, Commissioner

Dated this _____ day of _____, 2013

Kentucky Department of Insurance

By _____
Sharon P. Clark, Commissioner

Dated this _____ day of _____, 2013

Virginia State Corporation Commission's Bureau of Insurance

By _____
Jacqueline K. Cunningham, Commissioner

Dated this 18th day of November, 2013

West Virginia Offices of the Insurance Commissioner

By *Michael D. Riley*
Michael D. Riley, Commissioner

REPORT ON
TARGET MARKET CONDUCT EXAMINATION
OF
MONUMENTAL LIFE INSURANCE COMPANY
AS OF DECEMBER 31, 2010

Conducted from December 22, 2011

through

November 30, 2012

By

Market Conduct Section
Life and Health Division
BUREAU OF INSURANCE
STATE CORPORATION COMMISSION
COMMONWEALTH OF VIRGINIA

FEIN: 52-0419790
NAIC: 66281

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SCOPE OF EXAMINATION

EXAMINATION AUTHORITY

The Market Conduct Examination of Monumental Life Insurance Company (hereinafter referred to as "Monumental"), was conducted at the office of the State Corporation Commission's Bureau of Insurance (hereinafter referred to as the "Bureau") in Richmond, Virginia, under the authority of various sections of the Code of Virginia and regulations found in the Virginia Administrative Code, including but not necessarily limited to the following: §§ 38.2-200, 38.2-515, 38.2-614, 38.2-1317, 38.2-1317.1, 38.2-1809, and 38.2-3420 of the Code, 14 VAC 5-40-60 B, and 14 VAC 5-90-170 A.

A previous target Market Conduct Examination covering the period of May 22, 1997, through May 22, 2000, was concluded on March 29, 2001. As a result of that examination, Monumental made a monetary settlement offer, which was accepted by the State Corporation Commission on November 20, 2001, in Case No. INS010252.

The period of time covered for the current examination, generally, was January 1, 2010, through December 31, 2010. The examination was conducted at the office of the Bureau from December 22, 2011, through November 30, 2012. The violations cited and the comments included in this Report are the opinions of the examiners.

PURPOSE

The purpose of the examination was to determine whether Monumental was in compliance with various provisions of the Code of Virginia and regulations found in the Virginia Administrative Code. Compliance with the following regulations was considered in this examination process:

- | | |
|-------------------------|--|
| 14 VAC 5-30-10 et seq. | Rules Governing Life Insurance Replacement; |
| 14 VAC 5-40-10 et seq. | Rules Governing Life Insurance and Annuity Marketing Practices; |
| 14 VAC 5-45-10 et seq. | Rules Governing Suitability in Annuity Transactions; |
| 14 VAC 5-90-10 et seq. | Rules Governing Advertisement of Accident and Sickness Insurance; |
| 14 VAC 5-120-10 et seq. | Rules Governing the Implementation of the Individual Accident and Sickness Insurance Minimum Standards Act With Respect to Specified Disease Policies; |
| 14 VAC 5-130-10 et seq. | Rules Governing the Filing of Rates for Individual and Certain Group Accident and Sickness Insurance Policy Forms; |
| 14 VAC 5-140-10 et seq. | Rules Governing the Implementation of the Individual Accident and Sickness Insurance Minimum Standards Act; |

14 VAC 5-170-10 et seq.	Rules Governing Minimum Standards for Medicare Supplement Policies;
14 VAC 5-180-10 et seq.	Rules Governing Underwriting Practices and Coverage Limitations and Exclusions for Acquired Immunodeficiency Syndrome (AIDS);
14 VAC 5-400-10 et seq.	Rules Governing Unfair Claim Settlement Practices.

AREAS COVERED

The examination included the following areas:

1. Complaints
2. Premium Notices/Reinstatements/Policy Loans and Loan Interest
3. Cancellations/Nonrenewals
4. Agents
5. Advertising/Marketing Communications
6. Underwriting/Unfair Discrimination/Insurance Information and Privacy Protection Act/Insurance Replacement
7. Policy and Other Forms
8. Claim Practices

The examiners may not have discovered every unacceptable or non-compliant activity in which the company is engaged. The failure to identify, comment on, or criticize specific company practices in Virginia or other jurisdictions does not constitute an acceptance of such practices.

Monumental's failure to retain and/or make available to the examiners records and details of various sampled policies and files selected for review prevented the examiners from performing a thorough review of several areas during the examination. In addition to deficiencies in its own record-keeping, Monumental was unable to provide substantive documentation for numerous sampled files regarding business that it had obtained during acquisitions of other entities. The lack of importance placed on record-keeping could result in Monumental's inability to properly service policies and could potentially result in harm to consumers.

Examples referred to in this Report are keyed to the number of the Criticism furnished to Monumental during the examination.

COMPANY PROFILE

HISTORY OF COMPANY

Monumental Life Insurance Company ("Monumental") was licensed to transact business in the Commonwealth of Virginia on June 25, 1936, and is domiciled in the state of Iowa. Monumental is a subsidiary company within AEGON USA, LLC, and is, in principal, based in Cedar Rapids, Iowa. A brief company history was provided by Monumental and is shown here:

"Maryland Mutual Life and Fire Insurance Company was incorporated, in accordance with the laws of the State of Maryland, on March 5, 1858. Operations commenced on May 22, 1860. In 1870, the name changed to Mutual Life Insurance Company. The Company converted to a stock company in 1928 and adopted its current name, Monumental Life Insurance Company, in 1935.

In 1986 AEGON N.V., a Netherlands Corporation, purchased Monumental Life Insurance Company, which became an indirectly wholly-owned subsidiary of AEGON USA, Inc. (now AEGON USA, LLC). Capital General Development Corporation (99.72%) and Commonwealth General Corporation (.28%) constitute the current ownership of Monumental Life Insurance Company. Capital General Development Corporation is a wholly-owned subsidiary of Commonwealth General Corporation. AEGON USA, LLC and Commonwealth General Corporation are subsidiaries of AEGON U.S. Holding Corporation, an indirect, wholly-owned subsidiary of AEGON N.V.

On November 30, 1998, three affiliated life insurance companies merged into Monumental Life Insurance Company. The names and states of domicile of these three companies are as follows: Capital Security Life Insurance Company (North Carolina), Commonwealth Life Insurance Company (Kentucky), and Peoples Security Life Insurance Company (North Carolina).

On October 1, 2004 an affiliated life insurance company, Pension Life Insurance Company of America (New Jersey) merged into Monumental Life Insurance Company.

On April 1, 2007, Monumental Life Insurance Company redomiciled from Maryland to Iowa.

On October 1, 2007, an affiliated life insurance company, Peoples Benefit Life Insurance Company (Iowa) also merged into Monumental Life Insurance Company."

As of December 31, 2010, Monumental's annual statement reported net admitted assets totaling \$21,339,035,570, and, in Virginia, direct life insurance premiums totaling \$60,615,212, direct annuity considerations totaling \$8,456,576, and direct accident and health insurance premiums totaling \$13,864,354.

COMPLAINTS

COMPLAINTS VIA THE BUREAU OF INSURANCE

Monumental reported receiving 24 consumer complaints from the Bureau during the examination time frame. The review revealed that Monumental responded to these complaints in accordance with its procedures.

No violations noted.

CONSUMER COMPLAINTS

Monumental reported directly receiving 20 consumer complaints (classified by Monumental as 7 inquiries and 13 direct consumer complaints) during the examination time frame. The review revealed that Monumental responded to these complaints in accordance with its procedures.

No violations noted.

COPY

PREMIUM NOTICES/REINSTATEMENTS/POLICY LOANS AND LOAN INTEREST

POLICY LOANS

A sample of 50 from a population of 11,050 policy loans was reviewed. The examiners would note that the population of Policy Loans also contained an unknown number of Automatic Premium Loans.

No violations noted.

AUTOMATIC PREMIUM LOANS

A sample of 12 from a population of 4,564 automatic premium loans was reviewed.

No violations noted.

COPY

CANCELLATIONS/NONRENEWALS

TERMINATIONS

A sample of 50 from a population of 28,885 terminations was reviewed. The examiners would note that the actual population of terminations is unknown, as the sample files included claims, cash surrenders and other records. Although the examiners reviewed every file in the sample, only 29 files were considered terminations by the examiners. Of the 29 sample termination files, the examiners eventually received complete documentation for 12 files. There was one violation cited on a claim found in the termination sample files, and this violation is discussed in the claims section of the Report.

No violations noted.

EXTENDED TERM AND REDUCED PAID UP INSURANCE

A sample of 15 from a population of 3,827 extended term and reduced paid up insurance files was reviewed.

No violations noted.

CASH SURRENDERS

A sample of 50 from a population of 5,239 cash surrenders was reviewed. The examiners would note that after repeated attempts by the examiners to receive complete files, Monumental provided detailed information for 1 file out of the sample. The review was conducted based upon the limited information available to the examiners.

No violations noted.

AGENTS

Monumental's agent appointment records were reviewed and compared to the Bureau's records. In addition, the writing agents or agencies designated in the Underwriting sample files were also reviewed.

The review revealed the following findings:

CRIT-VA-COMMISSIONS-1

1 violation of § 38.2-1812 A of the Code of Virginia which requires that no insurer shall pay directly or indirectly any commissions or other valuable consideration to any person for services as an agent unless the person is then a duly appointed agent of such insurer and held a valid license as an agent.

CRIT-VA-COMMISSIONS-1

1 violation of § 38.2-1833 A 1 of the Code of Virginia which requires that the insurer shall within 30 calendar days of execution of the first insurance application submitted by a licensed but not yet appointed agent, either reject such application or file with the Commission a written notice of appointment on a form acceptable to the Commission.

COPY

ADVERTISING/MARKETING COMMUNICATIONS

ADVERTISING

A sample of 64 from a population of 1,188 advertisements/marketing communications was reviewed.

The review revealed the following findings:

CRIT-VA-AD01T, CRIT-VA-AD03T

ADFILES 48771 AND 48774

The advertisements contain the statements: "At some point in the future, you may be asked to replace this Monumental Life policy with a different policy or type of coverage. While replacement may be in the best interest of the agent, who will earn a new commission, rarely is it in your best interest. In fact, if an offer sounds too good to be true, it probably is!" and "Monumental Life welcomes healthy and ethical competition. Unfortunately, not all salespersons are as professional and ethical as they should be. Some put personal gain before the needs and best interests of their clients." These statements disparage or unfairly describe the methods of marketing by agents of other companies.

2 violations of 14 VAC 5-40-40 A 7 of the Virginia Administrative Code which states that no marketing communication shall make unfair, inaccurate or incomplete comparisons of policies, benefits, dividends, or rates of other insurers. A marketing communication shall not falsely or unfairly describe other insurers, agents, policies, services, or methods of marketing.

CRIT-VA-AD02T

ADFILE 52425

The advertisement failed to include the required disclosure regarding the approval or endorsement by, and relationship with, the Insurance Marketplace Standards Association (IMSA).

1 violation of 14 VAC 5-40-40 G 4 of the Virginia Administrative Code which states that no marketing communication shall state or imply that an insurer or a policy has been approved or endorsed by a group of individuals, society, association, or other organization unless such is the fact and unless any proprietary relationship between an organization and the insurer is disclosed. If the entity making the endorsement or testimonial is owned, controlled, or managed by the insurer or receives any payment of other consideration from the insurer for making such endorsement or testimonial, such fact will be disclosed in the marketing communication.

CRIT-VA-AD01B, CRIT-VA-AD04B, CRIT-VA-AD06B, CRIT-VA-AD08B, CRIT-VA-AD10B, CRIT-VA-AD04L, CRIT-VA-AD14L, CRIT-VA-AD16L, CRIT-VA-AD17L, CRIT-VA-AD18L, CRIT-VA-AD20L, CRIT-VA-AD22L

ADFILES 96439, 98630, 98722, 98796, 98875, 99015, 93419, AND 94709

The advertisements contain the phrases: "economical group premiums," "affordable monthly rates," "affordable group rates," "high quality insurance coverage at affordable group rates," and "affordable group rates regardless of age." These phrases were used without evidence to support that the plans were economical, affordable or high quality compared to other similar products offered by similar companies.

ADFILE 94709

The advertisement incorrectly describes benefits regarding repeated stays in the hospital.

ADFILE 94709

The advertisement incorrectly describes the daily benefit in a certain situation as being "up to" a stated amount when the benefit should be described as the stated amount.

ADFILE 94709

The advertisement incorrectly states that the policy excludes benefits for hospital confinements caused by, resulting from, or contributed to by sickness or its medical or surgical treatment.

ADFILE 94709

The advertisement does not provide a complete and clear description of the pre-existing conditions limitations.

ADFILE 94709

The advertisement includes an incorrect disclosure on the enrollment form for High Limit Accident coverage and In-Hospital Insurance coverage. The disclosure used on the enrollment form is intended for coverage that reimburses expenses incurred for specified diseases or other specified impairments (including expense-incurred cancer, specified disease and other types of health insurance policies that limit reimbursement to named medical conditions).

12 violations of 14 VAC 5-90-50 A of the Virginia Administrative Code which states that the format and content of an advertisement of an accident or sickness insurance policy shall be sufficiently complete and clear to avoid deception or the capacity or tendency to mislead or deceive. Whether an advertisement has a capacity or tendency to mislead or deceive shall be determined by the commission from the overall impression that the advertisement may be reasonably expected to create within the segment of the public to which it is directed.

CRIT-VA-AD03B, CRIT-VA-AD05L, CRIT-VA-AD07L, CRIT-VA-AD18L, CRIT-VA-AD20L, CRIT-VA-AD22L

ADFILES 96145, 93653, AND 93904

The telephone advertising scripts indicate that there are exclusions for the free coverage and for the contributory plan; however, for both plans, the scripts offer to review the exclusions with the customer or the customer may wait until he receives his insurance materials and review the exclusions on his own. The advertisements fail to provide complete information and specific disclosures.

ADFILE 94709

The advertisement incorrectly states that the policy excludes benefits for hospital confinements caused by, resulting from, or contributed to by sickness or its medical or surgical treatment.

ADFILE 94709

The advertisement omits information regarding the limitations of the policy provision regarding pre-existing conditions.

ADFILE 94709

The advertisement includes an incorrect disclosure on the enrollment form for High Limit Accident coverage and In-Hospital Insurance coverage. The disclosure used on the enrollment form is intended for coverage that reimburses expenses incurred for specified diseases or other specified impairments (including expense-incurred cancer, specified disease and other types of health insurance policies that limit reimbursement to named medical conditions).

6 violations of 14 VAC 5-90-60 A 1 of the Virginia Administrative Code which states that an advertisement shall not omit information or use words, phrases, statements, references or illustrations if the omission of the information or use of the words, phrases, statements, references or illustrations has the capacity, tendency or effect of misleading or deceiving purchasers or prospective purchasers as to the nature or extent of any policy benefit payable, loss covered or premium payable. The fact that the policy offered is made

available to a prospective insured for inspection prior to consummation of the sale or an offer is made to refund the premium if the purchaser is not satisfied, does not remedy misleading statements.

CRIT-VA-AD07B

ADFILE 98796

The advertisement of a cancer-only policy states, "broad, flexible coverage." This statement is misleading and implies coverage beyond the terms of the policy.

1 violation of 14 VAC 5-90-60 A 5 of the Virginia Administrative Code which states that an advertisement of a policy covering only one disease or a list of specified diseases shall not imply coverage beyond the terms of the policy.

CRIT-VA-AD03B, CRIT-VA-AD05L, CRIT-VA-AD07L

ADFILES 96145, 93653, AND 93904

The telephone advertising scripts indicate that there are exclusions for the free coverage and for the contributory plan; however, for both plans, the scripts offer to review the exclusions with the customer or the customer may wait until he receives his insurance materials and review the exclusions on his own. The advertisements fail to provide complete information and specific disclosures when enrollment is solicited over the phone.

3 violations of 14 VAC 5-90-60 B 1 of the Virginia Administrative Code which states that an invitation to contract shall disclose those exceptions, reductions, and limitations affecting the basic provisions of the policy.

CRIT-VA-AD18L, CRIT-VA-AD20L

ADFILE 94709

The advertisement incorrectly states that the policy excludes benefits for hospital confinements caused by, resulting from, or contributed to by sickness or its medical or surgical treatment.

ADFILE 94709

The advertisement incorrectly describes the exceptions affecting the pre-existing conditions provision of the policy.

2 violations of 14 VAC 5-90-60 B 3 of the Virginia Administrative Code which states that when an advertisement refers to a dollar amount, a period of time for which any benefit is payable, the cost of the policy, a specific policy benefit, or the loss for which a benefit is payable, it shall also disclose those exceptions, reductions, and limitations affecting the basic provisions of the policy without which the advertisement would have the capacity or tendency to mislead or deceive.

CRIT-VA-AD13B

ADFILE 99576

The advertisement does not contain the required statement, "**THIS IS A CANCER ONLY POLICY.**"

1 violation of 14 VAC 5-90-60 B 6 of the Virginia Administrative Code which states that an advertisement for a policy providing benefits for specified illnesses only, such as cancer, shall clearly and conspicuously state in boldface type and all capital letters the limited nature of the policy. The statement shall be worded in language identical to, or substantially similar to, the following: "THIS IS A CANCER ONLY POLICY"

CRIT-VA-AD20L

ADFILE 94709

The advertisement uses the term "pre-existing conditions," but it does not include a definition of "pre-existing conditions," and the description provided by the advertisement does not adequately reflect the policy provision.

1 violation of 14 VAC 5-90-60 C 1 of the Virginia Administrative Code which states that an advertisement shall, in negative terms, disclose the extent to which any loss is not covered if the cause of the loss is traceable to a condition existing prior to the effective date of the policy. The term "pre-existing condition," without an appropriate definition or description, shall not be used.

CRIT-VA-AD14B

ADFILE 99576

The advertisement does not contain the required question/statement in bold-face type immediately preceding the signature on the application form, in violation of the Virginia Administrative Code.

1 violation of 14 VAC 5-90-60 C 3 of the Virginia Administrative Code which states that when an invitation to contract contains an application form to be completed by the applicant and returned by mail, or when an applicant has requested and received an application form as the result of the advertisement of a direct-response insurance product, the application form shall contain a question or statement in bold-face type, immediately preceding the signature for the application, that clearly reflects the contents of all policy provisions regarding: a. The disallowance of claims based on preexisting conditions; b. Any waiting period, elimination period, probation period, or similar lapse of time between the date of the policy and the effective date of coverage; c. Any period of delay between the date a loss occurs and the date upon which benefits or compensation for such loss begin to accrue; and d. Reduction in benefits as the result of existence of other similar insurance providing coverage for the same loss.

CRIT-VA-AD08L

ADFILE 93904

The telephone advertising script fails to explain the renewability of the contributory plan.

1 violation of 14 VAC 5-90 70 of the Virginia Administrative Code which states that when an invitation to contract refers to a dollar amount, a period of time for which any benefit is payable, the cost of the policy, a specific policy benefit, or the loss for which a benefit is payable, it shall disclose the provisions relating to renewability, cancellability and termination, and any modification of benefits, losses covered or premiums because of age or for other reasons, in a manner which shall not minimize or render obscure the qualifying conditions.

CRIT-VA-AD09B, CRIT-VA-AD15L, CRIT-VA-AD21L

ADFILE 98919

The advertisement states, "highly rated, quality insurance companies;" however, no source is identified to document support for this statement.

ADFILE 94709

The advertisement states, "Just one day in the hospital can exceed the deductible for many major medical plans. If you need to spend a few days or more in the hospital, your out-of-pocket costs could easily run into the thousands of dollars." However, the advertisement fails to identify the source for these statistics.

ADFILE 94709

The advertisement states, "Monumental Life is one of the oldest and largest life insurance companies in the U.S. Monumental's long-standing history of service and financial strength have earned it consistently high marks from insurance rating agencies." However, the advertisement fails to identify the source for these statistics.

3 violations of 14 VAC 5-90-90 C of the Virginia Administrative Code which states that the source of any statistics used in an advertisement shall be identified in the advertisement.

CRIT-VA-AD09L

ADFILE 93904

The telephone advertising script makes several references to Stonebridge Life Insurance, making the identity of the actual insurer unclear.

1 violation of 14 VAC 5-90-130 A of the Virginia Administrative Code which states that the name of the actual insurer, the form number or numbers of the policies advertised, and the form number of any application shall be stated on all invitations to contract. An invitation to contract shall not use a trade name, any insurance group designation, name of the parent company of the insurer, name of a particular division of the insurer, service mark, slogan, symbol or other device which without disclosing the name of the actual insurer would have the capacity and tendency to mislead or deceive as to the true identity of the insurer.

CRIT-VA-AD11B, CRIT-VA-AD15B, CRIT-VA-AD16B, CRIT-VA-AD02L, CRIT-VA-AD21L

ADFILE 93250 AND 99576

The advertisements state, "Monumental Life . . . has consistently earned high marks from insurance rating agencies." However, the advertisements fail to include any of the required disclosures regarding the ratings and the entities providing those ratings.

ADFILES 95775 AND 96683

The advertisements include a Financial Strength Ratings chart, but do not provide descriptions of the entities through which the ratings were obtained.

ADFILE 94709

The advertisement states, "Monumental Life is one of the oldest and largest life insurance companies in the U.S. Monumental's long-standing history of service and financial strength have earned it consistently high marks from insurance rating agencies." However, the advertisement fails to include the required disclosures regarding the ratings and the entities providing those ratings.

5 violations of 14 VAC 5-90-160 of the Virginia Administrative Code which states that an advertisement shall not contain statements which are untrue in fact, or by implication misleading, with respect to the assets, corporate structure, financial standing, age or relative position of the insurer in the insurance business. An advertisement shall not contain a recommendation by any commercial rating system unless it clearly indicates the purpose of the recommendation, the name and a description of the entity through which the rating is obtained, and the limitations of the scope and extent of the recommendation.

CRIT-VA-AD22L

ADFILE 94709

The advertisement includes an incorrect disclosure on the enrollment form for High Limit Accident coverage and In-Hospital Insurance coverage. The disclosure used on the enrollment form is intended for coverage that reimburses expenses incurred for specified diseases or other specified impairments (including expense-incurred cancer, specified disease and other types of health insurance policies that limit reimbursement to named

medical conditions). The disclosure used is not in compliance with 14 VAC 5-170-150 E 2 of the Virginia Administrative Code.

1 violation of 14 VAC 5-170-150 E 2 of the Virginia Administrative Code which states that applications provided to persons eligible for Medicare for the health insurance policies or certificates described in subdivision 1 of this subsection shall disclose, using the applicable statement in Appendix C, the extent to which the policy duplicates Medicare. The disclosure statement shall be provided as a part of, or together with, the application for the policy or certificate.

Monumental violated 14 VAC 5-40-40 A 7, 14 VAC 5-40-40 G 4, 14 VAC 5-90-50 A, 14 VAC 5-90-60 A 1, 14 VAC 5-90-60 A 5, 14 VAC 5-90-60 B 1, 14 VAC 5-90-60 B 3, 14 VAC 5-90-60 B 6, 14 VAC 5-90-60 C 1, 14 VAC 5-90-60 C 3, 14 VAC 5-90-70, 14 VAC 5-90-90 C, 14 VAC 5-90-130 A, and 14 VAC 5-90-160, placing it in violation of Subsection 1 of § 38.2-502 and § 38.2-503 of the Code of Virginia.

COPY

UNDERWRITING

DECLINATIONS

A sample of 50, an additional sample of 10, and an additional sample of 23 were selected from a population of 1,544 declinations. The examiners would note that the actual population is unknown, as a portion of the sample files reviewed were not declinations. Although the examiners reviewed all 83 files in the sample, only 70 sample files were considered declinations by the examiners.

The review revealed the following findings:

CRIT-VA-UW01B, CRIT UW02B

Summary: Monumental denied an application due to the applicant's age when the certificate did not support such a denial, and Monumental denied applications for additional coverage without a valid reason for denial in 7 instances.

8 violations of § 38.2-508 of the Code of Virginia which states that no person shall:

1. Unfairly discriminate or permit any unfair discrimination between individuals of the same class and equal expectation of life (i) in the rates charged for any life insurance or annuity contract, or (ii) in the dividends or other benefits payable on the contract, or (iii) in any other of the terms and conditions of the contract; 2. Unfairly discriminate or permit any unfair discrimination between individuals of the same class and of essentially the same hazard (i) in the amount of premium, policy fees, or rates charged for any policy or contract of accident or health insurance, (ii) in the benefits payable under such policy or contract, (iii) in any of the terms or conditions of such policy or contract, or (iv) in any other manner;

CRIT-VA-UW01B, CRIT-VA-UW03B, CRIT-VA-UW29B, CRIT-VA-UW30B, CRIT-VA-UW31B, CRIT-VA-UW32B

Summary: Monumental failed to send a notice that satisfies the requirements of the Code in 39 instances.

39 violations of § 38.2-610 of the Code of Virginia which states that:

A. In the event of an adverse underwriting decision, including those that involve policies referred to in subdivision 1 of subsection E of § 38.2-2114 and in subdivision 3 of subsection F of § 38.2-2212, the insurance institution or agent responsible for the decision shall give a written notice in a form approved by the Commission that: 1. Either provides the applicant, policyholder, or individual proposed for coverage with the specific reason or reasons for the adverse underwriting decision in writing or advises such person that upon written request he may receive the specific reason or reasons in writing; and 2. Provides the applicant, policyholder, or individual proposed for coverage with a summary of the rights established under subsection B of this section and §§ 38.2-608 and 38.2-609.

ISSUED POLICIES - GROUP LIFE AND HEALTH

A sample of 50 was selected from a population of 9,159 underwriting files. Six of the sample files were regarding Tricare supplements and were not reviewed. The examiners reviewed a total of 44 sample files.

The review revealed the following findings:

CRIT-VA-UW33B

Summary: Monumental failed to send a notice that satisfies the requirements of the Code in 1 instance.

1 violation of § 38.2-604 of the Code of Virginia which states that an insurance institution or agent shall provide a notice of insurance information practices to all applicants or policyholders in connection with insurance transactions as provided in this section. The notice required by this section shall be in writing or, if the applicant or policyholder agrees, in electronic format, and shall contain the requirements prescribed by this section, and a description of the rights established under §§ 38.2-608 and 38.2-609 and the manner in which those rights may be exercised. Instead of the notice prescribed in subsection B of this section, the insurance institution or agent may provide an abbreviated notice in writing or, if the applicant or policyholder agrees, in electronic format, containing the requirements prescribed by subsection C of this section.

ISSUED POLICIES - INDIVIDUAL LIFE AND HEALTH

A sample of 50 from a population of 8,200 underwriting files was reviewed.

The review revealed the following findings:

CRIT-VA-UW12B, CRIT-VA-UW13B, CRIT-VA-UW14B revised

Summary: Monumental unfairly applied its underwriting guidelines in determining tobacco-use status and by varying the health questions posed to an applicant using an electronic application.

4 violations of § 38.2-508 of the Code of Virginia which states that no person shall:

1. Unfairly discriminate or permit any unfair discrimination between individuals of the same class and equal expectation of life (i) in the rates charged for any life insurance or annuity contract, or (ii) in the dividends or other benefits payable on the contract, or (iii) in any other of the terms and conditions of the contract; 2. Unfairly discriminate or permit any unfair discrimination between individuals of the same class and of essentially the same hazard (i) in the amount of premium, policy fees, or rates charged for any policy or contract of accident or health insurance, (ii) in the benefits payable under such policy or contract, (iii) in any of the terms or conditions of such policy or contract, or (iv) in any other manner;

CRIT-VA-UW04B, CRIT-VA-UW05B, CRIT-VA-UW08B

Summary: Monumental failed to send a notice that satisfies the requirements of the Code in 45 instances.

45 violations of § 38.2-604 of the Code of Virginia which states that an insurance institution or agent shall provide a notice of insurance information practices to all applicants or policyholders in connection with insurance transactions as provided in this section. The notice required by this section shall be in writing or, if the applicant or policyholder agrees, in electronic format, and shall contain the requirements prescribed by this section, and a description of the rights established under §§ 38.2-608 and 38.2-609 and the manner in which those rights may be exercised. Instead of the notice prescribed in subsection B of this section, the insurance institution or agent may provide an abbreviated notice in writing or, if the applicant or policyholder agrees, in electronic format, containing the requirements prescribed by subsection C of this section.

CRIT-VA-UW10B, CRIT-VA-UW29B, CRIT-VA-UW30B

Summary: Monumental failed to send a notice in 1 instance and failed to send a notice that satisfies the requirements of the Code in 10 instances.

11 violations of § 38.2-610 of the Code of Virginia which states that:

A. In the event of an adverse underwriting decision, including those that involve policies referred to in subdivision 1 of subsection E of § 38.2-2114 and in subdivision 3 of subsection F of § 38.2-2212, the insurance institution or agent responsible for the decision shall give a written notice in a form approved by the Commission that: 1. Either provides the applicant, policyholder, or individual proposed for coverage with the specific reason or reasons for the adverse underwriting decision in writing or advises such person that upon written request he may receive the specific reason or reasons in writing; and 2. Provides the applicant, policyholder, or individual proposed for coverage with a summary of the rights established under subsection B of this section and §§ 38.2-608 and 38.2-609.

CRIT-VA-UW25B, CRIT-VA-UW26B, CRIT-VA-UW27B

3 violations of 14 VAC 5-30-60 D of the Virginia Administrative Code which states that each insurer shall require a completed notice regarding replacements (Form 30-A) with each application for life insurance or an annuity that indicates an existing policy or contract.

CRIT-VA-UW25B, CRIT-VA-UW26B, CRIT-VA-UW27B

3 violations of 14 VAC 5-30-60 G of the Virginia Administrative Code which states that, if an application does not meet the requirements of this chapter, each insurer shall notify the agent and applicant and fulfill the outstanding requirements.

CRIT-VA-UW09B

1 instance of noncompliance with Administrative Letter 1981-15 Adverse Underwriting Decision Notice which states that each company is hereby directed to give a copy of this letter including the prototype adverse underwriting decision (AUD) notice to each of its licensed Virginia agents.

CRIT VA-UW12B, CRIT VA-UW13B

2 instances of noncompliance with Monumental's underwriting guidelines for failure to correctly analyze and apply the results of laboratory studies regarding tobacco use during the underwriting process.

REPLACEMENTS

A sample of 50 from a population of 295 replacements was reviewed.

The review revealed the following findings:

CRIT-VA-RP19

1 violation of 14 VAC 5-30-51 C of the Virginia Administrative Code which states that if an insurer prohibits the use of marketing communication other than that approved by the company, as an alternative to the requirements made of an insurer pursuant to 14 VAC 5-30-40 E, the insurer may: 1. Require with each application a statement signed by the agent that: a. Represents that the agent used only company-approved marketing

communications; and b. States that copies of all marketing communications were left with the applicant in accordance with 14 VAC 5-30-40 D; and 2. Within 10 days of the issuance of the policy or contract: a. Notify the applicant by sending a letter or by verbal communication with the applicant by a person whose duties are separate from the marketing area of the insurer, that the agent has represented that copies of all marketing communications have been left with the applicant in accordance with 14 VAC 5-30-40 D; b. Provide the applicant with a toll-free number to contact company personnel involved in the compliance function if compliance did not occur; c. Stress the importance of retaining copies of the marketing communications for future reference; and 3. Be able to produce a copy of the letter or other verification in the policy file for at least five years after the termination or expiration of the policy or contract.

*CRIT-VA-RP02, CRIT-VA-RP03, CRIT-VA-RP05, CRIT-VA-RP06, CRIT-VA-RP07,
CRIT-VA-RP08, CRIT-VA-RP09, CRIT-VA-RP10, CRIT-VA-RP11, CRIT-VA-RP12,
CRIT-VA-RP13, CRIT-VA-RP14, CRIT-VA-RP16, CRIT-VA-RP17, CRIT-VA-RP18,
CRIT-VA-RP28*

16 violations of 14 VAC 5-30-60 D of the Virginia Administrative Code which states that each insurer shall require a completed notice regarding replacements (Form 30-A) with each application for life insurance or an annuity that indicates an existing policy or contract.

*CRIT-VA-RP02, CRIT-VA-RP03, CRIT-VA-RP04, CRIT-VA-RP05, CRIT-VA-RP06,
CRIT-VA-RP07, CRIT-VA-RP08, CRIT-VA-RP09, CRIT-VA-RP10, CRIT-VA-RP11,
CRIT-VA-RP12, CRIT-VA-RP13, CRIT-VA-RP14, CRIT-VA-RP15, CRIT-VA-RP16,
CRIT-VA-RP17, CRIT-VA-RP18, CRIT-VA-RP28, CRIT-VA-RP30, CRIT-VA-RP31,
CRIT-VA-RP42*

21 violations of 14 VAC 5-30-60 E of the Virginia Administrative Code which states that when the applicant has existing policies or contracts, each insurer shall be able to produce copies of any marketing communication required by 14 VAC 5-30-40 E, the illustrations related to the specific policy or contract that is purchased, and the agent's and applicant's signed statements with respect to financing and replacement for at least five years after the termination or expiration of the proposed policy or contract.

*CRIT-VA-RP02, CRIT-VA-RP03, CRIT-VA-RP04, CRIT-VA-RP05, CRIT-VA-RP06,
CRIT-VA-RP07, CRIT-VA-RP08, CRIT-VA-RP09, CRIT-VA-RP10, CRIT-VA-RP11,
CRIT-VA-RP12, CRIT-VA-RP13, CRIT-VA-RP14, CRIT-VA-RP15, CRIT-VA-RP16,
CRIT-VA-RP17, CRIT-VA-RP18, CRIT-VA-RP28, CRIT-VA-RP30, CRIT-VA-RP31,
CRIT-VA-RP42*

21 violations of 14 VAC 5-30-60 G of the Virginia Administrative Code which states that, if an application does not meet the requirements of this chapter, each insurer shall notify the agent and applicant and fulfill the outstanding requirements.

RESCISSIONS

The entire population of 3 rescissions was reviewed.

The review revealed the following findings:

CRIT-VA-RES01, CRIT-VA-RES03

2 instances of noncompliance with 14 VAC 5-400-60 A of the Virginia Administrative Code which states that unless otherwise specified in the policy, within 15

working days after receipt by the insurer of properly executed proofs of loss, a first party claimant shall be advised of the acceptance or denial of a claim by the insurer. If the insurer needs more time to determine whether a first party claim should be accepted or denied, it shall notify the first party claimant within 15 working days after receipt of the proofs of loss giving the reasons more time is needed.

CRIT-VA-RES02

1 instance of noncompliance with 14 VAC 5-400-70 B of the Virginia Administrative Code which states that no insurer shall deny a claim unless a reasonable explanation of the basis for such denial is included in the written denial.

COPY

POLICY FORMS

A separate sample of policy forms was not selected; however, the policy forms in the advertising, claims and underwriting sample files were reviewed.

The review revealed the following findings:

CRIT-VA-AD02B, CRIT-VA-AD03L, CRIT-VA-UW17B, CRIT-VA-UW18B, CRIT-VA-UW-19B, CRIT-VA-UW-20B

498 violations of § 38.2-316 B of the Code of Virginia which states that except as provided in this section, no application form shall be used with the policy or contract and no rider or endorsement shall be attached to or printed or stamped upon the policy or contract unless the form of such application, rider or endorsement has been filed with the Commission. No individual certificate and no enrollment form shall be used in connection with any group life insurance policy, group accident and sickness insurance policy, group annuity contract, or group variable annuity contract unless the form for the certificate and enrollment form have been filed with the Commission.

CRIT-VA-AD02B, CRIT-VA-AD03L, CRIT-VA-UW17B, CRIT-VA-UW18B, CRIT-VA-UW-19B, CRIT-VA-UW-20B

498 violations of § 38.2-316 C 1 of the Code of Virginia which states that none of the policies, contracts, and certificates specified in subsection A of this section shall be delivered or issued for delivery in this Commonwealth and no applications, enrollment forms, riders, and endorsements shall be used in connection with the policies, contracts, and certificates unless the forms thereof have been approved in writing by the Commission as conforming to the requirements of this title and not inconsistent with law.

*CRIT VA-CL-23, CRIT VA-CL-25, CRIT VA-CL-27, CRIT VA-CL-28, CRIT VA-CL-29,
CRIT VA-CL-30, CRIT VA-CL-31, CRIT VA-CL-32, CRIT VA-CL-33, CRIT VA-CL-34,
CRIT VA-CL-35, CRIT VA-CL-36, CRIT VA-CL-37, CRIT VA-CL-38, CRIT VA-CL-39,
CRIT VA-CL-40, CRIT VA-CL-41, CRIT VA-CL-42, CRIT VA-CL-43, CRIT VA-CL-44,
CRIT VA-CL-45, CRIT VA-CL-46, CRIT VA-CL-47, CRIT VA-CL-48, CRIT VA-CL-49,
CRIT VA-CL-50, CRIT VA-CL-51, CRIT VA-CL-52, CRIT VA-CL-53, CRIT VA-CL-54,
CRIT VA-CL-55, CRIT VA-CL-56, CRIT VA-CL-57, CRIT VA-CL-58, CRIT VA-CL-59,
CRIT VA-CL-60, CRIT VA-CL-92, CRIT VA-CL-93, CRIT VA-CL-99, CRIT VA-CL-100,
CRIT VA-CL-101, CRIT VA-CL-102, CRIT VA-CL-103, CRIT VA-CL-104, CRIT VA-CL-105,
CRIT VA-CL-106, CRIT VA-CL-107*

47 violations of § 38.2-3407.4 A of the Code of Virginia which states that each insurer issuing an accident and sickness insurance policy shall file for approval explanation of benefits forms. These explanation of benefit forms shall be subject to the requirements of § 38.2-316 or § 38.2-4306 as applicable.

CRIT-VA-UW23B

1 violation of § 38.2-3533 of the Code of Virginia which states: A. Each group accident and sickness insurance policy shall contain a provision that the insurer will issue to the policyholder for delivery to each person insured a certificate setting forth: 1. The insured person's insurance protection, including any limitations, reductions and exclusions applicable to the coverage provided; 2. To whom the insurance benefits are payable; 3. Any family member's or dependent's coverage; and 4. The rights and conditions set forth in §38.2-3541.

CLAIMS

ACL™ software was used to select a random sample of closed claim files for review by the examiners. Since multiple claim payments can be made from one claim file, payments were summarized by claim number (to eliminate redundancy) and review samples were specifically chosen by targeting claims handling activity.

Claims are primarily adjudicated by the Company's claims department. However, there are a relatively small number of claims adjudicated by third party administrators (TPAs).

CLAIMS-INDIVIDUAL LIFE

PAID

A sample of 53 from a population of 5,253 claims was reviewed. In addition, 8 claims found in the termination sample files were reviewed.

The review revealed the following findings:

CRIT-VA-CL-01, CRIT VA-CL-02, CRIT VA-CL-03

3 violations of § 38.2-3115 B of the Code of Virginia which states that if no action is brought, interest upon the principal sum paid to the beneficiary or policyowner shall be computed daily at an annual rate of 2 1/2 percent or at the annual rate currently paid by the insurer on proceeds left under the interest settlement option, whichever is greater, commencing from the date of death on a life insurance policy or annuity contract claim and from the date of maturity of an endowment contract to the date of payment. The interest shall be added to and become a part of the total sum payable.

CRIT-VA-Term01B

1 instance of noncompliance with 14 VAC 5-400-60 A of the Virginia Administrative Code which states that unless otherwise specified in the policy, within 15 working days after receipt by the insurer of properly executed proofs of loss, a first party claimant shall be advised of the acceptance or denial of a claim by the insurer. If the insurer needs more time to determine whether a first party claim should be accepted or denied, it shall notify the first party claimant within 15 working days after receipt of the proofs of loss giving the reasons more time is needed.

DENIED

A sample of 11 from a population of 63 claims was reviewed.

No violations noted.

CLAIMS-GROUP LIFE

A sample of 67 from a population of 480 paid claims was reviewed. The entire population of one denied claim was reviewed.

After the review was performed, it was determined that the sampled Group Life claims were associated with policies issued outside of Virginia and are, therefore, not within the scope of the examination. If Monumental determines that it has issued any Group Life policies in Virginia, a separate review will be conducted to determine compliance with Virginia statutes.

CLAIMS-INDIVIDUAL HEALTH

PAID

A sample of 53 from a population of 4,527 claims was reviewed.

The review revealed the following findings:

CRIT VA-CL-59

1 violation of § 38.2-3407.1 B of the Code of Virginia which states that if no action is brought, interest upon the claim proceeds paid to the policyholder, insured, claimant, or assignee entitled thereto shall be computed daily at the legal rate of interest from the date of fifteen working days from the insurer's receipt of proof of loss to the date of claim payment.

CRIT VA-CL-46

1 instance of noncompliance with 14 VAC 5-400-50 A of the Virginia Administrative Code which states that every insurer, upon receiving notification of a claim shall, within 10 working days, acknowledge the receipt of such notice unless payment is made within such period of time. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgement shall be made in the claim file of the insurer and dated. Notification given by a claimant to an agent of an insurer shall be notification to the insurer.

CRIT VA-CL-66

1 instance of noncompliance with 14 VAC 5-400-60 A of the Virginia Administrative Code which states that unless otherwise specified in the policy, within 15 working days after receipt by the insurer of properly executed proofs of loss, a first party claimant shall be advised of the acceptance or denial of a claim by the insurer. If the insurer needs more time to determine whether a first party claim should be accepted or denied, it shall notify the first party claimant within 15 working days after receipt of the proofs of loss giving the reasons more time is needed.

DENIED

A sample of 16 from a population of 1,000 claims was reviewed.

No violations noted.

CLAIMS-GROUP HEALTH

A sample of 52 from a population of 18,020 paid claims was reviewed. A sample of 16 from a population of 6,465 denied claims was reviewed.

After the review was performed, it was determined that the sampled Group Health claims were associated with policies issued outside of Virginia and are, therefore, not within the scope of the examination. If Monumental determines that it has issued any Group Health policies in Virginia, a separate review will be conducted to determine compliance with Virginia statutes.

SUMMARY

The instances of noncompliance with 14 VAC 5-400-10 et seq. of the Virginia Administrative Code did not occur with such frequency as to indicate a general business practice.

SELF-AUDIT OF CLAIMS

At the request of the examiners, a self-audit was conducted by Monumental of all denied claims that involved a replacement policy within the contestability period, for the time period of 2007 through 2011. In Virginia, Monumental identified one instance of the original contestability period not being honored when a claim was filed on an internally replaced policy. Monumental indicated that it would take remedial action and remit additional payment to the affected beneficiaries of the claim. A corrective action requiring this remediation is included in this Report.

COPY

SUMMARY OF EXAMINERS' FINDINGS

AGENTS

§ 38.2-1812 A, 1 violation, CRIT-VA-COMMISSIONS-1

§ 38.2-1833 A 1, 1 violation, CRIT-VA-COMMISSIONS-1

ADVERTISING/MARKETING COMMUNICATIONS

14 VAC 5-40-40 A 7, 2 violations, CRIT-VA-AD01T, CRIT-VA-AD03T

14 VAC 5-40-40 G 4, 1 violation, CRIT-VA-AD02T

14 VAC 5-90-50 A, 12 violations, CRIT-VA-AD01B, CRIT-VA-AD04B, CRIT-VA-AD06B, CRIT-VA-AD08B, CRIT-VA-AD10B, CRIT-VA-AD04L, CRIT-VA-AD14L, CRIT-VA-AD16L, CRIT-VA-AD17L, CRIT-VA-AD18L, CRIT-VA-AD20L, CRIT-VA-AD22L

14 VAC 5-90-60 A 1, 6 violations, CRIT-VA-AD03B, CRIT-VA-AD05L, CRIT-VA-AD07L, CRIT-VA-AD18L, CRIT-VA-AD20L, CRIT-VA-AD22L

14 VAC 5-90-60 A 5, 1 violation, CRIT-VA-AD07B

14 VAC 5-90-60 B 1, 3 violations, CRIT-VA-AD03B, CRIT-VA-AD05L, CRIT-VA-AD07L

14 VAC 5-90-60 B 3, 2 violations, CRIT-VA-AD18L, CRIT-VA-AD020L

14 VAC 5-90-60 B 6, 1 violation, CRIT-VA-AD13B

14 VAC 5-90-60 C 1, 1 violation, CRIT-VA-AD20L

14 VAC 5-90-60 C 3, 1 violation, CRIT-VA-AD14B

14 VAC 5-90-70, 1 violation, CRIT-VA-AD08L

14 VAC 5-90-90 C, 3 violations, CRIT-VA-AD09B, CRIT-VA-AD15L, CRIT-VA-AD21L

14 VAC 5-90-130 A, 1 violation, CRIT-VA-AD09L

14 VAC 5-90-160, 5 violations, CRIT-VA-AD11B, CRIT-VA-AD15B, CRIT-VA-AD16B, CRIT-VA-AD02L, CRIT-VA-AD21L

14 VAC 5-170-150 E 2, 1 violation, CRIT-VA-AD22L

Subsection 1 of § 38.2-502, § 38.2-503

UNDERWRITING

DECLINATIONS

§ 38.2-508, 8 violations, CRIT-VA-UW01B, CRIT-VA-UW02B

§ 38.2-610, 39 violations, CRIT-VA-UW01B, CRIT-VA-UW03B, CRIT-VA-UW29B, CRIT-VA-UW30B, CRIT-VA-UW31B, CRIT-VA-UW32B

ISSUED GROUP LIFE AND HEALTH POLICIES

§ 38.2-604, 1 violation, CRIT-VA-UW33B

ISSUED INDIVIDUAL LIFE AND HEALTH POLICIES

§ 38.2-508, 4 violations, CRIT-VA-UW12B, CRIT-VA-UW13B, CRIT-VA-UW14B revised

§ 38.2-604, 45 violations, CRIT-VA-UW04B, CRIT-VA-UW05B, CRIT-VA-UW08B

§ 38.2-610, 11 violations, CRIT-VA-UW10B, CRIT-VA-UW29B, CRIT-VA-UW30B

14 VAC 5-30-60 D, 3 violations, CRIT-VA-UW25B, CRIT-VA-UW26B, CRIT-VA-UW27B

Administrative Letter 1981-15, 1 instance of non-compliance, CRIT-VA-UW09B

Monumental's underwriting guidelines, 2 instances of non-compliance, CRIT-VA-UW12B, CRIT-VA-UW13B

REPLACEMENTS

14 VAC 5-30-51 C, 1 violation, CRIT-VA-RP19

14 VAC 5-30-60 D, 16 violations, CRIT-VA-RP02, CRIT-VA-RP03, CRIT-VA-RP05, CRIT-VA-RP06, CRIT-VA-RP07, CRIT-VA-RP08, CRIT-VA-RP09, CRIT-VA-RP10, CRIT-VA-RP11, CRIT-VA-RP12, CRIT-VA-RP13, CRIT-VA-RP14, CRIT-VA-RP16, CRIT-VA-RP17, CRIT-VA-RP18, CRIT-VA-RP28

14 VAC 5-30-60 E, 21 violations, CRIT-VA-RP02, CRIT-VA-RP03, CRIT-VA-RP04, CRIT-VA-RP05, CRIT-VA-RP06, CRIT-VA-RP07, CRIT-VA-RP08, CRIT-VA-RP09, CRIT-VA-RP10, CRIT-VA-RP11, CRIT-VA-RP12, CRIT-VA-RP13, CRIT-VA-RP14, CRIT-VA-RP15, CRIT-VA-RP16, CRIT-VA-RP17, CRIT-VA-RP18, CRIT-VA-RP28, CRIT-VA-RP30, CRIT-VA-RP31, CRIT-VA-RP42

14 VAC 5-30-60 G, 21 violations, CRIT-VA-RP02, CRIT-VA-RP03, CRIT-VA-RP04, CRIT-VA-RP05, CRIT-VA-RP06, CRIT-VA-RP07, CRIT-VA-RP08, CRIT-VA-RP09, CRIT-VA-RP10, CRIT-VA-RP11, CRIT-VA-RP12, CRIT-VA-RP13, CRIT-VA-RP14, CRIT-VA-RP15, CRIT-VA-RP16, CRIT-VA-RP17, CRIT-VA-RP18, CRIT-VA-RP28, CRIT-VA-RP30, CRIT-VA-RP31, CRIT-VA-RP42

POLICY FORMS

§ 38.2-316 B, 498 violations, CRIT-VA-AD02B, CRIT-VA-AD03L, CRIT-VA-UW17B,
CRIT-VA-UW18B, CRIT-VA-UW19B, CRIT-VA-UW20B

§ 38.2-316 C 1, 498 violations, CRIT-VA-AD02B, CRIT-VA-AD03L, CRIT-VA-UW17B,
CRIT-VA-UW18B, CRIT-VA-UW19B, CRIT-VA-UW20B

§ 38.2-3407.4 A, 47 violations, CRIT VA-CL-23, CRIT VA-CL-25, CRIT VA-CL-27,
CRIT VA-CL-28, CRIT VA-CL-29, CRIT VA-CL-30, CRIT VA-CL-31, CRIT VA-CL-32,
CRIT VA-CL-33, CRIT VA-CL-34, CRIT VA-CL-35, CRIT VA-CL-36, CRIT VA-CL-37,
CRIT VA-CL-38, CRIT VA-CL-39, CRIT VA-CL-40, CRIT VA-CL-41, CRIT VA-CL-42,
CRIT VA-CL-43, CRIT VA-CL-44, CRIT VA-CL-45, CRIT VA-CL-46, CRIT VA-CL-47,
CRIT VA-CL-48, CRIT VA-CL-49, CRIT VA-CL-50, CRIT VA-CL-51, CRIT VA-CL-52,
CRIT VA-CL-53, CRIT VA-CL-54, CRIT VA-CL-55, CRIT VA-CL-56, CRIT VA-CL-57,
CRIT VA-CL-58, CRIT VA-CL-59, CRIT VA-CL-60, CRIT VA-CL-92, CRIT VA-CL-93,
CRIT VA-CL-99, CRIT VA-CL-100, CRIT VA-CL-101, CRIT VA-CL-102, CRIT VA-CL-103,
CRIT VA-CL-104, CRIT VA-CL-105, CRIT VA-CL-106, CRIT VA-CL-107

§ 38.2-3533, 1 violation, CRIT-VA-UW23B

CLAIMS/RESCISSIONS

§ 38.2-3115 B, 3 violations, CRIT VA-CL-01, CRIT VA-CL-02, CRIT VA-CL-03

§ 38.2-3407.1 B, 1 violation, CRIT VA-CL-59

14 VAC 5-400-50 A, 1 instance of noncompliance, CRIT VA-CL-46

14 VAC 5-400-60 A, 4 instances of noncompliance, CRIT VA-CL-66, CRIT-VA-RES01,
CRIT-VA-RES03, CRIT-VA-Term01B

14 VAC 5-400-70 B, 1 instance of noncompliance, CRIT-VA-RES02

CORRECTIVE ACTION PLAN

Based on the findings stated in this Report, the examiners recommend that Monumental implement the following corrective actions. Monumental shall:

1. Revise and strengthen its procedures to ensure compliance with § 38.2-1812 A of the Code concerning the payment of commissions to agents;
2. Establish and maintain procedures to ensure that agents are appointed within 30 days of the date of execution of the first application submitted by a licensed but not yet appointed agent, as required by § 38.2-1833 A 1 of the Code;
3. Establish and maintain procedures to ensure its advertisements comply with 14 VAC 5-41-10 et seq. and 14 VAC 5-90-10 et seq., as well as Subsection 1 of § 38.2-502 and § 38.2-503 of the Code;
4. Review all advertisements available for use and take the necessary actions to bring each into compliance with 14 VAC 5-41-10 et seq. and 14 VAC 5-90-10 et seq., as well as Subsection 1 of § 38.2-502 and § 38.2-503 of the Code;
5. Establish and maintain procedures to ensure compliance with 14 VAC 5-170-150 regarding requirements for disclosures in applications;
6. Revise and strengthen its underwriting procedures to ensure compliance with § 38.2-508 of the Code, which prohibits unfair discrimination in any manner between individuals of the same class and essentially the same hazard;
7. Review and reopen the underwriting files of all Virginia policies and certificates issued with tobacco rates during 2008, 2009, 2010, 2011, 2012 and the current year, and determine if the tobacco-user status is consistent with Monumental's underwriting guidelines and the application and/or laboratory results. Prior to taking any action, inform the examiners of any Virginia insureds erroneously charged tobacco rates, and submit a remediation plan to the examiners;
8. Establish and maintain procedures to ensure that the adverse underwriting decision (AUD) notices required by § 38.2-610 of the Code are provided to applicants in accordance with the guidelines established by Administrative Letters 1981-15 and 2003-6. Immediately going forward, furnish such AUD notices in all necessary instances, as required by § 38.2-610 of the Code;
9. Establish and maintain procedures to ensure that notice of information practices (NIP) forms furnished to applicants comply with all requirements set forth in §§ 38.2-604, 38.2-608 and 38.2-609 of the Code;
10. Establish and maintain procedures to ensure compliance with Administrative Letter 1981-15. Take the necessary action to immediately furnish a copy of the Administrative Letter along with the prototype AUD notice to each of its licensed Virginia agents;
11. Revise and strengthen its procedures to ensure that the results of laboratory studies are appropriately considered during the underwriting review process, in accordance with its underwriting guidelines;

12. Revise and strengthen its procedures to ensure compliance with all of the requirements of 14 VAC 5-30-51 C when using the allowed alternative to the requirements pursuant to 14 VAC 5-30-40 E;
13. Revise and strengthen its procedures to ensure that a completed notice regarding replacements (Form 30-A) is obtained with each application for life insurance or an annuity that indicates an existing policy or contract, as required by 14 VAC 5-30-60 D. Ensure that clarification and confirmation are obtained for contradictory answers;
14. Revise and strengthen its procedures to ensure that copies of all marketing communications used in connection with a replacement transaction are received and maintained, as required by 14 VAC 5-30-60 E unless the alternative allowed by 14 VAC 5-30-51 C is followed. Ensure that clarification and confirmation are obtained for contradictory answers;
15. Establish and maintain procedures to ensure that agents and applicants are notified and outstanding requirements are fulfilled when an application does not meet the requirements of Chapter 30 of the Virginia Administrative Code, *Rules Governing Life Insurance and Annuity Replacements*, as required by 14 VAC 5-30-60 G;
16. Establish and maintain procedures to ensure that all policies, contracts, and certificates issued or issued for delivery in the Commonwealth of Virginia and all applications, enrollment forms, riders, and endorsements used in connection with the policies, contracts, and certificates are filed with and approved by the Commission, as required by §§ 38.2-316 B and 38.2-316 C 1 of the Code, and further discussed in § 38.2-3522.1 B of the Code;
17. Review all policy forms used or issued for delivery in Virginia and determine those forms that have not been filed with and approved by the Commission in their final form, as required by §§ 38.2-316 B and 38.2-316 C 1 of the Code, and further discussed in § 38.2-3522.1 B of the Code. Submit a remediation plan that includes the filing of the forms, and efforts to remedy any harm to consumers, to the Forms and Rates section of the Life and Health Market Regulation division. Clearly indicate in the letter(s) of transmittal that the submission is a result of Monumental's efforts to comply with this Report's corrective action plan;
18. Revise and strengthen its procedures requiring the issuance of certificates to insureds to comply with the requirements of § 38.2-3533 of the Code;
19. Revise and strengthen its procedures for payment of interest due on life insurance and annuity claim proceeds to ensure compliance with § 38.2-3115 B of the Code;
20. Review and reopen all claims of Virginia policyholders where interest is due for 2008, 2009, 2010, 2011, 2012 and the current year, and make correct interest payments where necessary, as required by § 38.2-3115 B of the Code. A letter stating that the error was discovered during a Target Market Conduct examination by the Virginia State Corporation Commission's Bureau of Insurance shall accompany the payment;
21. Revise and strengthen its procedures for payment of interest due on accident and sickness claim proceeds to ensure compliance with § 38.2-3407.1 B of the Code, and take necessary remedial action to ensure that the correct amount of interest is paid for the claim discussed in CRIT VA-CL-59;

22. Establish and maintain procedures to ensure that all explanation of benefits (EOB) forms are filed with and approved by the Commission prior to use, as required by § 38.2-3407.4 A of the Code, and immediately file its EOB forms with the Commission;

23. Take remedial action to ensure that the claim identified during Monumental's internal review of denied claims/replacements is reopened and paid correctly, in accordance with the incontestability period of the original coverage;

24. Within 365 days of this Report being finalized, furnish the examiners with documentation that each of the above actions has been completed.

COPY

ACKNOWLEDGEMENT

The courteous cooperation extended to the examiners by Monumental's officers and employees during the course of this examination is gratefully acknowledged. Bryan Wachter, FLMI, AIE, AIRC; Arthur Dodd, FLMI, AIE, AIRC, MBA, MCM; Julie Fairbanks, FLMI, AIE, AIRC; Melissa Gerachis, FLMI, AIRC; and Laura Wilson of the Bureau of Insurance participated in the work of the examination and writing of the Report.

Respectfully submitted,



Julie Fairbanks, FLMI, AIE, AIRC
Principal Insurance Market Examiner
Market Conduct Section
Life and Health Division
Bureau of Insurance

COPY

RESPONSE OF
MONUMENTAL LIFE INSURANCE COMPANY

TO

DRAFT MARKET CONDUCT EXAMINATION REPORT
PREPARED BY THE VIRGINIA BUREAU OF INSURANCE
AS OF DECEMBER 31, 2010

COPY

SCOPE OF EXAMINATION

Monumental Life Insurance Company (hereinafter “the Company) does not have any comments regarding this section of the Market Conduct Examination Report.

COMPANY PROFILE

The Company does not have any comments regarding this section of the Market Conduct Examination Report.

COMPLAINT HANDLING

Complaints Via The Bureau of Insurance

The Company does not have any comments regarding this section of the Market Conduct Examination Report.

Consumer Complaints

The Company does not have any comments regarding this section of the Market Conduct Examination Report.

PREMIUM NOTICES / REINSTATEMENTS / POLICY LOANS AND LOAN INTEREST

Policy Loans

The Company does not have any comments regarding this section of the Market Conduct Examination Report.

Automatic Premium Loans

The Company does not have any comments regarding this section of the Market Conduct Examination Report.

CANCELLATIONS / NONRENEWALS

Terminations

The Company does not have any comments regarding this section of the Market Conduct Examination Report.

Extended Term and Reduced Paid Up Insurance

The Company does not have any comments regarding this section of the Market Conduct Examination Report.

Cash Surrenders

The Company does not have any comments regarding this section of the Market Conduct Examination Report.

AGENTS

CRIT-VA-COMMISSIONS-1 (Corrective Action Plan Item 1)

In response to the allegation the Company had one violation of § 38.2-1812 A of the Code of Virginia, the Company acknowledges it paid a commission to an individual agent that was not yet appointed with the Company. The agent was properly licensed when the application was written and sent to the Company. The Company contracts with and pays commissions to the General Agent for whom the agent works. The application was written on 4/19/10 and received by the Company on 4/23/10. The Company initiated the appointment of the agent 5/18/10 and the Bureau approved the appointment effective date of 4/20/10 on 5/19/10. This policy was inadvertently issued in the Company's administrative system using the agent number of the General Agent instead of the writing agent and therefore a commission was paid. The Company does have system controls in place to ensure that a policy on an un-appointed agent cannot be issued. After reviewing the circumstances of this case the New Business Department has revised its procedures to ensure that a policy cannot be issued using the agent number of the General Agent.

CRIT-VA-COMMISSIONS-1 (Corrective Action Plan Item 2)

In response to the allegation the Company had one violation of § 38.2-1833 A 1 of the Code of Virginia, the Company acknowledges a policy was issued when the agent was not yet appointed with the Company. The agent was licensed when the application was written and sent to the Company. The Company contracts with and pays commissions to the General Agent for whom the agent works. The application was written on 4/19/10 and received by the Company on 4/23/10. The Company initiated the appointment of the agent 5/18/10 and the Bureau approved the appointment effective date of 4/20/10 on 5/19/10. This policy was inadvertently issued in the Company's administrative system using the agent number of the General Agent instead of the writing agent and therefore a commission was paid. The Company does have system controls in place to ensure that a policy on an un-appointed agent cannot be issued. After reviewing the circumstances of this case the New Business Department has revised its procedures to ensure that a policy cannot be issued using the agent number of the General Agent.

ADVERTISING / MARKETING COMMUNICATIONS

Advertising

CRIT-VA-AD01T, CRIT-VA-AD03T (Corrective Action Plan Items 3 & 4)

Adfiles 48771 and 48774

The Company respectfully disagrees with the Examiner's findings that the two referenced Adfiles disparage or unfairly describe the methods of marketing by agents of other companies. The letters did not specifically reference any particular agent or insurer or method of marketing. The letters include a general statement regarding replacement practices in the insurance industry and are factually accurate.

Though the Company disagrees with the Examiner's findings, the Company has discontinued both pieces.

CRIT-VA-AD02T (Corrective Action Plan Items 3 & 4)

Adfile 52425

The Company respectfully disagrees with the Examiner's findings; however, the Company has discontinued this piece. This card was created in 1998 as an agent recruitment piece and was not distributed to consumers. The card was not in used in 2010.

CRIT-VA-AD01B, CRIT-VA-AD04B, CRIT-VA-AD05B, CRIT-VA-AD06B, CRIT-VA-AD08B, CRIT-VA-AD10B, CRIT-VA-AD04L, CRIT-VA-AD14L, CRIT-VA-AD16L, CRIT-VA-AD17L, CRIT-VA-18L, CRIT-VA-AD19L, CRIT-VA-AD20L, CRIT-VA-AD22L (Corrective Action Plan Items 3, 4 & 5)

Adfiles 96439, 98630, 98722, 98796, 98875, 99015, 93419, and 94709

The Company respectfully disagrees with the Examiner's findings that the use of the words "economical" and "affordable" has the capacity to mislead or deceive. The attached Company Rate Documentation PDF provides examples of similar products offered in Virginia by similar companies that are being provided pursuant to the examiner's suggestion. The rates for their products are higher than the substantially similar products Monumental rates advertised and cited in the Bureau's criticisms. This, in addition to the arguments previously put forth in response to these criticisms are evidence that the plans are economical, affordable and high quality compared to products offered by other companies and not in violation of any stated statute or regulation.

Adfile 94709

After reviewing the policy and Adfile 94709, the Company acknowledges that the explanation of the confinement period could be more complete. Adfile 94709 was discontinued prior to the exam and the Company is currently updating its advertising review procedures to ensure the expanded confinement period language is included on any future similar advertising pieces.

Adfile 94709

The Company acknowledges that the use of the words "up to" should be omitted from Adfile 94709. Adfile 94709 was discontinued prior to the exam and the Company is currently updating its advertising review procedures to ensure future advertising pieces do not include such language for this type of product.

Adfile 94709

After reviewing the policy and Adfile 94709, the Company acknowledges that the full policy exclusions were not included for the Hospital coverage part of this advertising piece. Adfile 94709 was discontinued prior to the exam and the Company is currently updating its advertising review procedures to ensure future advertising pieces will include all the appropriate policy exclusions for this type of product.

Adfile 94709

The Company respectfully disagrees that Adfile 94709 did not contain a complete and clear description of the pre-existing conditions limitations. Although the Company disagrees that a violation occurred, Adfile 94709 was discontinued prior to the exam, and the Company's advertising review procedures have been updated to ensure any future advertising pieces contain a complete description of the policy's pre-existing condition limitations.

Adfile 94709

The Company acknowledges that the appropriate disclosure was not used for the High-Limit Accident Plan and In-Hospital Insurance portion of the piece. Adfile 94709 was discontinued prior to the exam and the Company is currently updating its advertising review procedures to ensure future advertising pieces include the appropriate disclosure on the required products.

CRIT-VA-AD03B, CRIT-VA-AD05L, CRIT-VA-AD07L, CRIT-VA-AD18L, CRIT-VA-AD20L, CRIT-VA-AD22L
(Corrective Action Plan Items 3, 4 & 5)

Adfiles 96145, 93653 and 93904

The telephone advertisements both offer to review the exclusions to those opting to enroll in the free and voluntary accidental death coverage on the call, or in the alternative, allow the customer to review at the time of receipt of their certificate. At the Bureau's suggestion the company is proposing that to prospectively satisfy the requirements of 14 VAC 5-90-60 A1 that it add language to scripts for use on the calls listing the exclusions. The proposed listing of exclusions is as follows:

- suicide
- war
- military service
- rioting, committing an assault or a felony
- sickness or medical or surgical treatment
- bacterial infection
- in a commercial flight or military transport
- alcohol intoxication
- taking of any drugs, or medication unless taken as prescribed
- taking of any drug or medication in combination with alcohol
- voluntary gas inhalation or poison ingestion
- professional racing of any kind for prizes, money or profit

The company believes that this recitation of exclusions will provide consumers with the appropriate level of information at the time of purchase and along with the 30 day free look period give the required amount of consumer protection.

Adfile 94709

After reviewing the policy and Adfile 94709, the Company acknowledges that the full policy exclusions were not included for the Hospital coverage part of this advertising piece. Adfile 94709 was discontinued prior to the exam, and any future similar advertising pieces will include all the appropriate policy exclusions.

Adfile 94709

The Company respectfully disagrees that Adfile 94709 did not contain a complete and clear description of the pre-existing conditions limitations. Although the Company disagrees, Adfile 94709 was discontinued prior to the exam and the Company's advertising review procedures have been updated to ensure any future advertising pieces contain a complete description of the policy's pre-existing condition limitations.

Adfile 94709

The Company acknowledges that the appropriate disclosure was not used for the High-Limit Accident Plan and In-Hospital Insurance portion of the piece. Adfile 94709 was discontinued prior to the exam

and the Company is currently updating its advertising review procedures to ensure future advertising pieces include the appropriate disclosure on the required products.

CRIT-VA-AD07B (Corrective Action Plan Items 3 & 4)

Adfile 98796

The Company agrees the use of words “broad flexible coverage” is not appropriate for this type of product. Adfile 98796 has been discontinued by the Company and the Company has updated its advertising review procedures to ensure that this type of wording is not used on future advertising pieces.

CRIT-VA-AD03B, CRIT-VA-AD05L, CRIT-VA-AD07L (Corrective Action Plan Items 3 & 4)

Adfiles 96145, 93653, and 93904

The telephone advertisements both offer to review the exclusions to those opting to enroll in the free and voluntary accidental death coverage on the call, or in the alternative, allow the customer to review at the time of receipt of their certificate. At the Bureau’s suggestion the Company is proposing that to prospectively satisfy the requirements of 14 VAC 5-90-60 B 1 that it add language to scripts for use on the calls listing the exclusions. The proposed listing of exclusions is as follows:

- suicide
- war
- military service
- rioting, committing an assault or a felony
- sickness or medical or surgical treatment
- bacterial infection
- in a commercial flight or military transport
- alcohol intoxication
- taking of any drugs, or medication unless taken as prescribed
- taking of any drug or medication in combination with alcohol
- voluntary gas inhalation or poison ingestion
- professional racing of any kind for prizes, money or profit

The company believes that this recitation of exclusions will provide consumers with the appropriate level of information at the time of purchase and along with the 30 day free look period give the required amount of consumer protection.

CRIT-VA-AD18L, CRIT-VA-AD20L (Corrective Action Plan Items 3 & 4)

Adfile 94709

After reviewing the policy and Adfile 94709, the Company acknowledges that the full policy exclusions were not included for the Hospital coverage part of this advertising piece. Adfile 94709 was discontinued by the Company prior to the exam, and any future similar advertising pieces will include all the appropriate policy exclusions.

Adfile 94709

The Company respectfully disagrees that Adfile 94709 did not contain a complete and clear description of the pre-existing conditions limitations. Although the Company disagrees, Adfile 94709 was discontinued prior to the exam and the Company’s advertising review procedures have been updated to ensure any future advertising pieces contain a complete description of the policy’s pre-existing condition limitations.

CRIT-VA-AD13B (Corrective Action Plan Items 3 & 4)

Adfile 99576

The Company acknowledges that it inadvertently failed to include the required disclosure. Adfile 99576 has been discontinued. The Company's advertising review process includes a checklist of required disclosures on advertising pieces. This checklist has been updated, and the disclosure will be included on future advertising pieces.

CRIT-VA-AD20L (Corrective Action Plan Items 3 & 4)

Adfile 94709

The Company respectfully disagrees that Adfile 94709 did not contain a complete and clear description of the pre-existing conditions limitations. Although the Company disagrees, Adfile 94709 was discontinued prior to the exam, and the Company's advertising review procedures have been updated to ensure any future advertising pieces contain a complete description of the policy's pre-existing condition limitations.

CRIT-VA-AD14B (Corrective Action Plan Items 3 & 4)

Adfile 99576

The Company acknowledges that the required question/statement was not included on the enrollment form included with this advertising piece. The Company will revise the form to get into compliance with 14 VAC 5-90-60 C 3.

CRIT-VA-AD08L (Corrective Action Plan Items 3 & 4)

Adfile 93904

The company acknowledges that the telephone script did not explain the renewability provisions of the plan. The Company's advertising review procedures have been updated to ensure any future scripts include the renewability language.

CRIT-VA-AD09B, CRIT-VA-AD12B, CRIT-VA-AD01L, CRIT-VA-AD15L, CRIT-VA-AD21L (Corrective Action Plan Items 3 & 4)

Adfile 98919

The Company respectfully disagrees with the Examiner's findings. The use of, "highly rated, quality insurance companies," is not statistical in nature and therefore is not a violation of 14 VAC 5-90-90 C. Although, the Company disagrees it has updated its advertising review procedures to ensure any future advertising pieces with this type of language will include the appropriate sources noted.

Adfile 99576 and 93250

As the Company has already stated in its prior responses to the criticism, the use of the 30 years statement in reference to Selman & Company's experience in the association marketplace is not statistical in nature and therefore is not a violation of 14 VAC 5-90-90 C. The Company will consider adding the website address to this portion of the advertising going forward to provide the reader with the ability to access information on the company specifics if the Bureau feels that addresses the stated criticism.

Adfile 94709

The Company acknowledges that the statement, "Just one day in the hospital can exceed the deductible for many major medical plans," needs to include a source. The Company discontinued Adfile 94709

prior to the exam and has updated its advertising review procedures to ensure any future pieces include the required sources.

Adfile 94709

As the Company has stated in its prior response to this criticism, the use of the language, "Monumental Life is one of the oldest and largest life insurance companies in the U.S. Monumental's long-standing history of service and financial strength have earned it consistently high marks from insurance rating agencies," is not statistical in nature and therefore is not a violation of 14 VAC 5-90-90 C. The advertising piece included a link to the Company website that shows the history and rating sources of the Company.

CRIT-VA-AD09L (Corrective Action Plan Items 3 & 4)

Adfile 93904

The Company acknowledges that it inadvertently included the incorrect insurance company name on this advertising script. Adfile 93904 has been discontinued, and any future advertising pieces will include the correct insurance company name.

CRIT-VA-AD11B, CRIT-VA-AD15B, CRIT-VA-AD16B, CRIT-VA-AD02L, CRIT-VA-AD21L (Corrective Action Plan Items 3 & 4)

Adfile 93250 and 99576

As the Company has stated in its prior responses to the criticism, the use of the 30 years statement in reference to Selman & Company's experience in the association marketplace is not statistical in nature and therefore is not a violation of 14 VAC 5-90-90 C. The Company will consider adding the website address to this portion of the advertising going forward to provide the reader with the ability to access information on the company specifics if the Bureau feels that addresses the stated criticism.

Adfile 95775 and 96683

The Company respectfully disagrees that the rating information on these pieces was unclear and had the capacity to mislead. Though the Company disagrees, the Company has revised both pieces by removing the word "current" and adding a description of the rating entities.

Adfile 94709

As the Company stated in its prior response to this criticism, the use of the language, "Monumental Life is one of the oldest and largest life insurance companies in the U.S. Monumental's long-standing history of service and financial strength have earned it consistently high marks from insurance rating agencies," is not statistical in nature and therefore is not a violation of 14 VAC 5-90-90 C. The advertising piece included a link to the Company website that shows the history and rating sources of the Company.

CRIT-VA-AD22L (Corrective Action Plan Items 3, 4 & 5)

Adfile 94709

The Company acknowledges that the appropriate disclosure was not used for the High-Limit Accident Plan and In-Hospital Insurance portion of the piece. Adfile 94709 was discontinued prior to the exam, and any future advertising pieces will include the appropriate required disclosures.

UNDERWRITING

Declinations

CRIT-VA-UW01B (Corrective Action Plan Item 6)

It is the Company's position that Section 38.2-508 of the Code of Virginia is not violated by the offering of the stand alone accidental death coverage as alleged in this specific criticism because subsections 1 and 2 do not apply to this particular situation. Subsection 1 does not apply because it references life insurance coverage and the coverage at issue is accidental death coverage. Subsection 2 does not apply because it assumes there is some different type of treatment applied to individuals of the same class and essentially the same hazard which is not the case.

Subsection 2 states in pertinent part that, "No person shall: 2. Unfairly discriminate or permit any unfair discrimination *between individuals of the same class and of essentially the same hazard . . .*" [emphasis added]. In researching this crit the Company believes that an incorrect certificate was provided in response. However, the fact that the applicant did not meet the eligibility requirements in this particular case, up to age 65, is not discriminatory. The risks for a person over the age of 65 increase dramatically and therefore is not one which is "essentially of the same hazard" as required by the statute.

The Company offers the following data collected by the National Safety Council. (2012) and published in *Injury Facts, 2012 Edition*.

- In 2008, injuries were responsible for over 39,000 deaths among Americans age 65 and older.
- The rate of unintentional injury-related deaths per 100,000 population in 2008 was 101.4 for those age 65 and older.
- These rates increase over ten-fold from 38.0 for 65-69 year olds to 390.7 for 90-94 year olds.
- In 2008, injuries were responsible for over 72,000 deaths among Americans ages 20-64.
- The rate of unintentional injury-related deaths per 100,000 population in 2008 was 39.7 for those aged 20 through 64.

Relying on the data cited above, we make the following observations:

- Comparing the rate of unintentional injury-related deaths per 100,000 population for the age group 65 and older to the age group 20 through 64 reveals an increase of more than 250% for the age 65 and older category.
- As a result, the accidental death premium rates for those age 65 and older should be more than twice that for those under age 65 for similar benefits. Alternatively, the accidental death benefits for those age 65 and older should be one-half or less of those offered to those under age 65 for the same accidental death premium rate.
- If offering a single accidental death plan to the entire population of ages 20 and older, it would be necessary to alter the premium rates and/or benefit configurations to ensure the reasonableness of benefits in relation to the premiums charged.

This information, in particular the rate information, clearly demonstrates the risks for those over age 64 are not risks of essentially the same hazard. As a result, the eligibility age requirement cannot be a violation of Section 38.2-508.

CRIT-VA-UW01B, CRIT-VA-UW02B, CRIT-VA-UW03B, CRIT-VA-UW29B, CRIT-VA-UW30B, CRIT-VA-UW31B, CRIT-VA-UW32B (Corrective Action Plan Item 8)

The Company acknowledges that it did not send the approved Adverse Underwriting Decision letter in most of the instances cited. The Company is in the process of filing a new Adverse Underwriting Decision letter that complies with §38.2-610 of the Code of Virginia. Once approved, this notice will be provided to the applicants in Adverse Underwriting Decision situations.

After reviewing §38.2-610 and Administrative Letter 2003-6, the Company respectfully disagrees that an Adverse Underwriting Decision letter should be required on the group accidental death certificates referenced in CRIT-UW-02B. As part of the marketing campaign for this product, more than one enrollment form for the same product with the same group sponsor may be sent to individuals which occasionally results in individuals submitting more than one enrollment form. In these instances, the Company issues coverage based on receipt of the first enrollment form. If the Company receives a second enrollment form, the Company's administrative system automatically generates a duplicate coverage letter. Since a policy/certificate has been issued, the Company is not declining to issue coverage since a policy/certificate has already been issued, but is merely notifying the insured of receipt of the duplicate enrollment form and explaining that it will not issue duplicate coverage.

Issued Policies – Group Life and Health

CRIT-VA-UW33B (Corrective Action Plan Item 9)

The Company respectfully disagrees with the Examiner's findings regarding its notice of information practices. However, the Company will revise its current multi-state notice to clarify an individual's right of access and correction to personal information collected and to supplement with a more detailed explanation in a separate written notice that will be available upon request.

Issued Policies – Individual Life and Health

CRIT-VA-UW12B, CRIT-VA-UW13B (Corrective Action Plan Items 6 & 7)

The Company acknowledges that it issued two policies with the incorrect tobacco rate. In one instance the Company issued a policy with a tobacco rating in error. The Company became aware of this error shortly after the policy was issued, and prior to this examination, and took corrective action to re-issue the policy with the correct non-tobacco rating. In one instance the Company issued a policy with non-tobacco rates when the lab results indicated the insured was a tobacco user. Since the non-tobacco rate is to the customer's benefit, the Company is allowing the insured to continue the policy at the non-tobacco rate.

Both instances were the result of human error and did not occur with such frequency to be indicative of a general business practice or a systemic problem. The two errors out of the sample of 50 policies that were reviewed represent an error level of 4%, which falls below the NAIC error tolerance level of 10%. The Underwriting Manager has counseled the two underwriters involved in the inadvertent errors and has reminded all underwriting staff of the importance of rating accurately to prohibit unfair discrimination. In consideration of the remediation that was specified for these errors, the Company has completed a preliminary data run of the Virginia policies that were rated for tobacco use for the time frame of 1/1/2008 – 1/31/2013. The preliminary data run reflects that over 7000 files would need to be reviewed to accommodate the Department's request in the Corrective Action Plan. In consideration of the low error ratio and the actions that have already been taken, the Company respectfully requests reevaluation of this corrective action request.

CRIT-VA-UW14B (Corrective Action Plan Item 6)

In response to the allegation that the Company violated §38.2-508 of the Code of Virginia the Company respectfully disagrees. As previously stated in response to this criticism, the Company utilizes an electronic application process on the majority of applications written. The electronic application is programmed based on the Company's underwriting requirements. Depending on the age of the applicant and the amount of insurance being applied for, certain questions may not be required. The attached Short Form Application PDF provides documentation related to this issue. A paper application is only to be taken on an exception basis. Even when taking a paper application, the agent is still required to submit the application to the Underwriting Department via the electronic application process. Although the Company disagrees it is in violation of §38.2-508, it is currently modifying its electronic application process to require ALL health questions to be asked and answered by every applicant.

CRIT-VA-UW-15B (Corrective Action Plan Item 6)

In response to the allegation that the Company violated §38.2-508 of the Code of Virginia, the Company respectfully disagrees and asks this entry be removed from the report. This policy was issued with an incorrect policy date that was one month prior to the date requested on the application, but this policy date did not result in any premium difference or alter the benefits of the policy and did not result in unfair discrimination of the individual covered under the policy.

CRIT-VA-UW04B, CRIT-VA-UW05B, CRIT-VA-UW08B (Corrective Action Plan Item 9)

The Company respectfully disagrees with the Examiner's findings regarding its notice of information practices. However, the Company will revise its current multi-state notice to clarify an individual's right of access and correction to personal information collected and to supplement with a more detailed explanation in a separate written notice that will be available upon request.

CRIT-VA-UW10B, CRIT-VA-UW29B, CRIT-VA-UW30B (Corrective Action Plan Item 8)

The Company acknowledges that it did not send the approved Adverse Underwriting Decision letter on the files cited. The Company is in the process of filing a new Adverse Underwriting Decision letter that complies with §38.2-610 of the Code of Virginia. Once approved, this notice will be provided to the applicant when Adverse Underwriting Decisions are made.

CRIT-VA-UW25B, CRIT-VA-UW26B, CRIT-VA-UW27B (Corrective Action Plan Item 13)

The Company acknowledges that although a Replacement Notice was provided to the applicant, the notice used was not the most current Virginia replacement notice on the files noted in CRIT-VA-UW25B AND CRIT-VA-UW26B. Regarding CRIT-VA-UW27B the Company used the correct Replacement Notice, but agrees that it did not contain all of the required information. Changes were made to the Company's electronic application process in May 2010, and the correct replacement notice has been used since that time. The Company is also reinforcing its procedures to ensure that the Replacement Notice is completed with all required information.

CRIT-VA-UW25B, CRIT-VA-UW26B, CRIT-VA-UW27B (Corrective Action Plan Item 15)

The Company acknowledges that although a Replacement Notice was provided to the applicant, the notice used was not the most current Virginia replacement notice on the files noted in CRIT-VA-UW25B AND CRIT-VA-UW26B. Regarding CRIT-VA-UW27B the Company used the correct Replacement Notice, but agrees that it did not contain all of the required information. Changes were made to the Company's electronic application process in May 2010, and the correct replacement notice has been used since that

time. The Company is also reinforcing its procedures to ensure that the Replacement Notice is completed with all required information.

CRIT-VA-09B (Corrective Action Plan Item 10)

The Company acknowledges it could not provide proof that a copy of Administrative Letter 1981-15, along with the Virginia prototype adverse underwriting decision notice, was provided to each of its licensed Virginia agents. As mentioned in discussions with the VA Department, the agents are not involved in the underwriting process. Nonetheless, the Company will provide Administrative Letter 1981-15 and the prototype notice to all of its licensed Virginia agents and will include this information in new agent packets on a going forward basis.

CRIT-VA-12B, CRIT-VA-UW13B (Corrective Action Plan Item 11)

The Company acknowledges that two policies were issued incorrectly based on the laboratory results. This was a human error by the Underwriters and has been addressed with the Underwriting Department. The Underwriting Department does quality checks, and the Underwriters involved in each of these cases have met the Company's quality control guidelines.

Replacements

CRIT-VA-RP19, CRIT-VA-RP21, CRIT-VA-RP24 through CRIT-VA-RP27, CRIT-VA-RP29, CRIT-VA-RP34 through CRIT-VA-RP37 and CRIT-VA-RP40 (Corrective Action Plan Item 12)

The Company respectfully disagrees it is in violation of 14 VAC 5-30-51 C of the Virginia Administrative Code, except for CRIT-VA-RP19. The attached Proof of Sales Materials Letters PDF contains the letters the Company sent the owner after the policy was issued to comply with 14 VAC 5-30-51 C of the Virginia Administrative Code. The Company apologizes this documentation was not included in the original file for review during the exam. Regarding CRIT-VA-RP19 the Company acknowledges the letter was not sent. The Company implemented a system update in June of 2010 and the correct Replacement Notice that complies with 14 VAC 5-30-51 C of the Virginia Administrative Code is currently in use. Files that were reviewed during the examination after this implementation date reflect use of the correct Replacement Notice.

CRIT-VA-RP02, CRIT-VA-RP03, CRIT-VA-RP05 through CRIT-VA-RP14, CRIT-VA-RP16 through CRIT-VA-RP18 and CRIT-VA-RP28 (Corrective Action Plan Item 13)

The Company acknowledges that the incorrect Replacement Notice was provided in these files. The Company implemented a system update in May of 2010 and the correct Replacement Notice that complies with 14 VAC 5-30-60 D of the Virginia Administrative Code is currently in use. Files that were reviewed during the examination after this implementation date reflect use of the correct Replacement Notice.

CRIT-VA-RP02 through CRIT-VA-RP18, CRIT-VA-RP28, CRIT-VA-RP30, CRIT-VA-RP31 and CRIT-VA-RP42 (Corrective Action Plan Item 14)

The Company acknowledges the files listed in the above criticisms did not contain the Company required form titled, "Career Agency Advertising Materials." The Company only allows producers to use Company approved advertising on all Virginia replacement business and began requiring the use of this form on all replacements issued in Virginia as of June 2010 to comply with 14 VAC 5-30-60 E of the Virginia Administrative Code.

CRIT-VA-RP02 through CRIT-VA-RP18, CRIT-VA-RP28, CRIT-VA-RP30, CRIT-VA-RP31 and CRIT-VA-RP42 (Corrective Action Item 15)

The Company acknowledges that the Replacement Notices on the files noted in the criticisms above were not fully completed. The Company is currently reinforcing its procedures to ensure that the Replacement Notice is fully completed by the agent and applicant.

Rescissions

CRIT-VA-RES01, CRIT-VA-RES03 (Corrective Action Item 23)

The Company acknowledges that the status letters on the two claims referenced in these criticisms did not include the correct reason for delay in payment or denial. The Company is currently reviewing Claims processes and procedures to determine any necessary corrective actions.

CRIT-VA-RES02 (Corrective Action Item 24)

The Company acknowledges that an incorrect denial reason was included on this rescinded claim. The Company sent a revised letter to the claimant during the exam. The Company is currently reviewing Claims processes and procedures to determine any necessary corrective actions.

POLICY FORMS

CRIT-VA-AD02B, CRIT-VA-AD03L, CRIT-VA-UW17B, CRIT-VA-18B, CRIT-VA-UW19B, CRIT-VA-UW-20B (Corrective Action Items 16 & 17)

The majority of the forms cited in these criticisms were out of state group certificates (and accompanying forms) that were initially considered exempt from filing in Virginia based on Virginia's requirements at the time the Company began using the forms. The Company understands that Virginia is requiring individual policies, group certificates, and the corresponding applications, enrollment forms, riders, and endorsements that will be issued in Virginia to be filed for approval prior to use and is in the process of submitting the appropriate forms to the Virginia Department of Insurance for review.

CRIT-VA-AD02B, CRIT-VA-AD03L, CRIT-VA-UW17B, CRIT-VA-UW18B, CRIT-VA-UW19B, CRIT-VA-UW-20B (Corrective Action Items 16 & 17)

The majority of the forms cited in these criticisms were out of state group certificates (and accompanying forms) that were initially considered exempt from filing in Virginia based on Virginia's requirements at the time the Company began using the forms. The Company understands that Virginia is requiring individual policies, group certificates, and the corresponding applications, enrollment forms, riders, and endorsements that will be issued in Virginia to be filed for approval prior to use and is in the process of submitting the appropriate forms to the Virginia Department of Insurance for review.

CRIT VA-CL-23, CRIT VA-CL-25 and CRIT VA-CL-27 through CRIT VA-CL-60 (Corrective Action Item 25)

The Company acknowledges that the EOB form reviewed on CRIT VA-CL-23, CRIT VA-CL-25 and CRIT VA-CL-27 through CRIT VA-CL-60 was not filed and approved during the exam timeframe. The EOB form sent to the insured in 2010 contained all the elements of the form that was filed with and approved by the state of Virginia on 8/22/2011, with the exception of the form number. The 2011 filing added the form number to the EOB form already in use. It is now being produced on appropriate claims.

CRIT VA-CL-92 and CRIT VA-CL-93 (Corrective Action Item 25)

While the Company acknowledges that the EOB that was included in the claim files referenced in these criticisms did not contain the appropriately placed form number or the full Company name as it was

filed and approved with the Bureau, all other components of the EOB were correct and complete. Since these claims were administered by Third Party Administrators, the Company is currently working with those TPAs to ensure the correct filed and approved EOB is used with all claims.

CRIT VA-CL-99, CRIT VA-CL-100 and CRIT VA-CL-101 (Corrective Action Item 25)

While the Company acknowledges that the EOB form included in the files referenced in these criticisms was not filed and approved, the EOB that was used contain the required components. Since these claims were administered by TPAs , the Company is currently working with those TPAs to ensure the correct filed and approved EOB is used all claims.

CRIT VA-CL-103 through CRIT VA-CL-107 (Corrective Action Item 25)

While the Company acknowledges that the EOB that was included in the claim files referenced in these criticisms did not contain the appropriately placed form number or the full Company name as it was filed and approved with the Bureau, all other components of the EOB were correct and complete. Since these claims were administered by Third Party Administrators, the Company is currently working with those TPAs to ensure the correct filed and approved EOB is used with all claims.

CRIT-VA-UW23B (Corrective Action Item 18)

The Company acknowledges that a certificate was not issued. This employer group dental coverage was taken over by the Company and a Summary of Coverage was provided to the employer for issuance to covered employees. A certificate of coverage that complies with §38.2-3533 of the Code of Virginia will be issued to each insured.

CLAIMS

Claims – Individual Life

CRIT VA-CL-01, CRIT VA-CL-02, CRIT VA-CL-03 (Corrective Action Item 19 & 20)

The Company respectfully disagrees with these violations. The Company pays claim interest according to the requirements of the resident state of the insured at the time of death unless a state's requirements specifically require otherwise. Sec. 38.2-3115 B states, "If no action is brought, interest upon the principal sum paid to the beneficiary or policyowner shall be computed daily at an annual rate of 2 1/2 % or at the annual rate currently paid by the insurer on proceeds left under the interest settlement option, whichever is greater, commencing from the date of death on a life insurance policy or annuity contract claim and from the date of maturity of an endowment contract to the date of payment."

There are eleven (11) states* that specifically state that their laws relating to payment of interest on delayed claims are applicable to policies issued within those states. In the absence of clear direction by statute, an insurer may interpret statutes in a reasonable manner in accordance with the plain meaning of the statute. Because the statute did not state that it is applicable to policies issued in the state of Virginia, Monumental applied the statute to policies for which the insured lived in Virginia at the time of his/her death. During a verbal conversation with Monumental, the Bureau stated that it relied upon Chapter 3 for its interpretation that Sec. 38.2-3115 B applies to all policies issued in Virginia. Section 38.2-300 of the Virginia Annotated Code states, "This chapter shall apply to all classes of insurance except: ...2. Life insurance policies and accident and sickness insurance policies not delivered or issued for delivery in this Commonwealth;...." This statute does not state that the chapter applies to policies issued in Virginia; it states that the chapter does not apply to policies not issued in Virginia. In the absence of a clear statutory directive, Monumental believes that payment of delayed claim interest

based upon the state of the insured's residence at time of death is a reasonable interpretation of Virginia law. Monumental respectfully requests that these violations be removed from the report. Although the Company respectfully disagrees it is in violation it agrees to modify its claims procedures on a prospective basis to pay delayed claims interest according to §38.2-3115 B of the Code of Virginia on any policy issued in Virginia.

*States for which delayed claims interest is specifically applicable to policies issued within their states: Arkansas, Georgia, Illinois, Maine, Minnesota, New York, South Dakota, Tennessee, Utah, Vermont, and Wyoming.

CRIT-VA-Term01B (Corrective Action Item 23)

The Company acknowledges that while a notification was sent on this claim indicating that additional information was needed to process the claim, it was not sent within the 15 working days after receipt of proof of loss. While there were no responses to the Company's requests for a survivor's statement, the Company, in an effort to expedite the claim, contacted the Funeral home and verified that the funeral for the deceased was paid by pre-arrangement. The funeral home also verified that the funeral contract was signed by the insured's brother, and the beneficiary had no surviving children. Additionally, an Accurant search was conducted to verify that the beneficiary was deceased as of 03/13/2010. Based on this research, which is in lieu of a survivor's statement, the insured's brother was paid the survivorship benefits on the policy. The Company is currently reviewing Claims Department processes and procedures to determine any necessary corrective actions.

DENIED

The Company does not have any comments regarding this section of the Market Conduct Examination Report.

Claims – Group Life

Paid

CRIT VA-CL-05, CRIT VA-CL-10, CRIT VA-12, CRIT VA-CL-14, CRIT VA-CL-16, CRIT VA-CL-18 (Corrective Action Plan Item 19 & 20)

The Company respectfully disagrees with these violations. The Company pays claim interest according to the requirements of the resident state of the insured at the time of death unless a state's requirements specifically require otherwise. Sec. 38.2-3115 B states, "If no action is brought, interest upon the principal sum paid to the beneficiary or policyowner shall be computed daily at an annual rate of 2 1/2 % or at the annual rate currently paid by the insurer on proceeds left under the interest settlement option, whichever is greater, commencing from the date of death on a life insurance policy or annuity contract claim and from the date of maturity of an endowment contract to the date of payment."

There are eleven (11) states* that specifically state that their laws relating to payment of interest on delayed claims are applicable to policies issued within those states. In the absence of clear direction by statute, an insurer may interpret statutes in a reasonable manner in accordance with the plain meaning of the statute. Because the statute did not state that it is applicable to policies issued in the state of Virginia, Monumental applied the statute to policies for which the insured lived in Virginia at the time of his/her death. During a verbal conversation with Monumental, the Bureau stated that it relied upon Chapter 3 for its interpretation that Sec. 38.2-3115 B applies to all policies issued in Virginia. Section

38.2-300 of the Virginia Annotated Code states, "This chapter shall apply to all classes of insurance except: ...2. Life insurance policies and accident and sickness insurance policies not delivered or issued for delivery in this Commonwealth;...." This statute does not state that the chapter applies to policies issued in Virginia; it states that the chapter does not apply to policies not issued in Virginia. In the absence of a clear statutory directive, Monumental believes that payment of delayed claim interest based upon the state of the insured's residence at time of death is a reasonable interpretation of Virginia law.

Even assuming that the Bureau's position is valid, there would be no violation for the group life claims because the group policies were not issued in Virginia. Section 38.2-300 of the Virginia Annotated Code applies only to policies and not to certificates issued under out-of-state group policies. Therefore, Monumental respectfully requests that CRIT-VA-CL-05, CRIT-VA-CL-10, CRIT-VA-CL-12, CRIT-VA-CL-14, CRIT-VA-CL-16, and CRIT-VA-CL-18 be removed from the report. Although the Company respectfully disagrees it is in violation it agrees to modify its claims procedures on a prospective basis to pay delayed claims interest according to §38.2-31.15 B of the Code of Virginia on any policy issued in Virginia.

*States for which delayed claims interest is specifically applicable to policies issued within their states: Arkansas, Georgia, Illinois, Maine, Minnesota, New York, South Dakota, Tennessee, Utah, Vermont, and Wyoming

CRIT VA-CL-19 (Corrective Action Plan Item 22)

The Company acknowledges that this claim was not acknowledged or paid within 10 working days. The claim was received on May 10, 2010 and paid on May 26, 2010. The Company is currently reviewing Claims Department processes and procedures to determine the cause of the problem and to review any necessary corrective actions.

CRIT VA-CL-18 (Corrective Action Plan Item 19)

The Company respectfully disagrees that it violated the "Interest at Settlement" provision of the certificate. The provision states the Company will pay interest on death proceeds according to the requirements of *your* state. In the certificate, "your" is defined to as the insured. The Company paid delayed claims interest according to the issue state of Pennsylvania.

Claims – Individual Health

Paid

CRIT VA-CL-59 (Corrective Action Item 21)

The Company is reviewing the additional claim payment made to determine if any delayed claim interest is due.

CRIT VA-CL-46 (Corrective Action Item 22)

The Company agrees that an acknowledgement letter was not sent within 10 working days. The acknowledgement was sent on 7/13/2010, 11 working days after receipt of the claim. The Company is currently reviewing Claims Department processes and procedures to determine any necessary corrective actions that will help ensure compliance.

CRIT VA-CL-66 (Corrective Action Item 23)

The Company acknowledges that it did not advise the first party claimant of the acceptance or denial of the claim within 15 working days of receipt of proof of loss. The Company is currently reviewing Claims Department processes and procedures to determine any necessary corrective actions that will help ensure compliance.

CRIT VA-CL-32

The Company respectfully disagrees it is in violation of 14 VAC 5-400-70 Bof the Virginia Administrative Code. The policy will pay Medicare Part B Eligible Expenses until those expenses exceed the Part B deductible. The provision does not say that the policy will pay the Part B deductible. The Policy Schedule shows the Part B Out-of-Pocket amount as \$200.00. This consists of the Medicare deductible of \$75.00 plus the \$125.00 policy deductible. The insured must pay this \$200.00 before the policy starts paying benefits under Part B coverage. Thereafter, the policy will pay the Medicare Part B Eligible Expenses in full until they exceed the Part B deductible. Thereafter, the policy will pay 20% of Medicare Eligible Expenses. The bill in question was still payable by the insured under the \$200.00 deductible that had to be paid before the Part B benefits would become effective.

Claims – Group Health

Paid

CRIT VA-CL-93, CRIT VA-CL-105, CRIT VA-CL-129 (Corrective Action Item 22)

The Company agrees that an acknowledgement letter was not sent within 10 working days on these three claims. The Company is currently reviewing Claims Department processes and procedures to determine any necessary corrective actions that will help ensure compliance

CRIT VA-CL-93, CRIT VA-CL-95, CRIT VA-CL-98 (Corrective Action Item 23)

The Company acknowledges that it did not advise the claimant of the acceptance of these three claims within 15 working days. Regarding the claim cited on CRIT-VA-CL-95 there was a processing error, which prevented the check from generating when the claim payment was made. Once the issue was identified a check was issued. Since that time, a process has been put in place in which reports identify these issues and they are resolved immediately. The Company is also currently reviewing Claims Department processes and procedures to determine any necessary corrective actions that will help ensure compliance

Denied

CRIT VA-CL-92, CRIT VA-CL-130 (Corrective Action Item 22)

The Company agrees that an acknowledgement letter was not sent within 10 working days on these two claims. The Company is currently reviewing Claims Department processes and procedures to determine the cause of the problem and to review any necessary corrective actions.

CRIT VA –CL-92 (Corrective Action Item 23)

The Company acknowledges it did not notify the claimant of the acceptance or denial of this claim within 15 working days of receipt of proof of loss.

Claims Summary

The Company respectfully disagrees that the violations of 14 VAC 5-400-50 A, 14 VAC 5-400-60 A, and 14 VAC 5-400-70 B of the Virginia Administrative Code occurred with such frequency as to indicate a general business practice. The claim files cited under the individual and group life and health sections result in error ratios that fall below the NAIC ratio guideline of 7% and do not demonstrate a systemic problem. The Company is working with its Claims Department to ensure compliance with 14 VAC 5-400-50 A, 14 VAC 5-400-60 A, and 14 VAC 5-400-70 B of the Virginia Administrative Code in all instances

Self-Audit of Claims (Corrective Action Plan Item 26)

As a result of the self-audit, the Company identified one policy issued in Virginia that required additional payment. The additional payment on the identified policy was made on September 26, 2012. No additional policies have been identified.

SUMMARY OF EXAMINERS' FINDINGS

Company comments regarding the items identified in the summary of findings were noted in the appropriate sections above.

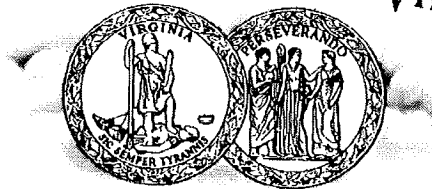
CORRECTIVE ACTION PLAN (Corrective Action Plan Item 27)

Please note the Company has noted the corresponding corrective action plan item number next to each list of criticisms and violations. As discussed previously with the Bureau, it is the Company's understanding that the Bureau is open to further discussion on some of the topics with regard to limiting the remediation or extending the due dates for completion of some of the items.

COPY

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



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June 6, 2013

CERTIFIED MAIL 7012 2210 0000 4815 3372
RETURN RECEIPT REQUESTED

Sean Mooney
Compliance Manager
Monumental Life Insurance Company
4333 Edgewood Road NE
Cedar Rapids, IA 52499

Re: Market Conduct Examination Report
Exposure Draft

Dear Mr. Mooney:

The Bureau of Insurance (Bureau) has completed its review of your April 1, 2013, response to the Market Conduct Examination Report of Monumental Life Insurance Company (Monumental).

Your response indicates that Monumental has concerns regarding the writing of the Report. This letter addresses those concerns in the same order as presented in your April 1st response. However, since Monumental's response will also be attached to the final Report, this response does not address those issues where Monumental indicated agreement and/or action taken as a result of the Report. Monumental should note that upon finalization of this exam, Monumental will be given approximately 120 days to document compliance with all of the corrective actions in the Report.

ADVERTISING/MARKETING COMMUNICATIONS

CRIT-VA-AD01T, CRIT-VA-AD03T
Adfiles 48771 and 48774

The examiners do not concur. The statements in the advertisements unfairly describe agents of other companies and their method of marketing. The name of a specific agent or company does not have to be used for a violation of the regulation to occur. In these advertisements, the statements are broadly referring to agents of all companies. The Report appears correct as written.

CRIT-VA-AD02T
Adfile 52425

Monumental's response in disagreement fails to provide the examiners with any documentation to support its assertion that this advertisement was not used in 2010. Based upon previous documentation provided to the Bureau regarding manner and extent of advertising dissemination, Monumental was "unable to locate data from the Quest system for 2010," for this advertisement. Monumental has not indicated how the manner and extent of distribution is now known; therefore, Monumental has not provided clear evidence that this advertisement was not disseminated during 2010. In addition, Monumental included this advertisement in its own advertising log for the examination time frame. The Report appears correct as written.

CRIT-VA-AD01B, CRIT-VA-AD04B, CRIT-VA-AD05B, CRIT-VA-AD06B,
CRIT-VA-AD08B, CRIT-VA-AD10B, CRIT-VA-AD04L, CRIT-VA-AD14L,
CRIT-VA-AD19L
Adfiles 96439, 98630, 98722, 98796, 98875, 99015, 93419 and 94709

The examiners do not concur. Complete documentation substantiating Monumental's assertion that the products are "high quality", "affordable", and "economical" was not provided. Monumental has provided only four advertisements from other companies in its response, and no comparison of rates has been provided to the examiners. For each advertised product that was cited, Monumental would need to provide the rates of several other companies that offer a similar product to Virginia consumers, as well as Monumental's own rates. The Report appears correct as written.

Regarding the dissemination of Adfile 94709

Monumental's response states that Adfile 94709 was discontinued prior to the exam; however, the spreadsheet of advertisements provided by the Company states that Geocare 2009 MultiPlan Booklet Creekmore (Adfile 94709) was not discontinued until 11/01/2010 and that 1,500 were disseminated to consumers. In addition, the "Print Preview Page" attached to the advertisement shows a "Discontinued Date" of 11/01/2010, indicating that it was in use during the examination timeframe.

CRIT-VA-AD20L
Adfile 94709

The examiners do not concur. As previously stated, the advertisement does not include a definition of "pre-existing" and the description provided by the advertisement does not adequately reflect the policy provision. The examiners note that Monumental's response indicates that Monumental's advertising review procedures have been updated to ensure any future advertising pieces contain a complete description of the policy's pre-existing condition limitations. The Report appears correct as written.

CRIT-VA-AD03B, CRIT-VA-AD05L, CRIT-VA-AD07L
Adfiles 93652, 93904 and 96145

Monumental neither agreed nor disagreed with the violations in its response but proposes to add a recitation of 12 listed exclusions to these telephone advertising scripts. The examiners do not concur that this proposed corrective action complies with § 38.2-503 of the Code, 14 VAC 5-90-60 A 1 and 14 VAC 5-90-60 B 1. The telephone script is an invitation to contract, and it must disclose all exceptions, reductions, and limitations affecting the basic provisions of the policy. There are more exceptions, reductions and limitations to the basic provisions of the policy than the exclusions listed in Monumental's response. In addition, the examiners do not concur with Monumental's statement that the list of exclusions and the 30 day free look period "...give the required amount of consumer protection." The 30 day free look period is irrelevant to the discussion of the advertisement, and the proposed list of exclusions does not comply with the regulations. The Report appears correct as written.

CRIT-VA-AD09B
Adfile 98919

The examiners do not concur. In this advertisement, Monumental uses the phrase "highly rated, quality insurance companies." This statement describes Monumental's quality and its ratings from an unnamed source or agency. A rating is inherently statistical in nature, as evidenced by the techniques and data used to determine the ranking. The Report appears correct as written.

CRIT-VA-AD12B, CRIT-VA-AD01L
Adfiles 99576 and 93250

Monumental has submitted information supporting the statements in the advertisements regarding the administrator, Selman and Company. The Bureau acknowledges that Monumental will add the website address for the source material regarding Selman and Company to the advertisements. The 2 violations of 14 VAC 5-90-90-C have been removed. Copies of the revised pages of the Report are attached.

CRIT-VA-AD21L
Adfile 94709

The examiners do not concur. Although a link to the website www.aegonins.com is included in the advertisement, the link doesn't appear to be active. Instead, the link re-directs the viewer to the general home page of www.transamerica.com. In addition, the link isn't identified as the source of the statistics, but is included in the sentence: "For more information, please visit www.aegonins.com." The statement that Monumental is "one of the oldest and largest life insurance companies," indicates that the life insurance companies are ranked in order of age and size, and that Monumental is one of the oldest and largest. This ranking is statistical in nature and requires a source. As previously stated, the advertisement does not identify the source of the statistics. (Monumental's response does not address 14 VAC 5-90-160, which was also cited in

CRIT-VA-AD21L, in relation to the reference to “consistently high marks from insurance rating agencies.”) The Report appears correct as written.

CRIT-VA-AD11B
Adfile 99576

It appears that Monumental incorrectly referenced CRIT-VA-AD11B when discussing the Selman and Company statement. (CRIT-VA-AD11B concerns Monumental’s use of the statement “consistently high marks from insurance rating agencies,” in violation of 14 VAC 5-90-160.)

CRIT-VA-AD15B, CRIT-VA-AD16B
Adfiles 95775 and 96683

The examiners do not concur. As previously stated, the use of the word “current” has the capacity to be misleading, as the ratings can change from the date that the charts were created to the time when the advertisements are read. In addition, the names of the rating agencies appear in the advertisements, but descriptions of the entities through which the ratings were obtained are not provided. The Report appears correct as written.

UNDERWRITING

CRIT-VA-UW01B

The examiners do not concur. Monumental’s response addresses the differences in risk between people under age 65 and people age 65 and older, and the examiners have no comment regarding that topic, as it does not address the findings of the Criticism. Monumental has not provided documentation substantiating that the eligibility requirements for this coverage include that the applicant can be no older than age 64. In its previous response to the Criticism, Monumental provided a certificate, filled out in “John Doe” fashion, in which the insured’s age was 70. In addition, the certificate itself does not indicate that the maximum age for an eligible applicant is 64 years old. Monumental states that it believes an incorrect certificate was provided in its previous response, but an additional certificate was not provided with this response. The examiners would also note that it appears that the applicant was age 64 on the date of application. The Report appears correct as written.

CRIT-VA-UW02B

The Report cited 61 violations of § 38.2-610 of the Code, and Monumental has indicated disagreement with 22 of those violations. After reviewing these underwriting files again, the examiners removed these 22 violations of § 38.2-610 of the Code from the Report. However, in 7 of these instances the applicants were applying for additional coverage above their current coverage level. Please see the list below:

<u>Declination sample</u>	<u>BOI #</u>	<u>Existing coverage</u>	<u>Amount of coverage applied for</u>
First	58	\$1,000	\$25,000
First	62	\$100,000 primary	\$150,000 family
First	63	\$1,000	\$40,000
First	66	\$1,000	\$100,000
Second	3E	\$1,000	\$20,000 family
Third	42	\$1,000 primary	\$100,000 family
Third	45	\$50,000	\$100,000

Section 38.2-508 of the Code of Virginia states that no person shall:

2. Unfairly discriminate or permit any unfair discrimination between individuals of the same class and of essentially the same hazard (i) in the amount of premium, policy fees, or rates charged for any policy or contract of accident or health insurance, (ii) in the benefits payable under such policy or contract, (iii) in any of the terms or conditions of such policy or contract, or (iv) in any other manner;

Monumental rejected these applications for additional coverage and sent a letter to the applicants informing them that coverage could not be approved because Monumental cannot issue duplicative coverage. This was not a valid reason for denial, and Monumental has approved other applications requesting additional coverage for this product. Monumental failed to approve the requests for additional coverage, resulting in 7 violations of § 38.2-508 of the Code of Virginia. Copies of the revised pages of the Report are attached.

CRIT-VA-UW33B, CRIT-VA-UW04B, CRIT-VA-UW05B, CRIT-VA-UW08B

Monumental's response in disagreement fails to provide the examiners with any additional reasons or supporting documentation. The notice of information practices forms do not comply with the Code. The examiners acknowledge that Monumental has stated that it will revise its notices. The Report appears correct as written.

CRIT-VA-UW12B, CRIT-VA-UW13B

The examiners note Monumental's agreement with the observations. However, Monumental provided an incomplete account of the details surrounding the policy issued with a tobacco rating in error. According to the documents and comments in the file, the applicant applied for coverage as a non-tobacco user, and a urinalysis was performed on 4/20/2010. The urinalysis showed a negative cotinine result, which would indicate no tobacco use. The policy was issued with tobacco rating in error on 5/3/2010. Another urinalysis was performed on 5/11/2010. Although a second urinalysis was ordered, the mistake in interpreting the original urinalysis was not detected. The second urinalysis also showed a negative cotinine result. Monumental took no action on the second urinalysis result, and the applicant submitted a complaint dated 6/1/2010. In the complaint, the applicant stated that she had previously tried contacting the company several times, and was finally told that she could have another test performed at a cost to her of \$25. The applicant again stated that she was not a tobacco user. There are no comments in the file until 6/14/2010, when the case was

forwarded internally to have the coverage re-issued at the non-tobacco rate. It appears that no correspondence was sent to the applicant at that time. A "Non-placement request" signed by the applicant and dated 6/23/2010 was received by Monumental, and the request indicated that the policy issued at the tobacco rate should be cancelled and re-issued at the non-tobacco rate. Monumental sent a letter dated 6/28/2010 informing the applicant that the coverage had been issued with tobacco rates in error, and a new corrected policy would be sent shortly. This case involved 2 negative urinalysis results, and multiple communications from the applicant before this coverage was corrected. In addition to this issue, Monumental erroneously issued a policy with non-tobacco rates to a tobacco user. Taken together, the circumstances surrounding these 2 files indicate that Monumental is not consistently following its guidelines and procedures regarding tobacco use; therefore, a corrective action plan item was created to identify any other tobacco use rating errors and provide remediation to affected individuals. Monumental's comments regarding the NAIC error tolerance are not applicable to this situation. No modifications to the corrective action plan are necessary. The Report appears correct as written.

CRIT-VA-UW14B

The examiners do not concur. If certain questions are not required for applicants of specific ages and coverage amounts, this needs to be indicated on all applications for the insurance. When an application is filed with the Bureau, it is required to be submitted in its final format. If there will be an electronic version of the application, it should be noted in the filing and all areas of variability need to be explained. The examiners would note that an applicant of the same age, applying for the same coverage amount, is presented with all of the health questions if filling out the filed and approved paper version of this application, as the paper application does not instruct applicants to disregard questions based upon their age or coverage amount. The Report appears correct as written.

CRIT-VA-UW15B

The examiners do not concur. The policy was backdated to have an issue date a month prior to the issue date indicated on the application. This applicant had to pay the extra premium for the backdated month, and the policy was not issued according to the information on the application. This is discrimination in the terms and conditions of the contract, and a violation of § 38.2-508 of the Code of Virginia. The Report appears correct as written.

CRIT-VA-UW09B

The examiners acknowledge Monumental's agreement with the examiners' observations. Although the examiners do not agree that the agents' role in the application process would not be considered involvement, Monumental's assertion that the agents are not involved in the underwriting process is irrelevant to the requirements of Administrative Letter 1981-15. The Report appears correct as written.

Replacements

CRIT-VA-RP19, CRIT-VA-RP21, CRIT-VA-RP24, CRIT-VA-RP25, CRIT-VA-RP26, CRIT-VA-RP27, CRIT-VA-RP29, CRIT-VA-RP34, CRIT-VA-RP35, CRIT-VA-RP36, CRIT-VA-RP37, CRIT-VA-RP40

Based upon the additional documentation provided, 11 violations of 14 VAC 5-30-51 C have been removed. The examiners acknowledge Monumental's agreement regarding the observations in CRIT-VA-RP19. Copies of the revised pages of the Report are attached.

CRIT-VA-RP02 through CRIT-VA-RP18, CRIT-VA-RP28, CRIT-VA-RP30, CRIT-VA-RP31, CRIT-VA-RP42

Monumental's response acknowledges that the files failed to include fully completed Replacement Notices. Monumental advises that procedures are currently being reinforced to ensure that the Replacement Notice is fully completed by the agent and applicant. The examiners would stress that procedures should also be established to ensure that clarification and confirmation are obtained for contradictory answers on all forms.

CLAIMS

Regarding all Criticisms involving the payment of interest on life insurance and accident and sickness insurance claim proceeds

The examiners do not concur. As Monumental indicates in its response, § 38.2-300 of the Code of Virginia states that "This chapter shall to apply to all classes of insurance except:... 2. Life insurance policies and accident and sickness insurance policies not delivered or issued for delivery in this Commonwealth;..." Section 38.2-300 of the Code of Virginia clearly establishes the applicability of Virginia's statutes to life insurance policies and accident and sickness insurance policies that **are** delivered or issued for delivery in Virginia. In addition, § 38.2-3115 D of the Code states that "This section shall not apply to ...(iii) policies or contracts issued prior to July 1, 1977....." This confirms the applicability of this statute based on the issuance of the policy rather than the residency of the insured at the time of death. Monumental also states that "In the absence of a clear statutory directive, Monumental believes that payment of delayed claim interest based upon the state of the insured's residence...is a reasonable interpretation of Virginia law." The examiners consider §§ 38.2-300 and 38.2-3115 of the Code of Virginia to be clear in their directive, and Monumental's interpretation is unreasonable and incorrect. While the examiners acknowledge that Monumental has agreed to modify its claims procedures on a prospective basis to pay interest in accordance with the Code of Virginia, Monumental will also be required to provide proof of remediation for the corrective action plan items to the examiners.

In addition, regarding the interest for Group Life claims, Monumental states that these group policies were not issued in Virginia, but it provides no documentation to support

this claim. This does not correspond to the population data and screen prints which indicate that VA is the state of issue for these group policies. Monumental will need to provide the examiners with clarification and supporting documentation of the correct state of issue for the group policies before any further action could be taken. The Report appears correct as written.

Claims- Group Life Paid

CRIT VA-CL18

The examiners do not concur. In its response, Monumental states that PA is the state of issue for the policy referenced in this Criticism, but it provides no documentation to support this claim. This does not correspond to the population data and screen prints which indicate that VA is the state of issue. Monumental will need to provide the examiners with clarification and supporting documentation of the correct state of issue for the policy before any further action could be taken. Monumental also states that "The Company paid delayed claim interest according to the issue state of Pennsylvania." The examiners would note that this response conflicts with Monumental's response to other items regarding interest on claims proceeds, which indicate that Monumental pays interest based upon the insured's state of residence, not the state of issue. (The examiners also note that Monumental lists 11 states where it pays interest based upon the state of issue, but PA isn't one of them.) The Report appears correct as written.

Claims- Individual Health Denied

CRIT VA-CL32

Based upon the additional explanation provided with Monumental's response, the violation of 14 VAC 5-400-70 B has been removed. Copies of the revised pages of the Report are attached.

Claims Summary

The examiners do not concur. The examiners have also considered the claims reviewed in other sections of the examination, and it has been determined that the violations of 14 VAC 5-400-50 A and 14 VAC 5-400-60 A occurred with such frequency as to indicate a general business practice, placing Monumental in violation of §§ 38.2-510 A 2 and 38.2-510 A 5. Due to the fact that one violation of 14 VAC 5-400-70 B has been removed, the violation of § 38.2-510 A 14 has also been removed.

Copies of the revised pages to the Report are attached and are the only substantive revisions we plan to make before it becomes final. Once the matter has been concluded, Monumental will receive a final copy of the Report, which will include any revisions, copies of any additional responses you care to make, and copies of relevant correspondence up to and including any orders issued by the State Corporation Commission.

On the basis of our review of this entire file, it appears that Monumental has violated the Unfair Trade Practices Act, specifically subsection 1 of § 38.2-502 and §§ 38.2-503, 38.2-508, 38.2-510 A 2, and 38.2-510 A 5 of the Code of Virginia.

In addition, there were violations of §§ 38.2-316 B, 38.2-316 C, 38.2-604, 38.2-610, 38.2-1812 A, 38.2-1833 A 1, 38.2-3115 B, 38.2-3407.1 B, 38.2-3407.4 A, and 38.2-3533 of the Code of Virginia, as well as 14 VAC 5-30-51 C, 14 VAC 5-30-60 D, 14 VAC 5-30-60 E, and 14 VAC 5-30-60 G of the Rules Governing Life Insurance and Annuity Replacements, 14 VAC 5-40-40 A 7 and 14 VAC 5-40-40 G 4 of the Rules Governing Life Insurance and Annuity Marketing Practices, 14 VAC 5-90-50 A, 14 VAC 5-90-60 A 1, 14 VAC 5-90-60 A 5, 14 VAC 5-90-60 B 1, 14 VAC 5-90-60 B 3, 14 VAC 5-90-60 B 6, 14 VAC 5-90-60 C 1, 14 VAC 5-90-60 C 3, 14 VAC 5-90-70, 14 VAC 5-90-90 C, 14 VAC 5-90-130 A, and 14 VAC 5-90-160 of the Rules Governing Advertisement of Accident and Sickness Insurance, 14 VAC 5-170-150 E 2 of the Rules Governing Minimum Standards for Medicare Supplement Policies, and 14 VAC 5-400-50 A, 14 VAC 5-400-60 A, and 14 VAC 5-400-70 B of the Rules Governing Unfair Claim Settlement Practices.

Violations of the above sections of the Code of Virginia can subject Monumental to monetary penalties of up to \$5,000 for each violation and suspension or revocation of its license to transact business in Virginia.

We will await further communication from you as to whether Monumental wishes to provide additional documentation for consideration or proceed with the settlement process. As these findings are part of a multi-state examination, each participating state will finalize its Draft Report with Monumental. Once the individual state Reports are complete, a combined final Report containing state-specific corrective action, along with a Regulatory Settlement Agreement (RSA), will be presented to Monumental for review. The Report will not become a public document until the settlement process has been completed.

Please submit any additional documentation for consideration within 10 working days of receipt of this letter. If no additional documentation is received, we will proceed with the settlement process. If you have any additional questions, please feel free to contact me.

Very truly yours,

Julie R. Fairbanks, AIE, AIRC, FLMI, ACS
Principal Insurance Market Examiner
Market Conduct Section
Life and Health Division
Bureau of Insurance
(804) 371-9385

JRF:

Enclosures

cc: Althelia P. Battle

RESPONSE OF
MONUMENTAL LIFE INSURANCE COMPANY

TO

DRAFT MARKET CONDUCT EXAMINATION REPORT
PREPARED BY THE VIRGINIA BUREAU OF INSURANCE
AS OF DECEMBER 31, 2010

COPY

ADVERTISING / MARKETING COMMUNICATIONS

Advertising

**CRIT-VA-AD01T, CRIT-VA-AD03T
Adfiles 48771 and 48774**

The Company has no further comments.

**CRIT-VA-AD02T
Adfile 52425**

The Company has no further comments.

**CRIT-VA-AD01B, CRIT-VA-AD04B, CRIT-VA-AD05B, CRIT-VA-AD06B, CRIT-VA-AD08B, CRIT-VA-AD10B,
CRIT-VA-AD04L, CRIT-VA-AD14L, CRIT-VA-AD16L, CRIT-VA-AD17L, CRIT-VA-18L, CRIT-VA-AD19L, CRIT-
VA-AD20L, CRIT-VA-AD22L
Adfiles 96439, 98630, 98722, 98796, 98875, 99015, 93419, and 94709**

The Company understands that the examiners are requesting documentation to substantiate the use of terminology such as “affordable” or “economical” for each advertising piece in question. To ensure that we are providing what the examiners seek, we are attaching examples of eight (8) pieces to compare to Adfile 94709 as well as a chart which documents the Company’s rates compared to the rates of the eight competitor products. A column noting the use of the words, “affordable” or “economical,” or some variation of each has also been added to the chart.

It is significant to note that the other carriers are clearly using the same or similar words that Monumental has been criticized in this examination for using. If the Bureau’s finding of a violation of the cited statute and regulation in this exam remains, it will prospectively prohibit the use of these words, or derivations of those words, and as a result, unfairly put the Company at a competitive disadvantage in the marketplace.

Regarding the dissemination of Adfile 94709

The Company agrees that Adfile 94709 was in use in 2010.

**CRIT-VA-AD20L
Adfile 94709**

The Company has no further comments.

**CRIT-VA-AD03B, CRIT-VA-AD05L, CRIT-VA-AD07L
Adfiles 93653, 93904 and 96145**

In response to the Bureau’s criticism that the company must disclose all policy exceptions, reductions, and limitations on all telemarketing sales calls the company proposed a corrective action for the

Bureau's consideration. The company suggested that it could satisfy the disclosure requirement by reading a list including all 12 policy exclusions to the purchaser on the sales call.

The company recognizes that the Bureau does not concur that this corrective action complies with 38.2-503 but is requesting clarification as to why this does not comply. The Bureau's most recent report states in pertinent part that there are "more exceptions, reductions, and limitations ... than the exclusions listed in Monumental's response". The company listed all 12 exclusions in the proposed corrective action. The other policy reductions, including the age redaction, the aggregate limit of liability, the benefit reductions due to attained age, and all requirements for payment of the benefits are all stated in the scripts. Any guidance the Bureau can provide as to why this does not meet the disclosure requirements is appreciated.

CRIT-VA-AD09B
Adfile 98919

The Company has no further comments.

CRIT-VA-AD12B, CRIT-VA-AD01L
Adfiles 99576 and 93250

The Company acknowledges the two violations were removed from the report.

CRIT-VA-AD21L
Adfile 94709

The Company has no further comments.

CRIT-VA-AD11B
Adfile 99576

The Company agrees it responded to the wrong violation for CRIT-VA-AD11B. The Company has revised its advertising review procedures to ensure any advertising that references Company ratings complies with 14 VAC 5-90-160.

CRIT-VA-AD15B, CRIT-VA-AD16B
Adfiles 95775 and 96683

The Company has no further comments.

UNDERWRITING

CRIT-VA-UW01B

The Company has no further comments.

CRIT-VA-UW02B

The seven additional violations that were noted by the examiners in the most recent report were investigated and discovered to be the result of an issuance system error. The administrative issue

system is designed to check for multiple policies and issue or not allow issue of a certificate based on the master policy terms and conditions. This particular system, including the system tables used to house the product tables and group policyholder information, was originally set up and installed in 2010. However, updating of the system tables for new policy plan additions must be done manually. The root cause of the seven cited instances was the failure to manually update the system in a timely manner. The result was that the issuance of the voluntary upgrade or coverage increases were not allowed to process when they should have. The Company has identified the necessary steps to correct, and formally added those steps to the process so that this problem does not occur in the future. The company is also in the process of contacting the certificate holders involved to offer the changes which were originally requested.

CRIT-VA-UW33B, CRIT-VA-UW04B, CRIT-VA-UW05B, CRIT-VA-UW08B

The Company has no further comments.

CRIT-VA-UW12B, CRIT-VA-UW13B

The Company understands the Bureau's position regarding these two underwriting files which, taken together, represent an 8% error ratio for the 50 files sampled. The Company feels strongly that this does not represent a general business practice and would propose a compromise corrective action involving review of tobacco rated policies for a 12 month period (approximately 1,451 policies from 01/01/2012-12/31/2012). If the error ratio for this one year review is at or below the NAIC tolerance level for underwriting errors, that would demonstrate that the errors noted in the exam are not part of a general business practice and no additional review would be required. If the review results in errors exceeding the NAIC tolerance level, an additional 12 month period would be reviewed.

CRIT-VA-UW14B

The Company has no further comments.

CRIT-VA-UW15B

The Company has acknowledged that the policy was issued with a policy date that was one month prior to the date requested on the application. However, this did not result in the customer paying extra premium as the Bureau contends. This was an inadvertent error and did not result in any discrimination in the amount of premium, policy fees, or rates charged nor in any benefit payable nor the terms and conditions of the contract. The Company's error was to the customer's benefit (as we would be obliged to calculate any suicide exclusion or contestability from the date of issue). As such, the Company reiterates its position that the cited violation of §38.2-508 of the Code of Virginia is inappropriate. There are relevant statutes covering this type of situation in many states (including WV 33-6-5a) but we are unaware of any comparable requirement in Virginia and therefore we renew our request that the violation be removed.

CRIT-VA-UW09B

The Company has no further comments.

CRIT-VA-RP19, CRIT-VA-RP21, CRIT-VA-RP24 through CRIT-VA-RP27, CRIT-VA-RP29, CRIT-VA-RP34 through CRIT-VA-RP37 and CRIT-VA-RP40

The Company acknowledges that these 11 violations were removed.

CRIT-VA-RP02 through CRIT-VA-RP18, CRIT-VA-RP28, CRIT-VA-RP30, CRIT-VA-RP31 and CRIT-VA-RP42

The Company has no further comments.

CRIT-VA-RP02 through CRIT-VA-RP18, CRIT-VA-RP28, CRIT-VA-RP30, CRIT-VA-RP31, CRIT-VA-RP42

The Company has no further comments.

CLAIMS

Claims – Individual Life

CRIT VA-CL-01, CRIT VA-CL-02, CRIT VA-CL-03

The Company has no further comments.

Claims – Group Life

Paid

CRIT VA-CL-05, CRIT VA-CL-10, CRIT VA-12, CRIT VA-CL-14, CRIT VA-CL-16, CRIT-VA-CL-18

The claim data for this exam was pulled based on the issue state of the policy for individual life policies and the issue state of the certificate for group life policies; therefore the sample files for group life policies reviewed had a copy of the enrollment form and certificate issued in Virginia. Attached is a sample master group contract issued in Missouri that corresponds to BOI claim sample #106 (CRIT VA-CL-16). The group certificate issued in Virginia is form number NHC-T70-679 and the corresponding out-of-state group policy issued is form number NHG-T70-679. Form NHG-T70-679 was issued to United Missouri of Kansas City, N.A. trustee for the Family Financial Trust in the state of Missouri. The out-of-state group policies on the claims cited in the criticisms above were issued in Missouri or Illinois.

The Company has agreed to modify its claims procedures on a prospective basis to pay delayed claim interest according to §38.2-3115 B of the Code of Virginia on any individual policy issued in Virginia. For out-of-state group policies, the Company would pay interest according to 38.2-3115 B of the Code of Virginia on any certificate issued in the state of Virginia.

CRIT-VA-CL-18

The Company has no further comments.

Claims – Individual Health Denied

CRIT VA-CL-32

The Company acknowledges violation 14 VAC 5-400-70 B has been removed from the report.

Claims Summary

The Company has no further comments.

COPY

RESPONSE OF
MONUMENTAL LIFE INSURANCE COMPANY

TO

DRAFT MARKET CONDUCT EXAMINATION REPORT
PREPARED BY THE VIRGINIA BUREAU OF INSURANCE
AS OF DECEMBER 31, 2010

COPY

ADVERTISING / MARKETING COMMUNICATIONS

Advertising

CRIT-VA-AD01B, CRIT-VA-AD04B, CRIT-VA-AD05B, CRIT-VA-AD06B, CRIT-VA-AD08B, CRIT-VA-AD10B, CRIT-VA-AD04L, CRIT-VA-AD14L, CRIT-VA-AD16L, CRIT-VA-AD17L, CRIT-VA-18L, CRIT-VA-AD19L, CRIT-VA-AD20L, CRIT-VA-AD22L

Adfiles 96439, 98630, 98722, 98796, 98875, 99015, 93419, and 94709

Per our conference call on July 19, 2013 the Company is providing additional documentation that compares the rates of other carriers to Monumental Life Insurance Company for the additional products advertised in the Adfiles listed above. The Company previously provided a comparison for Ad File 94709, which advertises a Cancer product. Adfile 98722 is also an advertisement for the Company's Cancer product and the previous comparison would apply to this piece also. The current spreadsheet outlines the remaining products; Accidental Death Dismemberment (Adfiles 98630, 98875 & 99015), Hospital Income (93419) and Retiree Medical (Adfile 96439).

CRIT-VA-AD03B, CRIT-VA-AD05L, CRIT-VA-AD07L

Adfiles 93653, 93904 and 96145

After speaking with the examiners on July 19, 2013, the Company acknowledges that the suggested shortened exclusion list does not properly disclose the full exclusions of the policy. The Company will remove the offer to read the exclusions over the phone and read the following abbreviated exclusions for all telemarketing solicitations to comply with 14 VAC 5-90-60 A 1 and 14 VAC 5-90-60 B 1. Note that the order of the exclusions will be changed so that the most utilized exclusions will be read first.

- sickness or medical or surgical treatment
- alcohol intoxication
- taking of any drugs, or medication unless taken as prescribed
- taking of any drug or medication in combination with alcohol
- suicide, attempted suicide or intentionally self-inflicted Injury, while sane or insane
- War, declared or undeclared
- full-time military service
- participating in a riot; committing an assault or felony
- bacterial infection except through a wound accidentally sustained
- operating or riding as a passenger on any aircraft, except on commercial flight or military transport
- voluntary gas inhalation or poison ingestion
- professional racing of any kind for prizes, money or profit

UNDERWRITING

CRIT-VA-UW12B, CRIT-VA-UW13B

The Company has agreed to review 700 files from 2012 and 700 files from 2011, which represents approximately 20% of the 7000 tobacco issued policies during the five year period requested in the

Corrective Action Plan. If the Company exceeds the NAIC tolerance level for underwriting errors a full review would then be completed.

CRIT-VA-UW15B

The Company acknowledges the violation of §38.2-508 of the Code of Virginia will be removed from the report.

Group Life and Health Claims

Per our discussion on July 19, 2013, the Company is researching the issue on whether any group policies have been issued in Virginia. The Company will need 90 days to complete this research and provide a final answer to the Bureau.

The Company appreciates your willingness to discuss these issues so we may get them resolved and understands the Bureau will issue an amended Exam report for the Company to review.

COPY

COMMONWEALTH OF VIRGINIA



JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

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August 15, 2013

CERTIFIED MAIL 7012 2210 0000 4815 3112
RETURN RECEIPT REQUESTED

Sean Mooney
Compliance Manager
Monumental Life Insurance Company
4333 Edgewood Road NE
Cedar Rapids, IA 52499

Re: Market Conduct Examination Report
Exposure Draft

Dear Mr. Mooney:

The Bureau of Insurance (Bureau) has completed its review of your June 28, 2013, and August 5, 2013, responses to the Market Conduct Examination Report of Monumental Life Insurance Company (Monumental).

Your responses indicate that Monumental has concerns regarding the writing of the Report. This letter addresses those concerns in the same order as presented in your responses. However, since Monumental's responses will also be attached to the final Report, this response does not necessarily address those issues where Monumental indicated agreement and/or action taken as a result of the Report. Monumental should note that upon finalization of this exam, Monumental will be given approximately 120 days to document compliance with all of the corrective actions in the Report.

ADVERTISING/MARKETING COMMUNICATIONS

CRIT-VA-AD01B, CRIT-VA-AD04B, CRIT-VA-AD05B, CRIT-VA-AD06B,
CRIT-VA-AD08B, CRIT-VA-AD10B, CRIT-VA-AD04L, CRIT-VA-AD14L,
CRIT-VA-AD19L

Adfiles 96439, 98630, 98722, 98796, 98875, 99015, 93419 and 94709

Monumental has provided the examiners with additional documentation that compares the rates of other insurance carriers to Monumental's rates for the products advertised in the Adfiles listed above. Regarding the Cancer insurance, Monumental has provided the examiners with evidence that Monumental's rates could be considered affordable compared to the rates of other insurance carriers for similar products. Regarding the Term Life insurance, the examiners did not find any violations cited

relating to the use of "affordable" in Term Life insurance advertisements. The examiners will remove the violations from CRIT-VA-AD05B and CRIT-VA-AD19L. Regarding the AD&D insurance, Hospital Income insurance, and Retiree Medical insurance, the rate information provided to the examiners did not substantiate Monumental's claim that its rates were affordable as compared to the rates of other insurance carriers for similar products. Therefore, the violations regarding the advertisements of those products will remain. The examiners note that CRIT-VA-AD06B and CRIT-VA-AD04L are concerning advertisements that promote both Cancer insurance and Hospital Income insurance offered by Monumental; therefore, the violations from these criticisms will remain since Hospital Income insurance was being advertised. Copies of the revised pages of the Report are attached.

**CRIT-VA-AD03B, CRIT-VA-AD05L, CRIT-VA-AD07L
Adfiles 93652, 93904 and 96145**

The examiners note that, as a proposed corrective action, Monumental has agreed to add a list of the exclusions and limitations to be read as a part of these telephone advertising scripts. The Report appears correct as written.

UNDERWRITING

CRIT-VA-UW12B, CRIT-VA-UW13B

The examiners note that Monumental's response of August 5, 2013, outlined its proposed plan of corrective action. The Report appears correct as written.

CRIT-VA-UW15B

The violations of CRIT-VA-UW15B are removed. Copies of the revised pages of the Report are attached.

CLAIMS

Claims- Group Life and Group Health

The examiners note that the findings from the Group Life and Group Health claims reviews will be removed from the Report. It was determined that the sampled Group Life and Group Health claims were associated with policies issued outside of Virginia and are, therefore, not within the scope of the examination. All criticisms and violations regarding Group Life and Group Health claims will be removed. Copies of the revised pages of the Report are attached.

The examiners also note that Monumental is researching whether it had or currently has any Group Life or Group Health policies in force that were issued in Virginia, including its acquired business. If Monumental determines that any Group Life

or Group Health policies issued in Virginia were in force between 2010 and 2013, a separate review will be conducted to determine compliance with Virginia statutes.

A copy of the revised Report is attached and contains the only substantive revisions we plan to make before it becomes final. Once the matter has been concluded, Monumental will receive a final copy of the Report, which will include any revisions, copies of any additional responses you care to make, and copies of relevant correspondence up to and including any orders issued by the State Corporation Commission.

On the basis of our review of this entire file, it appears that Monumental has violated the Unfair Trade Practices Act, specifically subsection 1 of § 38.2-502 and §§ 38.2-503 and 38.2-508 of the Code of Virginia.

In addition, there were violations of §§ 38.2-316 B, 38.2-316 C 1, 38.2-604, 38.2-610, 38.2-1812 A, 38.2-1833 A 1, 38.2-3115 B, 38.2-3407.1 B, 38.2-3407.4 A, and 38.2-3533 of the Code of Virginia, as well as 14 VAC 5-30-51 C, 14 VAC 5-30-60 D, 14 VAC 5-30-60 E, and 14 VAC 5-30-60 G of the Rules Governing Life Insurance and Annuity Replacements, 14 VAC 5-40-40 A 7 and 14 VAC 5-40-40 G 4 of the Rules Governing Life Insurance and Annuity Marketing Practices, 14 VAC 5-90-50 A, 14 VAC 5-90-60 A 1, 14 VAC 5-90-60 A 5, 14 VAC 5-90-60 B 1, 14 VAC 5-90-60 B 3, 14 VAC 5-90-60 B 6, 14 VAC 5-90-60 C 1, 14 VAC 5-90-60 C 3, 14 VAC 5-90-70, 14 VAC 5-90-90 C, 14 VAC 5-90-130 A, and 14 VAC 5-90-160 of the Rules Governing Advertisement of Accident and Sickness Insurance, 14 VAC 5-170-150 E 2 of the Rules Governing Minimum Standards for Medicare Supplement Policies.

Violations of the above sections of the Code of Virginia can subject Monumental to monetary penalties of up to \$5,000 for each violation and suspension or revocation of its license to transact business in Virginia.

In light of the foregoing, this office will be in further communication with you shortly regarding the appropriate disposition of this matter,

Very truly yours,

Julie R. Fairbanks, AIE, AIRC, FLMI, ACS
Principal Insurance Market Examiner
Market Conduct Section
Life and Health Division
Bureau of Insurance
(804) 371-9385

JRF:
Enclosures
cc: Althelia P. Battle



**KENTUCKY
DEPARTMENT OF INSURANCE**

**FINAL REPORT
COMPREHENSIVE
MARKET CONDUCT EXAMINATION**

**MONUMENTAL LIFE
INSURANCE COMPANY**

**4333 Edgewood Road, NE
Cedar Rapids, Iowa 52499**

**As of
December 31, 2010**



PUBLIC PROTECTION CABINET

Steven L. Beshear
Governor

Department of Insurance
P.O. Box 517
Frankfort, KY 40602-0517
800-595-6053
<http://Insurance.ky.gov>

Robert D. Vance
Secretary

Sharon P. Clark
Commissioner

August 21, 2013

Sharon P. Clark, Commissioner
Kentucky Department of Insurance
215 West Main Street
Frankfort, Kentucky 40601

RE: Market Conduct Examination MC #2011-07

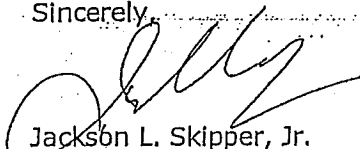
Dear Commissioner Clark:

Pursuant to appointment MC #2011-07 by the Department of Insurance, and in accordance with the provisions of KRS 304.2-100, KRS 304.2-210, KRS 304.2-230, Kentucky Administrative Regulations Title 806, other applicable laws, and the procedures established by the National Association of Insurance Commissioners, a Comprehensive Examination of the market conduct activities has been conducted regarding:

Monumental Life Insurance Company
4333 Edgewood Road NE
Cedar Rapids, Iowa 52499

The report, based on the activities of the Company from January 1, 2010 through December 31, 2010, is hereby respectfully submitted.

Sincerely,


Jackson L. Skipper, Jr.
Examiner-In-Charge

TITLE PAGE
COMPREHENSIVE MARKET CONDUCT EXAMINATION

NAME OF COMPANY: Monumental Life Insurance Company

NAIC COMPANY CODE: 66281

NAIC GROUP CODE: 0468

NAIC EXAM TRACKING SYSTEM NO.: KY215-M31

KENTUCKY MARKET CONDUCT EXAM NO.: 2011-07

DEPARTMENT OF INSURANCE NUMBER: 300558

DATE INCORPORATED: March 5, 1858

STATE OF DOMICILE: Iowa

DATE ADMITTED IN KENTUCKY: May 5, 1922

EXAMINATION SITE: Cedar Rapids, Iowa

TIME FRAME OF COMPANY OPERATIONS EXAMINED: January 1, 2010 through December 31, 2010

LENGTH OF TIME FOR EXAMINATION: November 8, 2011 through July 31, 2012

EXAMINATION COORDINATOR: Sean Mooney
Compliance Manager
4333 Edgewood Road, NE
Cedar Rapids, IA 52499
317-355-8615
sean.mooney@transamerica.com

PARTICIPATING JURISDICTION: Department of Insurance
Commonwealth of Kentucky
Phone: (502) 564-1936
Fax: (502) 564-9902

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FOREWORD

The findings of this report are based on an examination of the business practices of Monumental Life Insurance Company (MLIC) in the Commonwealth of Kentucky. The examination process is governed by, and performed in accordance with the standards and procedures of the National Association of Insurance Commissioners (NAIC) and the Kentucky Department of Insurance (Department). This Comprehensive Market Conduct Examination Report is one by test wherein each test applied during the examination is stated and the results reported.

The examination took place at the Company's home office located at 4333 Edgewood Road NE, Cedar Rapids, Iowa 52499.

ABBREVIATIONS

Monumental Life Insurance Company	MLIC or the Company
Kentucky Department of Insurance	Department
National Association of Insurance Commissioners	NAIC
Audit Command Language	ACL™
Local Government Premium Taxes	LGPT
Criticism(s)	CRIT(S)
Kentucky Revised Statutes	KRS
Kentucky Administrative Regulations	KAR
Business Continuity Plan	BCP
Third Party Administrator	TPA

SCOPE OF EXAMINATION

EXAMINATION AUTHORITY

Pursuant to the directive of the Kentucky Department of Insurance, and in accordance with the provisions of KRS 304.2-100, KRS 304.2-210, KRS 304.2-230, Kentucky Administrative Regulations Title 806, other applicable laws, and procedures established by the National Association of Insurance Commissioners (NAIC), an examination of market activities has been conducted regarding:

**Monumental Life Insurance Company
4333 Edgewood Road NE
Cedar Rapids, Iowa 52499**

The Company's activities for the period beginning January 1, 2010, and ending December 31, 2010, were examined.

PURPOSE

The purpose of the examination was to determine compliance by the Company with Kentucky insurance statutes and regulations.

FILE SAMPLING

Unless otherwise noted, file sampling was based on a review of files that were randomly selected by using Audit Command Language (ACL™) software and applied to the computer data files provided by the Company. Sample sizes were chosen based on guidelines developed by the NAIC.

AREAS COVERED

The examination review was limited to the following areas of the Company's operations:

1. Company Operations and Management
2. Complaint Handling
3. Policyholder Service
4. Marketing, Sales and Advertising
5. Underwriting and Rating Practices
 - a. Forms and Rates
 - b. Rate Application
 - c. Terminations
6. Claims Settlement Practices
7. Agent Licensing, Appointments and Terminations

The examiners may not have discovered every unacceptable or non-compliant activity in which the Company is engaged. The failure to identify, comment on, or criticize specific Company practices does not constitute an acceptance of the practices by the Department.

ERROR TOLERANCE

Where applicable, the Department utilizes an error tolerance guideline established by the NAIC, except in certain instances where the Department applies a stricter 0% error tolerance standard. The error tolerance percentages applied are as follows:

Area	Error Tolerance Percentage Applied
Record Retention	5%
Complaints	10%
Licensing and Appointments	0%
Policyholder Service	10%
Underwriting and Rating Practices	10%
Claims Settlement Practices	5%
LGPT - Risk Allocation	10%

COPY

COMPANY PROFILE

HISTORY OF COMPANY

Monumental Life Insurance Company (MLIC) began operations in the Commonwealth of Kentucky May 5, 1922, and is domiciled in the state of Iowa. MLIC is a subsidiary company within AEGON USA, LLC, and is, in principal, based in Cedar Rapids, Iowa. A brief Company history was provided by the Company and is shown here:

"Maryland Mutual Life and Fire Insurance Company was incorporated, in accordance with the laws of the State of Maryland, on March 5, 1858. Operations commenced on May 22, 1860. In 1870, the name changed to Mutual Life Insurance Company. The Company converted to a stock company in 1928 and adopted its current name, Monumental Life Insurance Company, in 1935.

In 1986 AEGON N.V., a Netherlands Corporation, purchased Monumental Life Insurance Company, which became an indirectly wholly-owned subsidiary of AEGON USA, Inc. (now AEGON USA, LLC). Capital General Development Corporation (99.72%) and Commonwealth General Corporation (.28%) constitute the current ownership of Monumental Life Insurance Company. Capital General Development Corporation is a wholly-owned subsidiary of Commonwealth General Corporation. AEGON USA, LLC and Commonwealth General Corporation are subsidiaries of AEGON U.S. Holding Corporation, an indirect, wholly-owned subsidiary of AEGON N.V.

On November 30, 1998, three affiliated life insurance companies merged into Monumental Life Insurance Company. The names and states of domicile of these three companies are as follows: Capital Security Life Insurance Company (North Carolina), Commonwealth Life Insurance Company (Kentucky), and Peoples Security Life Insurance Company (North Carolina).

On October 1, 2004 an affiliated life insurance company, Pension Life Insurance Company of America (New Jersey) merged into Monumental Life Insurance Company.

On April 1, 2007, Monumental Life Insurance Company redomiciled from Maryland to Iowa.

On October 1, 2007, an affiliated life insurance company, Peoples Benefit Life Insurance Company (Iowa) also merged into Monumental Life Insurance Company."

CERTIFICATE OF AUTHORITY

The Company has a valid Kentucky Certificate of Authority to transact business in the Life, Annuity and Health lines of business. The Company is acting within the scope of its authority.

BOARD OF DIRECTORS' MINUTES

The Board of Directors conducted regular business meetings in compliance with the Company's Code of Regulations (bylaws).

HISTORICAL NET INCOME BY YEAR

Monumental Life Insurance Company (NAIC #66281)					
*HISTORICAL NET INCOME BY YEAR					
National Basis					
	2006	2007	2008	2009	2010
Premium	1,215,394,680	2,428,079,838	2,204,004,035	1,846,861,041	1,347,585,472
Other Life & Health Related Revenue	326,005,775	(2,887,793,713)	72,725,905	4,395,799,658	(133,945,729)
Disability, A&H, Annuity & Death Benefits, Surrenders	1,425,570,975	2,566,057,237	2,529,043,867	2,073,290,857	1,610,946,224
Administrative Expenses Including Commissions	1,080,566,677	1,078,240,669	1,389,172,221	696,506,849	796,440,094
Increase in Loading on Deferred and Uncollected Premiums	1,244,590	(5,001,984)	(4,430,640)	(4,535,064)	(3,606,873)
Net Transfer Separate Accounts Net of Reinsurance	1,082,873	387,561,283	140,099,051	(284,328,785)	(191,605,858)
Reserve Adjustment	337,945,602	(649,808,545)	(5,127,040,735)	3,580,743,757	(112,360,225)
Net Underwriting Gain/(Loss)	(1,305,010,262)	(3,836,803,553)	3,349,853,173	180,983,085	(886,173,619)
Net Underwriting Gain/(Loss) as % Premium	-107.373%	-158.018%	151.989%	9.799%	-65.760%
Investment Income & Other Miscellaneous Income	1,354,261,071	4,206,395,901	(2,771,676,222)	841,060,366	949,869,005
Dividends	1,450,933	1,491,951	1,483,936	1,443,575	1,388,206
Net Income/(Loss) Before Federal Tax & Extraordinary Items	47,799,876	368,141,415	576,726,018	1,020,599,876	62,307,180
* Summary of Operations from Company's NAIC Annual Statement					

DISASTER RECOVERY

MLIC is required to implement administrative, technical, and physical safeguards for the customer information that it handles, as defined in 806 KAR 3:230. The Company addresses this need utilizing AEGON's Business Continuity Plan (BCP), which defines the process in which MLIC handles business interruptions and/or failures. To implement the plan, an Enterprise Business Continuity Governance Program has been established, which is divided into the Assessment, Preparedness and Event Management sections.

- Assessment -- Identifying critical processes and understanding risks.
- Preparedness -- Planning for recovery under certain scenarios and testing procedures. This also involves committing the necessary resources and educating the responsible parties. Four types of tests are used, depending on the scope of the functions tested. These tests range from limited scope to full exercises, each with appropriate frequencies and measurable outcomes.
- Event Management -- Implementing procedures when a planned for event occurs. The Business Continuity Compliance and Assurance process assesses the overall effectiveness of the plans.

In September 2010, a disaster recovery drill by MLIC was successfully completed for the recovery of a processing server and the claims database. If followed, these procedures, along with those described in the Company's Privacy Notices, would comply with 806 KAR 3:230.

INFORMATION SECURITY

NOTICE OF INFORMATION PRIVACY POLICIES AND PRACTICES

As is required by 806 KAR 3:210 Section 8(1), the MLIC Privacy Notice appropriately identifies and describes for the consumer the following:

- the types of personal and non-public, financial information that is collected and disclosed;
- the various ways MLIC uses such information;
- the safeguards and limitations required to access information; and
- the categories of affiliates and non-affiliated third parties that such information is received from and provided to.

The Privacy Notice is sent with all policies when they are issued for delivery. The HIPAA Privacy Notices are provided to all policyholders with a HIPAA-covered Health Plan at policy fulfillment. For the in-force business, the annual notices are programmed to be mailed on the policy anniversary with the annual statement, if applicable. For those who elect to receive electronic statements and privacy notices, an e-mail is sent advising the policyholder of the availability of the annual statement and privacy notice on the Company Website. For those policyholders that do not receive annual statements (i.e. non-cash value products), a separate annual mailing is sent. Every three years, HIPAA-covered policyholders are mailed a HIPAA notice of privacy practices. These procedures are in compliance with the initial notice requirement given in 806 KAR 3:210 Section 6, and the annual notice requirement given in 806 KAR 3:210 Section 7.

No violations noted.

FRAUD DETECTION AND INVESTIGATION

The MLIC Fraud Plan was filed with the Department in compliance with 806 KAR 47:030 Section 3. The Plan provides "suggestions for training and guidelines that may be adopted all or in part by (Company) divisions." The Plan includes procedures and resources to deter, investigate and report fraud; and training on "red flag" fraud indicators in compliance with KRS 304.47-080(1). The Plan focuses on claims, but includes other areas as well, such as underwriting, embezzlement and agent infractions. The Plan does not specifically include the time period within which suspected fraud must be reported, or the information to be reported in these cases, according to KRS 304.47-050(2); 806 KAR 47:020 Section 1(2), and 806 KAR 47:020 Section 2. The fraud notices included with the policy applications and claim forms were in compliance with applicable requirements in accordance with KRS 304.47-030(1) and KRS 304.47-030(2).

The Company maintains a Fraud Unit to implement these procedures, according to the annual affidavit filed on November 11, 2010 with the Kentucky Department of Insurance, and in compliance with KRS 304.47-080(1). These procedures, if followed, comply with Kentucky statutes and regulations.

No violations noted.

COMPLAINT HANDLINGCOMPLAINTS VIA THE DEPARTMENT

The Company reported receiving 67 complaints from the Department during the examination time frame. All 67 were requested, received, and reviewed by the examiner. The Company responded to all complaints via the Department in a timely manner; and resolved these complaints to the satisfaction of both the Department and the consumers.

No violations noted.

CONSUMER COMPLAINTS

The Company reported receiving 26 consumer complaints (complaints received directly from the consumer) during the examination time frame. All 26 were requested, received, and reviewed by the examiners. The Company responded to all complaints in a timely manner, and resolved the complaints to the satisfaction of the consumers.

No violations noted.

COPY

POLICYHOLDER SERVICE

The policyholder service review scrutinizes the attention and service provided by the Company in the scope of daily business practices to verify compliance with policy provisions and Kentucky statutes and regulations.

PAID-UP LIFE INSURANCE POLICIES

When a life insurance policy is paid up by completion of all premium payments, the insurer is required to provide notice to the Department of Insurance within thirty days of the completion of all policy payments, as specified in **KRS 304.15-175(1)**. Review of this area demonstrated that the Company failed to properly notify the Department of 2,576 paid-up policies in 2010.

Failure to report paid-up life insurance policies is a violation of KRS 304.15-175(1).

EXAMINER NOTE:

After the finding, the Company took corrective action to properly report the records in question.

SURRENDERED POLICIES

The examiners requested, received and reviewed 25 randomly selected, surrendered policies from a population of 7,623. These were examined for compliance with requirements related to the accurate and timely payment of any amounts due from policy surrenders, accurate notice of cash surrender value and non-forfeiture options upon premium default, as well as compliance with applicable policy provisions.

No violations noted.

TERMINATED POLICIES

The examiners requested, received and reviewed 25 randomly selected terminated policies from a population of 39,988. These were examined for compliance with requirements related to the accurate and timely payment of any amounts due policy owners, the lawful use of retained asset accounts and required correspondence, as well as compliance with applicable policy provisions. The issues found regarding the retained asset accounts are described in the claims section of the report.

No violations noted.

LAPSED POLICIES

The examiners requested, received and reviewed five randomly selected lapsed policies from a population of 227. These were examined for compliance with requirements related to the accurate and timely payment of any amounts due to policy owners, the lawful use of retained asset accounts and required correspondence, as well as compliance with applicable policy provisions.

No violations noted.

EXTENDED TERM AND REDUCED PAID-UP INSURANCE

The examiners requested, received and reviewed 10 randomly selected policies from a population of 4,798. These were examined for compliance with requirements related to the accurate and timely payment of any amounts due to policy owners, the lawful use of retained asset accounts and required correspondence, as well as compliance with applicable policy provisions.

In 10% of the sample reviewed, the Company failed to inform the insured of the cash surrender value or the non-forfeiture options as required by **KRS 304.15-322**.

Failure to inform the insured of the cash surrender value or non-forfeiture options in 10% of the sample reviewed is a violation of KRS 304.15-322, resulting in an error ratio equaling the 10% error tolerance applied.

AUTOMATIC PREMIUM LOANS

The examiners requested, received and reviewed 50 randomly selected automatic premium loans from a population of 1,172. These were examined for compliance with applicable policy provisions, proper policy owner authorization and the Kentucky Insurance Code.

In 20% of the sample reviewed, the Company failed to produce signed authorizations for executing premium loans as required by **KRS 304.2-230(1)**, **KRS 304.15-110(1)** and **806 KAR 2:070**.

Failure to obtain and/or maintain signed authorizations in the execution of premium loans in 20% of the sample reviewed is a violation of KRS 304.2-230(1), KRS 304.15-110(1) and 806 KAR 2:070, resulting in an error ratio exceeding the 10% error tolerance applied.

ISSUED INDIVIDUAL LIFE AND HEALTH

The examiners requested, received and reviewed 50 randomly selected policy underwriting files from a population of 19,499. However, four of the sample policies were not issued, reducing the sample to 34 life contracts and 12 health contracts.

In a review of the 34 life contracts in the sample, in seven instances, the Company failed to provide an annual report as specified by **806 KAR 12:140 Section 12(1)(a)**.

Failure to issue annual reports to life insureds in seven out of 34 life policies is a violation of 806 KAR 12:140 Section 12(1)(a), resulting in an error ratio of 20.5%, which exceeds the 10% error tolerance.

In a review of the 12 health contracts in the sample, in one instance, the Company failed to provide a 12 point type notice on the first page indicating that it is not a Medicare Supplement policy, and a referral to the Guide to Health Insurance for People with Medicare, as specified by 806 KAR 17:570 Section 18(5)(a):

This finding resulted in an error ratio within the error tolerance guidelines applied.

GROUP ISSUED LIFE AND HEALTH POLICY SAMPLE

The examiners requested, received and reviewed 50 randomly selected policy underwriting files from a population of 670. However, four of the sample policies were not subject to the exam, reducing the sample to nine life contracts and 37 health contracts. The sample files were reviewed for compliance with policy provisions and Kentucky law in the following areas: applications, buyers' guides, disclosure notices, annual reports and policy summaries:

The review found in three instances, the Company failed to provide a 12 point type Notice on the first page indicating that it is not a Medicare Supplement policy, and a referral to the Guide to Health Insurance for People with Medicare, as specified by 806 KAR 17:570 Section 18(5)(a).

This finding resulted in an error ratio within the error tolerance guidelines applied.

PRODUCER LICENSING, APPOINTMENTS AND TERMINATIONS

The examiners reviewed 1,088 active and 397 inactive or terminated agent records provided by the Company to determine compliance with KRS 304.9-080(4), KRS 304.9-130, and KRS 304.9-270(1).

APPLICATIONS ACCEPTED FROM UNAPPOINTED AGENTS

The Company accepted 22 applications for insurance from three different unappointed agents, which is in violation of **KRS 304.9-080(4)**.

The acceptance of 22 applications from three agents not appointed by the Company is in violation of KRS 304.9-080(4), resulting in an error ratio exceeding the 0% error tolerance applied.

APPLICATIONS ACCEPTED FROM UNLICENSED AGENTS

The Company accepted eight applications for insurance from two different unlicensed agents in violation of **KRS 304.9-080(4)**.

The acceptance of eight applications from two unlicensed agents is in violation of KRS 304.9-080(4), resulting in an error ratio exceeding the 0% error tolerance applied.

EXAMINER NOTE:

The Company advises that they are currently "updating licensing procedures to ensure all appropriate license and appointment requirements are met before a policy is issued, and that all individual agent license and appointment files are in order."

REPORTING OF AGENT TERMINATED FOR CAUSE

The Company had four agents terminated for cause during the exam period; and reported those actions properly to the Department.

No violations noted.

MARKETING, SALES AND ADVERTISINGADVERTISING

The examiners requested, received and reviewed 50 randomly selected advertising items from a population of 1,188. The review consisted of a comparison of the advertising document to the policy advertised, in terms of accuracy and compliance with applicable laws and regulations. The review found errors in 26 of the 50 advertisements reviewed.

The following advertisements do not explain that coverage ends when the group policy is terminated:

- Adfile 89144 - Tecumseh Retiree Medical Insurance Plan
- Adfile 89241 - Total Retiree Solutions, Retiree Medical Insurance Plan II
- Adfile 89262 - Sara Lee Retiree Medical Insurance Plan
- Adfile 89674 - Suburban Propane Retiree Medical Insurance Plan
- Adfile 89676 - UJA-Federation of New York Retiree Medical Plan
- Adfile 89831 - NECA-IBEW Welfare Trust Fund Retiree Plan
- Adfile 94158 - Adrian Retiree Health Benefits Trust Retiree Plan
- Adfile 96590 - Pabst Milwaukee Craft Retiree Medical Plan
- Adfile 99506 - USW/Steel Parts Union Retiree Trust Retiree Medical Plan
- Adfile 99557 - Calvin College Retiree Medical Insurance Plan

Failure to clearly disclose provisions related to renewability, cancellation provisions and terminations is a violation of 806 KAR 12:010 Section 4.

ADFILE 80172 - CANCER EXPENSE INSURANCE POLICY

The examiners reviewed the above-captioned advertising file, and found the following issues:

- This advertisement describes a mammography benefit in two places: one description specifies it applies to Tennessee only; the other description is confusing and implies coverage for this benefit to Kentucky insureds that the policy does not provide. This is a violation of **806 KAR 12:010 Section 3(2)**.
- The policy has a 90-day waiting period after the policy effective date during which coverage is not provided. This is not described in the advertisement, in violation of **806 KAR 12:010 Section 3(3)(d)**.
- The pre-existing condition limitation in the policy is not described in the advertisement, in violation of **806 KAR 12:010 Section 3(3)(e)**.
- The footnoted statement that benefit amounts decrease by 50% at 65 is not on the same page as the actual benefit amounts; it is not conspicuous or in close conjunction with the benefit amounts, in violation of **806 KAR 12:010 Section 5**.

Failure to clearly disclose policy benefits and provisions is a violation of 806 KAR 12:010 Section 3(2), 806 KAR 12:010 Section 3(3)(d), 806 KAR 12:010 Section 3(3)(e) and 806 KAR 12:010 Section 5.

ADFILES 90632, 90633 AND 90938 - TARGETED SENIOR 30 DAY AD

The examiners reviewed the above-captioned advertising files, and found the following issues:

- The Paralysis benefit description in the advertisement reads "there is an elimination period of 365 days." However, many readers are not likely to understand that the benefit (in policy form A100L) is payable only after the insured is paralyzed for 365 consecutive days, and that if the amount of this benefit payment equals the full accidental death amount, all policy and rider benefits stop. The benefit description is vague, and is in violation of **806 KAR 12:010 Section 3(3)(c)**.
- The letter reads in bold print "the rates you see quoted will never increase because of your age or health" (Adfiles 90632 and 90633). The only other premium information is "any premium increase will apply to the entire master group policy," which appears under the Renewal of Coverage section. However, not explained is the fact that rates can increase on any premium due date, and can increase for any reason. The premium rate change provisions are not clearly or completely explained, and their placement within the advertisement minimizes and obscures them. This is a violation of **806 KAR 12:010 Section 3(3)**.
- The maximum benefit amount (aggregate limit of liability) of the policy is not described in the advertisement, in violation of **806 KAR 12:010 Section 3(3)**. In Adfile 90633, in reference to policy form A103H, the Group Rates section reads "coverage amounts decrease to 50% at age 70 and to 25% at age 75." This limitation to the basic benefit amount, which is addressed elsewhere, does not logically belong under the Group Rate section. This placement in the advertisement unnecessarily obscures the limitation, and is a violation of **806 KAR 12:010 Section 5**.

Failure to clearly disclose policy benefits and provisions is a violation of 806 KAR 12:010 Section 3(3)(c), 806 KAR 12:010 Section 3(3) and 806 KAR 12:010 Section 5.

ADFILE 99321 - TERM LIFE INSURANCE

The examiners reviewed the above-captioned advertising file, and found the following issue:

- One of these advertisements, Form 0210 TL (736A) GEA - PP; 13589467 (for a group life policy for the Government Employees Association) does not indicate that premiums can be changed.

Failure to clearly disclose policy benefits and provisions is a violation of 806 KAR 12:010 Section 3.

ADFILE 78632 - TERM LIFE INSURANCE

The examiners reviewed the above-captioned advertising file, and found the following issue:

- A paragraph heading reads "Your rate does not increase with age." This is misleading because it falsely implies that rates cannot increase as specified in the policy. The policy provides that rates can increase on any premium due date without deference to reason.

Failure to clearly disclose policy terms, benefits and/or advantages is a violation of KRS 304.12-020(1).

ADFILE 89083 - CANCER/SPECIFIED DISEASE

The examiners reviewed the above-captioned advertising file, and found the following issues:

- The advertisement does not include description of coverage exclusions for pre-existing cancers diagnosed or treated prior to the enrollment date, except for a note that they vary by state, in violation of **806 KAR 12:010 Section 3(3)(e)**.
- The advertisement does not include a description that premiums can change at any time, and does not reveal the lifetime maximum of \$25,000, in violation of **806 KAR 12:010 Section 3(3)**.

Failure to clearly disclose policy benefits and provisions is a violation of 806 KAR 12:010 Section 3(3)(e) and 806 KAR 12:010 Section 3(3).

ADFILES 90207, 91045, AND 91331 - ACCIDENTAL DEATH

The examiners reviewed the above-captioned advertising files, and found the following issues:

- The advertisements do not indicate that premium is changeable at any time with a 30-day advance notice in violation of **806 KAR 12:010 Section 3(3)**.
- The advertisements do not indicate the policy's aggregate limits of liability in violation of **806 KAR 12:010 Section 3(3)(c)**.

Failure to clearly disclose policy benefits and provisions is a violation of 806 KAR 12:010 Section 3(3) and 806 KAR 12:010 Section 3(3)(c).

ADFILE 91312 - GROUP ACCIDENTAL DEATH

The examiners reviewed the above-captioned advertising file, and found the following issues:

- The advertisement, under #6, Renewal of Coverage, reads "Any Premium Increase will apply to the entire master group policy." However, the fact that premiums can be raised on any premium due date is not explained, which is a violation of **806 KAR 12:010 Section 3(3)**.
- The advertisement does not indicate the aggregate policy limit of \$1,000,000 in violation of **806 KAR 12:010 Section 3(3)(c)**.

Failure to clearly disclose policy benefits and provisions is a violation of 806 KAR 12:010 Section 3(3) and 806 KAR 12:010 Section 3(3)(c).

ADFILE 94708 - GEOCARE BENEFITS PROGRAM

The examiners reviewed the above-captioned advertising file, and found the following issues:

AD Policy:

- The policy description on Pages 31 to 34 does not indicate that rates can change. The fact that rates can change is described on Page 90, but it is easily overlooked and is made obscure by this placement. This is in violation of **806 KAR 12:010 Section 5**.

HI Policy:

- The policy has a \$25,000 overall maximum that the advertisement does not explain, which is in violation of **806 KAR 12:010 Section 3(3)**.

CA Policy:

- The advertisement reads "your rates will not rise with age," but the policy does not prohibit rates from being raised for any reason, and can be changed at any premium due date. This is a violation of **806 KAR 12:010 Section 3(3)**.

Failure to clearly disclose policy benefits and provisions is a violation of 806 KAR 12:010 Section 3(3), and 806 KAR 12:010 Section 5.

ADFILES 98502 AND 98503 - CANCER INSURANCE

The examiners reviewed the above-captioned advertising files, and found the following issues:

- The advertisements read "the company will not increase rates on an individual basis...premiums can be increased if they are increased for the entire group" (both the brochure and accompanying letter say basically the same thing). However, the certificate says rates can be increased for any reason on any premium due date. This is a violation of **806 KAR 12:010 Section 3(3)**.

Failure to clearly disclose policy benefits and provisions is a violation of, 806 KAR 12:010 Section 3(3).

MARKETING AND SALES

The examiners requested, received and reviewed 50 randomly selected policy underwriting files from a population of 19,499. However, four of the sample policies were not issued, reducing the sample to 34 life contracts and 12 health contracts. The sample files were reviewed for compliance with the Kentucky Insurance Code:

- In 17 illustrations used, the Narrative Summaries of the illustrations did not include definitions of the Surrender Cost and Net Payment Cost columns in the Life Insurance Indices table. **806 KAR 12:140 Section 9(2)(d)** requires a "definition of column headings and key terms used in the illustration," and **806 KAR 12:140 Section 8(2)(f)** prohibits the use of an incomplete illustration.

Failure to use illustrations with complete Narrative Summaries is a violation of 806 KAR 12:140 Section 8(2)(f) and 806 KAR 12:140 Section 9(2)(d).

- In five illustrations, the non-guaranteed premium column in the Tabular Detail is labeled "Total Annual Outlay." **806 KAR 12:140 Section 9(1)(e)(1)** requires that the assumed payments on which the illustrated benefits and values are based shall be identified as premiums.

Failure to use compliant terminology and complete Narrative Summaries is a violation of 806 KAR 12:140 Section 9(1)(e)(1).

- In 11 illustrations, the loan interest rates are a non-guaranteed element and are a maximum of 8%, but are not described in the Illustration Narrative Summary. **806 KAR 12:140 Section 9(2)(c)** requires the Illustration Narrative Summary to include a description of guaranteed or nonguaranteed policy features and the impact they may have on policy benefits and values.

Failure to use illustrations with complete Narrative Summaries is a violation of 806 KAR 12:140 Section 9(2)(c).

LIFE AND HEALTH REPLACEMENT

The examiners requested, received and reviewed 50 randomly selected individual life/health replacements from a population of 1,457 to determine compliance with the various requirements applicable to replacement sales. The Company complied with all replacement related requirements, with the exception described below:

In eight of the sample policy files reviewed (all life policies), these files did not include evidence of the type of advertisements used in these replacement sales. **806 KAR 12:080 Section 3(6)** requires insurers to obtain and maintain records of sales materials used in replacement sales.

Failure to obtain and or maintain sales materials used in the sale of life insurance that was replacing existing life insurance, is a violation of 806 KAR 12:080 Section 3(6).

EXAMINER NOTE:

Beginning on June 28, 2010, the Company has corrected this issue by including, in each policy file, a checklist that identifies any advertisement utilized in replacement sales.

UNDERWRITING

ISSUED POLICIES - INDIVIDUAL LIFE AND HEALTH

The examiners requested, received and reviewed 50 randomly selected policy underwriting files from a population of 19,499. However, four of the sample policies were not issued, reducing the sample to 34 life contracts and 12 health contracts. The sample files were reviewed for compliance with the Kentucky Insurance Code. The examiners' reviews included, but were not limited to: applications, buyer's guides, disclosure notices, annual reports, illustration delivery, illustration contents and filing, policy summary delivery and policy summary contents.

- In 13 policies reviewed, the policy values were only provided for five years. **806 KAR 12:170 Section 3(5)** requires that the document titled "Statement of Policy Cost and Benefit Information" provided to life policy owners must include the policy values for each of the first ten years after policy issue.

Failure to properly illustrate policy values as specified in the statute in 38% of the sample reviewed is a violation of 806 KAR 12:170 Section 3(5), resulting in an error ratio exceeding the 10% error tolerance applied.

- In 16 illustrations reviewed, the columns labeled "Midpoint Scale" and "Illustrated Scale" in the Numeric Summaries were not defined in the Narrative Summary. **806 KAR 12:140 Section 9(2)(d)** requires that column headings used in an illustration must be defined in the Narrative Summary of the illustration.

Failure to define columns in the Narrative Summary in 47% of the sample reviewed is a violation of 806 KAR 12:140 Section 9(2)(d), resulting in an error ratio exceeding the 10% error tolerance applied.

POLICY FILINGS

The examiners requested, received, and reviewed 40 different policy/certificate forms that were issued in Kentucky during the period under review. These forms were reviewed for approved filing documentation as outlined in the Kentucky Insurance Code.

In seven instances, group certificates and their associated policy forms (riders, amendments and applications) were issued in Kentucky under group policies delivered to various associations outside of Kentucky. These certificates were not filed with, or approved by the Department.

KRS 304.14-120(1) states, in part, "As to group insurance policies issued...to an association outside this state but covering persons resident in this state...the group certificates...issued for delivery in this state shall be filed with and approved by the commissioner." Additionally, **806 KAR 14:060 Section 1** states, in part, "Group certificates issued for delivery to residents of this state, under any group policy issued ... to an association outside this state...shall be filed with and approved by the executive director."

Failure to properly file policy forms and certificates is a violation of KRS 304.14-120(1) and 806 KAR 14:060 Section 1.

CLAIMS

ACL™ software was used to select a random sample of closed claim files for review by the examiners. Since multiple claim payments can be made from one claim file, payments were summarized by claim number (to eliminate redundancy) and review samples were specifically chosen by targeting claims handling activity.

Claims are primarily adjudicated by the Company's claims department. However, there are a relatively small number of claims adjudicated by third party administrators (TPA). The examiners did review and confirm proper contract and licensing of all TPAs encountered.

RETAINED ASSET ACCOUNTS

The examiners reviewed the use of Retained Asset Accounts in the adjudication of claims to determine compliance with the Kentucky Insurance Code and policy provisions. In that review, the examiners found in some cases the Company either failed to pay proceeds directly to the beneficiary as defined in the Policy Provisions (Payment of Claims), or did not get prior approval to utilize a Retained Asset Account (in policy instances where the use of an account is an option) in the claim adjudication.

The examiners found language within selected Company claim forms that indicated in part:

"Claim proceeds over \$5,000 will be placed in an interest bearing account subject to immediate full withdrawal.....Please make your selection for a Money Master Account by circling an option here (Yes/No)"

The first sentence makes the blanket statement that claims over \$5,000 will automatically be put in an interest-bearing account, but the second sentence contradicts that by giving the claimant an option to reject such an account.

KRS 304.12-235(1) states, in part, "All claims arising under the terms of any contract of insurance shall be paid in the substance and form required by the terms of the policy."

Failure to pay claims under the terms defined in the policy is a violation of KRS 304.12-235(1).

EXAMINER NOTE:

The Company discontinued the use of Retained Asset Accounts in early 2011.

CLAIMS - INDIVIDUAL LIFE

The examiners requested, received and reviewed 95 randomly selected individual life claims from a population of 10,758. The review was conducted to determine compliance with the Kentucky Insurance Code for accurate claim processing, timely handling, appropriate communications, applicable interest penalty payments and sufficient claim explanations for insureds/beneficiaries.

No violations noted.

CLAIMS - GROUP LIFE

The examiners requested, received and reviewed 50 randomly selected group life claims from a population of 312. The review was conducted to determine compliance with the Kentucky Insurance Code for accurate claim processing, timely handling, appropriate communications, applicable interest penalty payments and sufficient claim explanations for insureds/beneficiaries.

No violations noted.

CLAIMS - INDIVIDUAL HEALTH

The examiners requested, received and reviewed 95 randomly selected individual health claims from a population of 18,800. The review was conducted to determine compliance with the Kentucky Insurance Code for accurate claim processing, timely handling, appropriate communications, applicable interest penalty payments and sufficient claim explanations for policyholders.

Within the sample reviewed, it was noted the Company failed to properly document when a claim was received from a policyholder. The claim was deemed received by the Company when faxed from the agency, not when the agency received the claim from the policyholder. The date the agency received the claim was not defined in the sample item reviewed; therefore, the Company cannot show compliance with (specifically but not limited to) **KRS 304.12-230, KRS 304.12-235, 806 KAR 12:092 Section 4(3)** and **KRS 304.9-035**. This is considered a systemic violation of the Company claims handling systems.

Failure to properly document when a claim is received is a systemic violation of KRS 304.12-230, KRS 304.12-235, 806 KAR 12:092 Section 4(3) and KRS 304.9-035.

CLAIMS - GROUP HEALTH

The examiners requested, received and reviewed 95 randomly selected group health claims from a population of 21,558. The review was conducted to determine compliance with the Kentucky Insurance Code for accurate claim processing, timely handling, appropriate communications, applicable interest penalty payments and sufficient claim explanations for policyholders.

In 7% of the sample reviewed, claims were not adjudicated within 30 days as required by **KRS 304.12-230, KRS 304.12-235 and 806 KAR 12:092 Section 4(3)**.

Failure to adjudicate claims promptly in 7% of the sample reviewed is a violation of KRS 304.12-230, KRS 304.12-235 and 806 KAR 12:092 Section 4(3), resulting in an error ratio exceeding the 5% error tolerance applied.

DENIED CLAIMS/REPLACEMENTS

At the request of the examiners, a self-audit was conducted by the Company of all denied claims that involved a replacement policy within the contestability period; for the time period of 2007 through 2011. In one instance, the Company denied a claim in total, in violation of KRS 304.12-030(2).

EXAMINER NOTE:

The Company took remedial action by paying the non-contestable claim amount, with interest.

ANNUAL PROMPT PAY REPORTS

The examiners reviewed Annual Prompt Pay reporting filed with the Department to determine compliance with the Kentucky Insurance Code.

No violations noted.

COPY

TAXESLOCAL GOVERNMENT PREMIUM TAX (LGPT)

In accordance with KRS 91A.0806(1), the Company utilizes a verified risk location system. In accordance with KRS 91A.0806(4)(c), the Company performs due diligence by updating Premium Tax errors in the assignment of addresses identified in the scope of typical business practices. The Company does not charge the policy owner a tax, nor does it apply a collection fee.

No violations noted.

COPY

SUMMARY OF FINDINGS

POLICYHOLDER SERVICE

PAID-UP LIFE POLICIES

The Company failed to report all paid-up life insurance policies as required by **KRS 304.15-175(1)**. (See Page 14)

EXTENDED TERM AND REDUCED PAID-UP POLICIES

The Company failed to inform the insured of cash surrender values or non-forfeiture options in violation of **KRS 304.15-322**. (See Page 15)

AUTOMATIC PREMIUM LOANS

The Company failed to obtain and or maintain signed authorizations for auto-premium loans in compliance with **KRS 304.2-230(1)**, **KRS 304.15-110(1)** and **806 KAR 2:070**. (See Page 15)

ISSUED INDIVIDUAL LIFE AND HEALTH POLICIES

The Company failed to issue annual reports to owners of life insurance policies as required by **806 KAR 12:140 Section 12(1)(a)**. (See Page 16)

PRODUCER LICENSING, APPOINTMENTS AND TERMINATIONS

APPLICATIONS ACCEPTED FROM UNAPPOINTED AGENTS

The Company accepted 22 applications from unappointed producers in violation of **KRS 304.9-080(4)**. (See Page 17)

APPLICATIONS ACCEPTED FROM UNLICENSED AGENTS

The Company accepted eight applications from unlicensed producers in violation of **KRS 304.9-080(4)**. (See Page 17)

MARKETING, SALES AND ADVERTISING

ADVERTISING

The Company failed to clearly disclose provisions, in multiple advertisements, related to renewability, cancellation provisions, and terminations, in violation of **806 KAR 12:010 Section 4**. (See Page 18)

The Company failed to clearly disclose policy benefits and provisions in Adfile 80172 in violation of **806 KAR 12:010 Section 3(2)**, **806 KAR 12:010 Section 3(3)(d)**, **806 KAR 12:010 Section 3(3)(e)** and **806 KAR 12:010 Section 5**. (See Page 18)

The Company failed to clearly disclose policy benefits and provisions in Adfiles 90632, 90633 and 90938 in violation of **806 KAR 12:010 Section 3(3)(c)**, **806 KAR 12:010 Section 3(3)** and **806 KAR 12:010 Section 5**. (See Page 19)

The Company failed to clearly disclose policy benefits and provisions in Adfile 99321 in violation of **806 KAR 12:010 Section 3**. (See Page 19)

The Company failed to clearly disclose policy terms, benefits, and/or advantages in Adfile 78632 in violation of **KRS 304.12-020(1)**. (See Page 20)

The Company failed to clearly disclose policy benefits and provisions in Adfile 89083 in violation of **806 KAR 12:010 Section 3(3)(e)** and **806 KAR 12:010 Section 3(3)**. (See Page 20)

The Company failed to clearly disclose policy benefits and provisions in Adfiles 90207, 91045 and 91331 in violation of **806 KAR 12:010 Section 3(3)** and **806 KAR 12:010 Section 3(3)(c)**. (See Page 20)

The Company failed to clearly disclose policy benefits and provisions in Adfile 91312 in violation of **806 KAR 12:010 Section 3(3)** and **806 KAR 12:010 Section 3(3)(c)**. (See Page 21)

The Company failed to clearly disclose policy benefits and provisions in Adfile 94708 in violation of **806 KAR 12:010 Section 3(3)** and **806 KAR 12:010 Section 5**. (See Page 21)

The Company failed to clearly disclose policy benefits and provisions in Adfiles 98502 and 98503 in violation of **806 KAR 12:010 Section 3(3)**. (See Page 21)

MARKETING AND SALES

The Company failed to use illustrations with complete Narrative Summaries in 17 issued life policy files as required by **806 KAR 12:140 Section 8(2)(f)** and **806 KAR 12:140 Section 9(2)(d)**. (See Page 22)

The Company failed to use compliant terminology and complete Narrative Summaries in five issued life policies as required by **806 KAR 12:140 Section 9(1)(e)(1)**. (See Page 22)

The Company failed to use illustrations with complete Narrative Summaries in 11 issued life policy files as required by **806 KAR 12:140 Section 9(2)(c)**. (See Page 22)

LIFE AND HEALTH REPLACEMENT

The Company failed to obtain and/or maintain sales materials used in the sale of life insurance that was replacing existing life insurance as required by **806 KAR 12:080 Section 3(6)**. (See Page 22)

UNDERWRITING

ISSUED POLICIES - INDIVIDUAL LIFE AND HEALTH

The Company failed to properly illustrate policy values as specified in the statute in 38% of the sample reviewed in violation of **806 KAR 12:170 Section 3(5)**. (See Page 23)

The Company failed to define columns in the Narrative Summary in 47% of the sample reviewed in violation of **806 KAR 12:140 Section 9(2)(d)**. (See Page 23)

POLICY FILINGS

Failure to properly file policy forms and certificates is a violation of **KRS 304.14-120(1)** and **806 KAR 14:060 Section 1**. (See Page 23)

CLAIMSRETAINED ASSET ACCOUNTS

The Company failed to pay claims under the terms defined in the policy, in violation of **KRS 304.12-235(1)**. (See Page 24)

INDIVIDUAL HEALTH

The Company failed to properly document when a claim is received, which is a systemic violation of **KRS 304.12-230, KRS 304.12-235, 806 KAR 12:092 Section 4(3)** and **KRS 304.9-035**. (See Page 25)

GROUP HEALTH

The Company failed to promptly adjudicate claims in compliance with **KRS 304.12-230, KRS 304.12-235** and **806 KAR 12:092 Section 4(3)**. (See Page 25)

COPY

CORRECTIVE ACTION

The following is a list of proposed corrective action in remediation of the findings of the market conduct examination.

POLICYHOLDER SERVICE

PAID-UP LIFE POLICIES

The Company shall review and implement proper procedures to accurately report paid-up life insurance policies, as defined in **KRS 304.15-175(1)**.

EXTENDED TERM AND REDUCED PAID-UP POLICIES

The Company shall review and implement proper procedures to inform policyholders of cash surrender values and/or non-forfeiture options as defined in **KRS 304.15-322**.

AUTOMATIC PREMIUM LOANS

The Company shall review and implement proper documentation procedures regarding automatic premium loans, as defined in **KRS 304.2-230, KRS 304.15-110(1), and 806 KAR 2:070**.

ISSUED INDIVIDUAL LIFE AND HEALTH POLICIES

The Company shall review and implement proper procedures to properly provide annual report to policy owners, as required by **806 KAR 12:140 Section 12(1)(a)**.

PRODUCER LICENSING AND APPOINTMENTS

APPLICATIONS ACCEPTED FROM UNAPPOINTED/UNLICENSED AGENTS

The Company shall review and implement proper procedures to verify applications accepted from the Company are from licensed and properly appointed agents, as specified in **KRS 304.9-080(4)**.

MARKETING, SALES AND ADVERTISING

ADVERTISING

The Company shall conduct a review of all advertising utilized in Kentucky, and verify compliance as specified in the Kentucky Insurance Code/Administrative Regulation Chapter 12, and also as documented in the Summary of Findings. Specific attention shall be given to verify that any claim made in advertising, is supported by policy language.

MARKETING AND SALES

The Company shall review narrative summaries for life policies, to ensure they are complete, and contain compliant terminology, as defined in the Kentucky Insurance Code/Administrative Regulation Chapter 12, and also as documented in the Summary of Findings.

LIFE AND HEALTH REPLACEMENT

The Company shall institute a proper business practice to maintain sales materials used in the sale of life insurance, as required by **806 KAR 12:080 Section 3(6)**.

UNDERWRITING**ISSUED POLICIES - INDIVIDUAL LIFE AND HEALTH**

The Company shall review and implement proper practices to illustrate policy values, and define columns in a narrative summary, as defined in **806 KAR 12:170 Section 3(5)** and **806 KAR 12:140 Section 9(2)(d)**.

POLICY FILINGS

The Company shall review and implement standards for the accurate filing of policy forms and certificates, in compliance with **KRS 304.14-120(1)** and **806 KAR 14:060 Section 1**.

CLAIMS**INDIVIDUAL HEALTH**

The Company shall review and implement standards to document when a claim is received, in compliance with **KRS 304.12-230**, **KRS 304.12-235**, **806 KAR 12:092 Section 4(3)** and **KRS 304.9-035**.

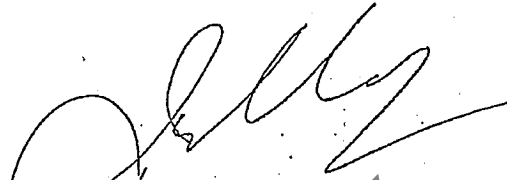
GROUP HEALTH

The Company shall review and implement standards for prompt payment of claims, in compliance with **KRS 304.12-230**, **KRS 304.12-235** and **806 KAR 12:092 Section 4(3)**.

SUBMISSION

The examiners would like to express appreciation to the Company for the cooperation extended during this examination.

The Examiner-in-Charge respectfully submits this examination report to the Commissioner, Department of Insurance, Commonwealth of Kentucky, for further action.




Jackson L. Skipper, Jr.
Market Conduct Examiner-in-Charge

Robert Rutledge, MBA, Data Analyst, performed the market analysis, the ACL™ data analysis and participated in the examination. Additionally, Mark Burdett, Senior Market Conduct Examiner, participated in the examination.

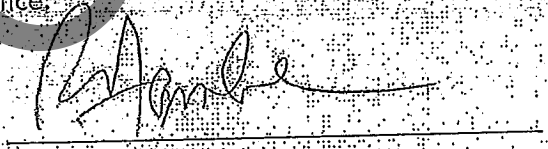
AFFIDAVIT

Commonwealth of Kentucky)
County of Franklin) ss

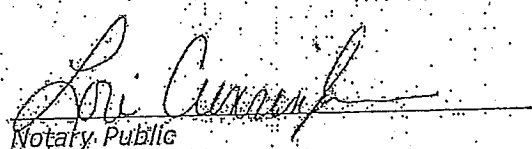
I, Jackson L. Skipper, Jr., being of lawful age and being first duly sworn do state, upon oath, that I have been charged with examining Monumental Life Insurance Company. I further state I have prepared the foregoing Report of Examination; I am familiar with the matters set forth therein; and I certify the report is true and complete to the best of my knowledge.


Jackson L. Skipper, Jr.
Market Conduct Examiner-In-Charge

This report has been received and reviewed by Russ Hamblen, Chief Market Regulation Examiner, Kentucky Department of Insurance.

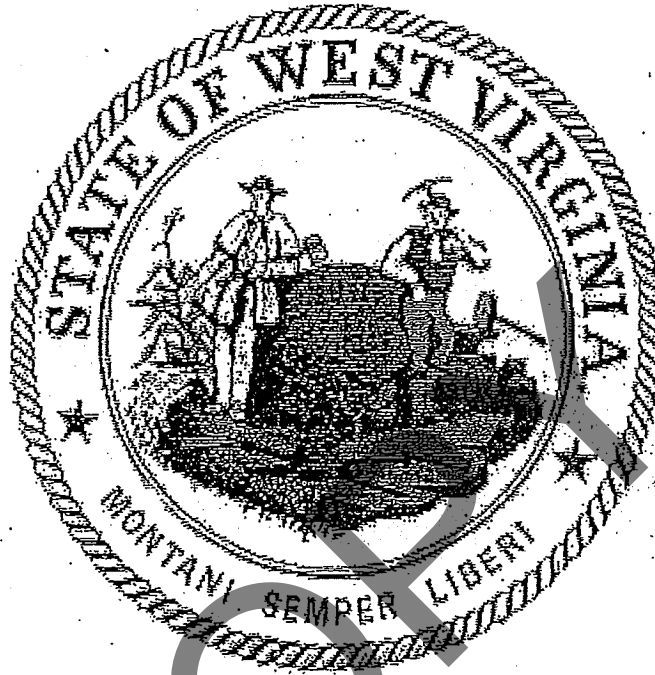

Russ Hamblen
Chief Market Regulation Examiner

Subscribed and sworn to before me this 10th day of October, 20 13.


Notary Public
Notary ID: 4260214
My Commission Expires: 8-17-2014

Report of Market Conduct Examination

As of December 31, 2010



Monumental Life Insurance Company

4333 Edgewood Rd NE
Cedar Rapids, IA 52499

NAIC COMPANY CODE 66281
Examination Number KY215-M31
W.Va. Case No. 11-MCCA-02003

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August 29, 2013

The Honorable Michael D. Riley
West Virginia Insurance Commissioner
1124 Smith Street
Charleston, West Virginia 25301

Dear Commissioner Riley:

Pursuant to your instructions and in accordance with W.Va. Code §33-2-9, an examination has been made as of December 31, 2010 of the business affairs of

Monumental Life Insurance Company
4333 Edgewood Rd NE
Cedar Rapids, IA 52499

hereinafter referred to as the "Company". The following report of the findings of this examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

The basic business areas that were examined during this examination were:

- A. Company Operations/Management
- B. Complaint Handling
- C. Marketing and Sales
- D. Producer Licensing
- E. Policyholder Services
- F. Underwriting and Rating
- G. Claims Handling

Each business area has standard reviews that the examination measured. Some standard reviews have specific statutory guidance and/or legislative rules, others have specific Company guidelines, and yet others have contractual guidelines. This was a regional multi-state examination including West Virginia, Virginia and Kentucky, Kentucky being the lead state.

The examination focused on the methods used by the Company to manage its operations for each of the business areas subject to this examination. This includes an analysis of how the Company communicates its instructions and intentions to its staff, how it measures and monitors the results of those communications, and how it reacts to and modifies its communications based on the resulting findings of the measurement and monitoring activities. The examiners also determine whether this process is dynamic and results in enhanced compliance activities. Because of the predictive value of this form of analysis, focus is then directed to those areas in which the process used by management does not appear to be achieving appropriate levels of statutory and regulatory compliance. Nevertheless, most areas are tested to see that the Company complies with West Virginia statutes and rules.

This examination report is a report by test rather than a report by exception. This means that all areas tested are described and the results indicated.

The examiners may not have discovered every unacceptable or non-compliant activity in which the Company is engaged. The failure to identify, comment on, or criticize specific Company practices does not constitute an acceptance of the practices by the Department.

EXECUTIVE SUMMARY

The market conduct examination of the Company began on November 8, 2011 and concluded on August 31, 2012. The period of review was January 1, 2010 through December 31, 2010. This was a regional multi-state examination including West Virginia, Virginia and Kentucky, Kentucky being the lead state.

The WVOIC relied upon Kentucky's review of Company history, the Company's disaster recovery plan, procedures on information security and fraud detection and investigation, and review of marketing and sales.

The WVOIC examination covered thirty-six (36) standards from the 2011 NAIC Market Regulation Handbook. One (1) standard did not meet the error tolerance level therefore indicating a "failure" of the standard. Although there were additional violations found during the examination, the error ratios fell within error tolerance levels, therefore warranting a "pass" for the remaining thirty-five (35) standards.

The following list summarizes issues raised in this report:

Exceeded Error Tolerance Level

- The Company failed to use forms that were approved by the WVOIC.
 - Eleven (11) instances where the company utilized direct mail offers for "no cost to you" Accidental Death coverage. After returning the form to the Company, the proposed insured(s) were notified by letter that the particular plan indicated is not available to residents of West Virginia. The Company indicated no coverage was issued in West Virginia for this plan.
 - Eleven (11) instances where the company issued group policy certificates that were not approved by the WVOIC.
 - Twenty-eight (28) instances where the company utilized group policy forms (direct response advertisement) that were not approved by the WVOIC.

Within Error Tolerance Level

- The Company failed to comply with the state retention requirements by not accurately accounting for or tracking rescission policies.
- The Company failed to have in file and was unable to produce the termination letter on two (2) terminated agents.
- One (1) instance the Company failed to make initial contact with the claimant in a timely manner.

- The Company failed to adhere to the W. Va. Code and rules, regulations and policy provisions in regards to claims and the incontestability clause for internal replacement policies.

During the examination process, the Company agreed to: remediate two (2) claim errors in the amounts of \$8,803.49 and \$3,173.69, change its records retention practices, forward group certificates as required, obtain approval for required filings and correct content of forms still being utilized, review/retrain Company procedure policies for responding to claimants in a timely manner, as well as retraining for claim instances that pertain to the incontestability clause for internal replacement policies.

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

To date West Virginia Offices of Insurance Commissioner ("WVOIC") had not conducted an examination of Monumental Life Insurance Company. As such, there are no previous recommendations to check compliance.

HISTORY AND PROFILE

Per the West Virginia Secretary of State's office, Monumental Life Insurance Company became licensed to do business in the state on April 1, 1967.

As of the Company's December 31, 2010 annual statement for West Virginia, Monumental Life Insurance Company reported direct premium sales for life insurance considerations in the amount of \$20,077,422 and direct premiums for accident and health insurance in the amount of \$3,858,591.

METHODOLOGY

The examination was based on the standards and tests for market conduct examinations of life and health insurers found in Chapter XVI, XIX and XX of the NAIC Market Regulation Handbook and in accordance with West Virginia statutes and rules.

Some of the business areas were measured using a single type of review, while others used a combination or all types of review. The types of review used in this examination fall into three general categories: Generic, Sample, and Electronic.

A "Generic" review indicates that business areas were tested through an analysis of general data gathered by the examiner, or provided by the examinee in response to queries by the examiner.

A "Sample" review indicates that business areas were tested through direct review of a random sample of files using automated sampling software. For statistical purposes, an error tolerance level of 7% was used for claims and a 10% tolerance was used for other types of review.

An "Electronic" review indicates that business areas were tested through use of a computer program or routine applied to a download of computer records provided by the examinee. This type of review typically reviews 100% of the records of a particular type.

Business areas were measured using tests designed to adequately measure how the Company met certain benchmarks. The various tests utilized are set forth in the NAIC Market Regulation Handbook. In some cases, a review is applicable to more than one phase of the examination. When that occurs, the reader is then directed to the first occurrence of that review for the results of testing, in order to avoid redundancy.

COPY

A. COMPANY OPERATIONS / MANAGEMENT

The evaluation of this business area is based on a review of Company responses to information requests, questions, interviews, and presentations made to the examiner. This portion of the examination is designed to provide a view of how the Company is structured and how it operates and is not based on sampling techniques. Many troubled companies have become so because management has not been structured to adequately recognize and address problems that can arise. Well run companies generally have processes that are similar in structure. While these processes vary in detail and effectiveness from company to company, the absence of them or the ineffective application of them are often reflected in failure of the various standards tested throughout the examination. The processes usually include:

- A planning function where direction, policy, objectives and goals are formulated;
- An execution or implementation of the planning function elements;
- A measurement function that considers the results of the planning and execution; and
- A reaction function that utilizes the results of measurement to take corrective action or to modify the process to develop more efficient and effective management of its operations.

State Record Retention Requirement

The review methodology is generic and based on NAIC Market Regulation Handbook - Chapter XVI, §A, Standard 7. This review has a direct legislative rule requirement W. Va. Code St. R. §§114-15-1 and 4. The review is intended to assure that an adequate and accessible record exists of the Company's transactions. The focus is on the records and actions considered in a market conduct examination such as, but not limited to, trade practices, claim practices, policy selection and issuance, rating, and complaint handling, etc. Inadequate, disorderly, inconsistent, and inaccessible records can lead to inappropriate rates and other issues, which can provide harm to the public.

The data provided by the Company for this examination indicated no rescissions for the exam period. However, during the course of the examiners review, three (3) individual life claim sample were rescinded... (ref. WV OM-2). *This is a violation of W.Va. Code St. R. §§114-15-4.3, 4.8 and 4.9.*

Licensed for the Line(s) of Business

The review methodology is generic and based on NAIC Market Regulation Handbook - Chapter XVI, §A, Standard 8. This review has a direct statutory requirement W. Va. Code §§33-1-10 and 33-3-1. The review is intended to assure the Company's operations are in conformance with its certificate of authority.

The Company has a valid West Virginia Certificate of Authority to transact business for Life, Accident & Sickness, Variable Annuities and Variable life. The Company is acting within the scope of its authority.

No violations noted.

Data Reported to WVOIC is Complete and Accurate

The review methodology is generic and based on NAIC Market Regulation Handbook - Chapter XVI, §A, Standard 18. This review has no direct statutory requirement. The review is intended to assure that the Company provides complete and accurate data to The West Virginia Offices of the Insurance Commissioner.

The Company was asked to provide a reconciliation of specific examination data to 2010 NAIC MCAS data and the 2010 State Page of their Annual Statement. The submitted reconciliation was reviewed and was determined acceptable to the satisfaction of the WVOIC.

No violations noted.

B. COMPLAINT HANDLING

Evaluations of this business area is based on Company responses to various requests for information and the review of the Company's complaint files. W. Va. Code §33-11-4(10) requires the Company to "...maintain a complete record of all the complaints which it has received since the date of its last examination." The statute also requires that "this record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint." The definition of a complaint is "any written communication primarily expressing a grievance."

Complaint Register

The review methodology is sample and generic and based on NAIC Market Regulation Handbook - Chapter XVI, §B, Standard 1. This review has a direct statutory requirement W. Va. Code §33-11-4(10) and legislative rule W. Va. Code St. R. §114-15-4.6. The review is concerned with whether the Company keeps formal track of complaints or grievances as required by statute. An insurer is required to maintain a complete record of all complaints received. The record must indicate the total number of complaints since the last examination, the classification of each complaint by line of insurance, the nature of each complaint, the disposition of each complaint, and the time it took to process each complaint.

The Company provided complaint registers for both WVOIC generated and Company received complaints. The examiners review of the sampled policies and claim did not reveal any additional complaints.

No violations noted.

Complaint Handling Procedures

The review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §B, Standard 2. This review is concerned with whether the Company has adequate complaint handling procedures in place and communicates such procedures to policyholders.

The examiner's review of the Company's complaint handling procedures indicates definition of complaint, responding to complaints and complaint handling procedures. The Company's complaint handling procedures appear to be compliant.

No violations noted.

Finalization and Disposition of the Complaint

The review methodology is generic and based on NAIC Market Regulation Handbook - Chapter XVI, §B, Standard 3. This review has a direct legislative rule requirement W.Va. Code St. R. §114-14-5.2. The review is concerned with whether the Company has an adequate complaint handling procedure and whether the Company takes adequate steps to resolve and finalize complaints in accordance with applicable statutes, rules and regulations and contract language.

The examiners review of twenty-four (24) complaints consisting of nineteen (19) WVOIC and five (5) Company internal complaints indicate that the Company took adequate steps to respond to the complaint.

No violations noted.

Time Frame of Response to Complaints

The review methodology is sample and based on NAIC Market Regulation Handbook - Chapter XVI, §B, Standard 4. This review does not have a direct statutory requirement however timeliness is inferred. In the case of complaints concerning claims, direct time requirements found in regulation. The review is concerned with whether the Company responded to complaints timely. West Virginia's complaint handling section uses a fifteen (15) working day standard for responses to complaints.

The examiner's review of the twenty-four (24) complaints consisting of nineteen (19) WVOIC and five (5) Company internal complaints indicates the Company's responses were timely.

No violations noted.

C. MARKETING AND SALES

The evaluation of this business area is based on review of Company responses to information requests, questions, interviews, and presentations made to the examiner. This portion of the examination is designed to evaluate the representations made by the Company about its product(s). It is not typically based on sampling techniques but can be. The areas to be considered in this kind of review include all media (radio, television, videotape, etc.), written and verbal advertising and sales materials.

Advertising and Sales Materials in Compliance

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §C, Standard 1. This review has a direct statutory requirement W. Va. Code §33-11-4 and legislative rule W. Va. Code St. R. §114-11-1. The review is intended to assure compliance with the prohibitions on misrepresentation. It is concerned with all forms of media (print, radio, television, etc.).

In order to reduce duplication of effort, West Virginia relied on Kentucky's review for this section of the examination. To the extent corrective action is deemed appropriate for Kentucky, the company is expected to apply corrective action to advertising materials utilized in West Virginia as appropriate. The Company also indicated they are to begin filing advertising for prior approval as appropriate. (Ref. WV AD-1)

Insurer's Rules Pertaining to Insurer Requirements with Replacements

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XIX, §C, Standard 2. This review has a direct legislative rule requirement W. Va. Code St. R. §114-8 et seq. The review is aimed at assuring compliance by insurers and producers with respect to the replacement of life and annuity purchasers.

The examiners reviewed a sample of fifty (50) replacement policies; one (1) file was determined to be not applicable and not considered a replacement, per Company file notes and examiner review there was no information in the file to indicate the file as a replacement.

The examiner's review of the sample indicated that the Company is in compliance in regards to replacement of life policies and annuities.

No violations noted.

Illustration Contains All Required Information and is Delivered

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XIX, §C, Standard 4. This review has a direct legislative rule requirement W. Va. Code St. R. §114-11C et seq. The review is aimed at assuring compliance with the prohibitions on misrepresentation.

The examiners requested, received and reviewed a sample of fifty (50) randomly selected replacement policies; one (1) file was determined to be not applicable, as it was not considered a replacement, as per the Company file notes and examiner review there was no information in the file to indicate file as a replacement. The examiners requested, received and reviewed fifty (50) randomly selected individual issued policies; two (2) files determined to be not applicable, as they were not issued.

The examiners' review of samples containing illustrations indicated that forms were provided and contained all necessary information.

No violations noted.

Insurer has Suitability Standard for its Products

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XIX, §C, Standard 5. This review has a legislative rule requirement W.Va. Code St. R. §§114-11C et seq., 114-11A, 114-11E, 114-8-4.3 & 114-8-4.4. The review is aimed at assuring compliance by insurers and producers with respect to minimum standards and guidelines for determining suitability, specifically determining if there are instances of encouraging multiple sales, over-insurance of policyholders and predatory sales practices.

The examiners requested, received and reviewed a sample of fifty (50) randomly selected replacement policies; one (1) file was determined to be not applicable was not considered a replacement, per Company file notes and examiner review there was no information in the file to indicate the file as a replacement.

The examiners' review indicated that the Company suitability standards are compliant.

No violations noted.

D. PRODUCER LICENSING

The evaluation of this business area is based on review of the Insurance Commissioner's files and Company responses to information requests, questions, interviews, and presentations made to the examiner. This portion of the examination is designed to test the Company's compliance with West Virginia producer licensing laws and rules.

Records of Licensed and Appointed Agents/Producers

Review methodology is electronic and based on NAIC Market Regulation Handbook - Chapter XVI, §D, Standard 1. The review has a direct statutory requirement W. Va. Code §§33-12-3 and 33-12-18. It is not file specific. The review is aimed at assuring compliance with the requirement that producers be properly licensed and appointed. Such producers are presumed to have met the test to be qualified for such license. W. Va. Code §33-12-3 states, "No person shall in West Virginia act as or hold himself out to be an agent, broker or solicitor, nor shall any person in any manner solicit, negotiate, make or procure insurance covering subjects of insurance resident, located or to be performed in West Virginia, unless then licensed therefore pursuant to this article." W. Va. Code §33-12-3(d) states, "No insurer shall accept any business from or pay any commission to any individual insurance producer who does not then hold an appointment as an individual insurance producer for such insurer pursuant to this article."

The Company provided a list of West Virginia agents and their status as of December 31, 2010. The examiner's comparison and review of the Company listing to the WVOIC listing did not indicate any discrepancies.

No violations noted.

Properly Licensed and Appointed

Review is based on NAIC Market Regulation Handbook - Chapter XVI, §D, Standard 2. This review has a direct statutory requirement W. Va. Code §§33-12-3 and 33-12-18. The review is aimed at assuring compliance with the requirement that producers be properly licensed and appointed for business solicited in West Virginia.

The examiners reviewed the samples of fifty (50) individual issued policies, fifty (50) replacement policies and fifty (50) declined policies. Two (2) individual issued policies were determined to be not applicable, as they were not issued, one (1) replacement policy was determined to be not applicable as it was not a replacement per Company notes and examiner's review and eight (8) declined policies were determined to be not applicable as they were not in the examination period. The examiner's review of the sampled policies did not indicate any unlicensed producer / agents.

No violations noted.

Termination of Agents / Producers

Review is based on NAIC Market Regulation Handbook - Chapter XVI, § D, Standard 3. This review has a direct statutory requirement W. Va. Code §33-12-25 and legislative rule W. Va. Code St. R. §114-2. It is generally not file specific. The review is aimed at avoiding unlicensed placements of insurance.

The examiners reviewed the sample of fifty (50) individual issued policies and fifty (50) replacement policies. Two (2) individual issued policies were determined to be not applicable, as they were not issued. One (1) replacement policy was determined to be not applicable as it was not a replacement per Company notes and examiner's. The examiner's review of the sampled policies did not indicate any policy that was issued with an unlicensed agent / producer.

No violations noted.

Agent / Producer Appointment and Termination Policy

Review methodology for this standard is generic and based on NAIC Market Regulation Handbook - Chapter XVI, §D, Standard 4. This review does not have a direct statutory requirement. It is generally not file-specific. The review is concerned with potential geographical discrimination through the insurer's selection and instructions to its producers.

The examiner's review of the provided agent appointment and termination material did not indicate any unfair discrimination against policyholders.

No violations noted.

Records Document Reason(s) for Terminations

Review is based on NAIC Market Regulation Handbook - Chapter XVI, §D, Standard 5. This review has a direct statutory requirement W. Va. Code §33-12-25 and legislative rule W. Va. Code St. R. §§114-2-1 and 114-15-1. It is generally file specific. The review is intended to aid in the identification of producers involved in unprofessional behavior, which is harmful to the public. W. Va. Code §33-12-25 provides, "(a) 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 thirty 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 or activity of the producer..(d)(1) At the time of making the notification, the insurer shall simultaneously mail a copy of the notification to the producer at his or her last known address..."

The Company provided four (4) terminated for cause, agent files. The examiners review of the files indicates that the Company provided appropriate notification to the WVOIC.

The WVOIC sampled fifty (50) of one hundred eighty two (182) terminated agent files. Sixteen (16) were selected that had the following terminated reason on the spreadsheet: Human Resources / Compliance Issues, Failure to Adapt to Sales Position, No Reason, Position being eliminated, Failure to generate sufficient new sales, Another job and the remaining thirty-four (34) were randomly selected by using ACL.

Per examiner's review, two (2) of the agent / producer files did not contain the appropriate termination letter to the agent / producer. (Ref. WV PL-1) *This is a violation of W. Va. Code St. R. §114-15-4.5 "...Licensing records shall be maintained so as to show clearly the licensing status of the producer at the time of solicitation, negotiation or procurement, dates of the appointments and terminations of each producer, and any document relating to a termination of the producer's appointment, including but not limited to producer termination letters that must include the specific reason for termination".*

COPY

E. POLICYHOLDER SERVICES

The evaluation of this business area is based on review of Company responses to information requests, questions and interviews, presentations made to the examiner, files and file samples during the examination process. The policyholder service portion of the examination is designed to test a company's compliance with statutes regarding notice/billing, delays/no response, premium refund, and coverage questions.

Premium Notices and Billing Notices Are Sent Out With an Adequate Amount of Advance Notice

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §E, Standard 1. There is no direct statutory requirement. The review is intended to provide insureds with information in a timely fashion so they can make informed decisions.

Per examiner's review of sampled policies, the Company's premium and billing notices utilized in large part the scheduled ACH/PAC (Automatic Clearing House/Pre-Authorized Check), as the Company referred to as "Monumatic". There were issued policies with alternative methods of payment such as direct quarterly, semi-annual and annual. The information provided indicated that notifications were extended to the insureds in a timely manner.

No violations noted.

Policy Issuance and Insured- Requested Cancellations Are Timely

Review methodology is generic, sample, and electronic and based on NAIC Market Regulation Handbook - Chapter XVI, §E, Standard 2. There is no direct statutory requirement. The review is intended to provide insureds with information in a timely fashion so they can make informed decisions.

The examiners requested, received and reviewed fifty (50) randomly selected individual issued policies; two (2) files were determined to be not applicable from this sample, as they were not issued. Also reviewed were fifty (50) randomly selected group policies; there were four (4) determined to be not applicable as they were preneed funeral policies. Requested cancellation population reviewed was a sample of fifty (50); there were nine (9) considered not applicable as they were cash surrenders other than insured requested life.

The examiners' review of the sampled policies for issued and cancelled policies did not indicate any unnecessary delay during this process.

No violations noted.

Non-Forfeiture Options

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XIX, §E, Standard 2. This review has a direct statutory requirement W. Va. Code §33-13-30. This standard is intended to provide insureds with appropriate non-forfeiture options.

The examiners requested, received and reviewed fifty (50) randomly selected individual issued policies; there were two (2) files determined to be not applicable from this sample, as they were not issued. Also reviewed were a sample of fifty (50) from the automatic premium loan population, five (5) from the extended term insurance population and five (5) from the reduced paid up population.

Per examiner review of the samples, policies contained the non-forfeiture options. The examiner also noted that some of the policies issued as other than applied for included the form "Amendment to Application", which indicated how this modification to the policy affected the non-forfeiture options - the applicant would have to sign the form to acknowledge changes as indicated by the form.

No violations noted.

Each Policyowner is Provided an Annual Report

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XIX, §E, Standard 3. This review has a direct statutory requirement W. Va. Code §33-13-7. This standard is intended to provide insureds with an annual report of policy values in accordance with statutes, rules and regulations and, upon request, an in-force illustration or contract policy summary.

The examiners requested, received and reviewed fifty (50) randomly selected cash surrender policies; there were nine (9) determined to be not applicable as they were cash surrenders other than insured requested life. Also reviewed was a random sample of five (5) from the extended term insurance population and five (5) from the reduced paid up population.

Per examiner review of the sampled policies, the Company provided annual reports for the policies indicated in filing(s) approved by WVOIC. Annual reports included information as required by statutes, rules and regulations.

No violations noted.

F. UNDERWRITING AND RATING

The evaluation of this business area is based on a review of Company responses to information requests, questions, interviews, presentations made to the examiner, files and file samples. The underwriting and rating practices portion of the examination is designed to provide a view of how the Company treats the public and whether that treatment complies with applicable statutes and rules. It is typically determined by testing a random sample of files and applying various tests to those files. This review is concerned with compliance issues.

Rates Charged for the Policy

Review methodology is generic and based on NAIC Market Regulation Handbook - Chapter XVI, §F, Standard 1. This review has a direct statutory requirement W. Va. Code §§ 33-11-4(7)(a),(b),(c) & 33-16B-2. It is file-specific. Wide scale application of incorrect rates by a company may raise financial solvency questions or be indicative of inadequate management oversight. Deviation from established rating plans may also indicate a company is engaged in unfair competitive practices.

A sample of fifty (50) individual issue policies was received; two (2) policies were determined to be not applicable due to not being issued.

The examiner's review of the individual issue policies indicated that the Company followed the rate schedule filed with the WVOIC. The Company's use of table rating appeared to be appropriate in the sampled policies.

No violations noted.

Mandated Disclosures are Documented

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §F, Standard 2. This review has a direct statutory requirement W. Va. Code §33-6-8 and legislative rule W. Va. Code St. R. §114-11A. It is necessary to provide insureds with appropriate disclosures, both mandated and reasonable. Without appropriate disclosures, insureds find it difficult to make informed decisions.

A sample of fifty (50) individual issue policies was received; two (2) policies were determined to be not applicable due to not being issued. The sampled issued policies indicated that the appropriate mandated disclosures were documented.

The examiner reviewed a sample of fifty (50) policy loans and the disclosures were documented.

No violations noted.

Illegal Rebating, Commission Cutting or Inducements

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §F, Standard 3. The review has a direct statutory requirement W. Va. Code §§33-12-23 and 33-11-4(8). It is generally file specific. Illegal rebating, commission cutting or other illegal inducements are a form of unfair discrimination.

The examiners did not find any evidence of illegal rebating, commission cutting or inducements during the review of the sample files.

No violations noted.

Underwriting Practices are not Unfairly Discriminatory

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §F, Standard 3. The review has a direct statutory requirement W. Va. Code §33-11-4(7). Insurers must treat all employers and members the same within the same class to ensure no unfairly discriminatory practices occur.

The examiners did not find any evidence of underwriting practices being unfairly discriminatory.

No violations noted.

Forms, Contracts, Riders, Endorsement Forms and Certificates are filed with WVOIC

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §F, Standard 5. The review has a direct statutory requirement W. Va. Code §33-6-8 and legislative rule W. Va. Code St. R. §114-10-18. An insurer is not to issue policies, forms or endorsements that have not been filed with and approved by the WVOIC.

The examiner noted eleven (11) declination files that were direct mail offers for "no-cost-to-you" Accidental Death coverage. However, the company indicated the plan was not available in West Virginia. In addition, the form(s) utilized were not approved by the WVOIC. (Ref. WV UW-1) *This is a violation of W. Va. Code §33-6-8, "No insurance policy form, no group certificate form, no insurance application form...shall be issued for delivery in this state by an insurer unless it has been filed with the commissioner..."*

During the examiner's review of the fifty (50) group policies issued sample indicated eleven (11) certificates (form CA1000GCM) that were issued and not approved by the WVOIC. (Ref. WV UW-2) *This is a violation of W. Va. Code §33-6-8, "No insurance policy form, no group certificate form, no insurance application form...shall be issued for delivery in this state by an insurer unless it has been filed with the commissioner..."*

Examiner's note: The Company understands that the Department position is that filing of these forms is now required and will take the necessary action to file the forms with the Department as soon as possible.

The examiner's review of the fifty (50) group policy samples indicates twenty-eight (28) sampled group policies had one of the following forms: AD1100GEM (rev. 04/02) Activation Form Accidental Death Insurance, CA4000GAM (Rev. 6/07) Invitation to Apply for Cancer Protection, CA4000GAM Confirmation of Enrollment Cancer Plan, CA1000GEM (4/95) Cancer Care Plan were not approved for use in West Virginia. (Ref. WV UW-4) *This is a violation of W. Va. Code St. R. §114-10-18.1, "Filing of advertisements. -- The Commissioner in his discretion may require that an insurer file with this Department, for review prior to use, direct response advertising materials. When so required, such advertising materials must be filed not less than a reasonable time to be specified by the Commissioner prior to the date the insurer desires to use the advertisement in West Virginia."*

Examiner's note: The Company responded: "W. Va. Code §33-6-8 (a) states in part, "No insurance policy form, no group certificate form, no insurance application form where a written application is required and is to be made a part of the policy..." Form AD1100GEM is not an application but is an enrollment form, this enrollment form is not made a part of the policy. Form CA4000GAM (Rev. 6/07) and form CA1000GEM (4/95) are applications and the Company believed that these forms as well as the Cancer policy forms, issued to residents of West Virginia under association policies issued out of state, were acknowledged to be exempt from filing under W. Va. §33-6-8 (e) which states in part, "... any mass marketed life and/or health insurance policy offered to members of any association by an association where the primary purpose of such association is other than the sale of insurance to its members, shall be exempt from the provision requiring prior approval under this section"

The Company understands that the Department's position is that filing of these forms is now required and will take the necessary action to file the forms with the Department as soon as possible.

This results in an error ratio of 17%, exceeding the 10% error tolerance applied.

Policies, Riders and Endorsements are Issued/Renewed Accurately, Timely and Completely

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §F, Standard 6. The review has a direct insurance statutory requirement W. Va. Code §§33-15-2, 33-16-3, 33-29-5. Insurers must provide the proper insurance coverage for which the insured requested in the application process and in a timely basis.

A sample of fifty (50) individual and fifty (50) group issue policies was received; two (2) individual issue policies were determined to be not applicable due to not being issued and

four (4) group issue policies were determined to be not applicable as they were preneed funeral policies.

During the examiner's review, four (4) group policy certificate holders were not provided form AD2000GCM – Group Non-Contributory Accidental Death & Dismemberment Insurance Certificate regarding the \$2,500 No Cost To You. (Ref. WV UW-3) *This is a violation of W. Va. Code §33-16-3(b) "...the insurer will furnish to the policyholder, for delivery to each employee or member of the insured group, an individual certificate setting forth in substance the essential features of the insurance coverage..."*.

Examiner's Note: The Company responded: "Due to a miscommunication regarding issuance, the certificates in question were not generated for distribution by the administrator. The Company has addressed this issue, and all such certificates will be timely distributed going forward."

Rejections and Declinations are not Unfairly Discriminatory

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §F, Standard 7. The review has a direct statutory requirement W.Va. Code §§ 33-11-4 & 33-11-7 and legislative rule W.Va. Code St. R. §114-15-4.3(b), stating an insurer must use valid reasons for rejections/declinations and document those reasons and shall maintain all declined application files. Insurers must maintain copies of all communications associated with an application for coverage.

The declination sample included fifty (50) files; eight (8) files were determined to be not applicable as they were not in the examination period. Eleven (11) declination files are commented upon (ref. WV UW-1) in section 'Forms, Contracts, Riders, Endorsement Forms and Certificates are filed with WVOIC.'

The examiner's review of the declination files did not indicate any discriminatory action by the Company.

No violations noted.

Cancellation/nonrenewal, Discontinuance and Declination Notices Comply

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §F, Standard 8. The review has a direct statutory requirement W.Va. Code §§33-2-9, 33-14-9 and legislative rule W.Va. Code St. R. §114-15-4.3(b). This review is to determine if the Company's cancellation/nonrenewal, discontinuance and declination notices comply with W. Va. Code and rules, regulations and policy provisions.

Per examiners review of the sampled policies, notices regarding cancellation/nonrenewal, discontinuance and declination complied with policy provisions, state laws and the regulated entity's guidelines.

No violations noted.

Rescissions are not Made for Non-Material Misrepresentation

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §F, Standard 9. The review has a direct statutory requirement W.Va. Code §33-6-7. The intent is to ensure rescission of coverage occurs only when it is determined that material information required for an underwriter to make an adequate assessment of risk was not provided to the insurer.

The Company originally indicated no rescissions were made in the examination period. The examiner's review of the complaints and policy samples revealed rescissions were made during the examination period. See sections 'State Record Retention Requirement' and 'Denied and Closed-Without-Payment Claims are Handled in Accordance with Policy Provisions'.

The examiners did not find any evidence of rescissions being made for non-material misrepresentation.

No violations noted.

Information on Applications

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XIX, §F, Standard 1. The review has a direct statutory requirement W. Va. Code §§33-6-5a, 33-6-6 and 33-6-7. The intent is to ensure coverages are issued as applied for, that the Company has a verification process of application information, non-forfeiture options and automatic premium options are disclosed/chosen, as well as any changes should show applicant initials, as well as correct signatures indicated on the application or any supplemental applications as necessary.

The examiner reviewed the applications in the individual issued policy sample. The sampled policies indicated the applications were completed appropriately and included signatures.

No violations noted.

Complies with the requirements for AIDS-related concerns.

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XIX, §F, Standard 2. The review has a direct legislative rule requirement W. Va. Code St. R. §114-27. The intent is to determine if the regulated entity follows West Virginia statutes, rules and regulations concerning AIDS-related underwriting questions and AIDS testing.

The Company provided the appropriate completed forms when testing the applicant regarding AIDS virus (HIV) antibody/antigen testing in the sampled policies reviewed.

No violations noted.

G. CLAIMS PRACTICES

The evaluation of this business area is based on the Company's responses to informational items requested by the examiner and file sampling during the examination process. This portion of the examination is designed to provide a view of how the Company treats claimants and whether that treatment is in compliance with applicable statutes, rules and regulations.

Initial Contact by the Regulated Entity with the Claimant is Within Required Time Frame

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §G, Standard 1. This review has a direct statutory requirement W.Va. Codes §§ 33-11-4(9)(b) & 33-13-14 and legislative rule W.Va. Code St. R. § 114-14-1 et seq. This review derives directly from W. Va. Code § 33-11-4(9) (b) which states, "Failing to acknowledge and act reasonably upon communication with respect to claims arising under insurance policies."

The WVOIC requested, received and reviewed a random sample of fifty (50) group health claims, of those twenty-five (25) were considered not applicable as they were Medicare Supplements; a random sample of fifty (50) group life claims, thirty-four (34) considered not applicable as they were preneed funeral claims; a random sample of fifty (50) individual health claims, twelve (12) considered not applicable as they were Medicare Supplement; and a random sample of fifty (50) individual life claims, four (4) considered not applicable as three (3) were preneed funeral policies and one (1) was an assignment to a funeral home.

The company failed to timely acknowledge one (1) group life claim sampled. (ref. WV CL-2) *This is a violation of W. Va. Code §§33-11-4(9)(b) & (e) "Failing to acknowledge and act reasonably promptly upon communications with respect to claims..." & "Failing to affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed", 33-13-14"...when a policy shall become a claim by the death of the insured settlement shall be made upon receipt of due proof of death...shall not exceed two months..." and W. Va. Code St. R. §114-14-5 & 6 "Every insurer upon receiving notification of a claim shall, within fifteen (15) working days, acknowledge the receipt of such notice unless full payment is made within such period of time" and "Every insurer shall provide...notification of all items, statements and forms...within fifteen (15) working days of receiving notice of the claim."*

Examiner's Note: The Company agrees this claim was not acknowledged within a reasonable time after notification of claim. The Company indicates they do have procedures in place to forward claim paperwork to the Claims Department if another Department or Business Unit receives it. The Company indicated that re-training on this process has occurred.

Claims Resolved in A Timely Manner

Review methodology is generic, sample, and electronic and based on NAIC Market Regulation Handbook - Chapter XVI, §G, Standard 3. This review has a direct statutory requirement W. Va. Code §33-11-4(9) and legislative rule W. Va. Code St. R. §114-6.7. This review is to determine if the Company is resolving claims submitted in a timely manner.

The WVOIC requested, received and reviewed a random sample of fifty (50) group health claims, of those twenty-five (25) were considered not applicable as they were Medicare Supplements; a random sample of fifty (50) group life claims, thirty-four (34) considered not applicable as they were preneed funeral claims; a random sample of fifty (50) individual health claims, twelve (12) considered not applicable as they were Medicare Supplement; and a random sample of fifty (50) individual life claims, four (4) considered not applicable as three (3) were preneed funeral policies and one (1) was an assignment to a funeral home.

The examiner's review of the sampled claim files indicated the Company resolved the claims submitted in a timely manner. Although one (1) group life claim (see Initial Contact by Regulated Entity) was not acknowledged in a timely manner, though the Company did resolve the claim timely once acknowledged.

No violations noted.

Claims Are Properly Handled

The methodology for this review is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §G, Standard 6. This review has a direct statutory requirement W. Va. Code §33-11-4(9) and legislative rule W. Va. Code St. R. §114-14-6. This review is to determine if the Company is properly handling the claims pertaining to W. Va. Code and rules, regulations and policy provisions.

The WVOIC requested, received and reviewed a random sample of fifty (50) group health claims, of those twenty-five (25) were considered not applicable as they were Medicare Supplements; a random sample of fifty (50) group life claims, thirty-four (34) considered not applicable as they were preneed funeral claims; a random sample of fifty (50) individual health claims, twelve (12) considered not applicable as they were Medicare Supplement; and a random sample of fifty (50) individual life claims, four (4) considered not applicable as three (3) were preneed funeral policies and one (1) was an assignment to a funeral home.

The examiner's review of the sample claim files indicate the Company appeared to be in compliance for proper handling other than the exceptions listed in the following areas of the report. See sections: "Initial Contact by the Regulated Entity with the Claimant is Within Required Time Frame" and "Denied & Closed-Without-Payment Claims are Handled in Accordance with Policy Provisions".

Examiner's Note: Other than the notated exceptions indicated in "Initial Contact by the Regulated Entity with the Claimant is Within Required Time Frame" and "Denied & Closed-Without-Payment Claims are handled in Accordance with Policy Provisions", no other exceptions were noted.

Denied & Closed-Without-Payment Claims are Handled in Accordance with Policy Provisions

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §G, Standard 9. This review has a direct statutory requirement W.Va. Code §§33-11-4(9) and 33-11-5a and legislative rule W.Va. Code St. R. §§114-8-6 and 114-14-6. This review is to determine if the Company is properly handling denied and closed without payment claims pertaining to W. Va. Code and rules, regulations and policy provisions.

The WVOIC requested, received and reviewed a random sample of fifty (50) group health claims, of those twenty-five (25) were considered not applicable as they were Medicare Supplements; a random sample of fifty (50) group life claims, thirty-four (34) considered not applicable as they were preneed funeral claims; a random sample of fifty (50) individual health claims, twelve (12) considered not applicable as they were Medicare Supplement; and a random sample of fifty (50) individual life claims, four (4) considered not applicable as three (3) were preneed funeral policies and one (1) was an assignment to a funeral home.

Review of replacement policies sampled indicated one (1) internal replacement of a policy that did not adhere to the incontestability clause. (Ref. WV CL-1) *This is a violation of W. Va. Code §33-11-5 a (b) (1) "the new life insurance issued by the replacing insurer will not be contestable by it in the event of such insured's death to any greater extent than the existing life insurance would have been contestable" and W. Va. Code St. R. §114-8-6.2 "In transactions where the replacing insurer and existing insurer are the same...allow credit for the period of time that has elapsed...up to the face amount of the existing policy..."*

Examiner's note: The Company agreed and a letter of explanation was sent to the beneficiary stating an error had been found due to the Market Conduct Exam performed by the State of West Virginia, as per code, and a check in the amount of \$8,803.49 was issued to the beneficiary. As a result, the WVOIC requested an extended time of review of files from 2008 to current to check for severity of this scenario occurring. One additional instance was found and the Company forwarded a letter of explanation and a check in the amount of \$3,173.69 was issued to the beneficiary. In addition, the Company completed an extended review for other states as well.

Cancelled Benefit Checks and Drafts Reflect Appropriate Claim Handling Practices

Review methodology is generic and sample and based on NAIC Market Regulation Handbook - Chapter XVI, §G, Standard 10. This review does not have a direct statutory requirement. This review is to determine if the Company has appropriate claim handling

practices concerning cancelled benefit checks and drafts pertaining to W. Va. Code and rules, regulations and policy provisions.

The WVOIC requested, received and reviewed a random sample of fifty (50) group health claims, of those twenty-five (25) were considered not applicable as they were Medicare Supplements; a random sample of fifty (50) group life claims, thirty-four (34) considered not applicable as they were preneed funeral claims; a random sample of fifty (50) individual health claims, twelve (12) considered not applicable as they were Medicare Supplement; and a random sample of fifty (50) individual life claims, four (4) considered not applicable as three (3) were preneed funeral policies and one (1) was an assignment to a funeral home.

The examiners' review of the claim sample indicated that checks and drafts complied with claim handling practices, included proper amount, and were timely.

Examiner's note: Per Kentucky review, the Company discontinued the use of retained asset accounts in early 2011.

No violations noted.

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SUMMARY OF EXAMINERS' FINDINGS

Company Operations/Management

State Record Retention Requirement

The Company indicated no rescissions during exam period, however, rescissions were found throughout other samples during the review. This is a violation of W.Va. Code St. R. §§114-15-4.3, 4.8 and 4.9.

Marketing and Sales

Advertising and Sales Materials in Compliance

The Company utilized advertising that did not comply with W. Va. Code and Regulations regarding content and prior approval when appropriate.

Producer Licensing

Records Document Reason(s) for Terminations

The Company agent / producer files did not contain the appropriate termination letter to the agent/producer in two files. This is a violation of W. Va. Code St. R. §114-15-4.5.

Underwriting and Rating

Forms, Contracts, Riders, Endorsement Forms and Certificates are filed with WVOIC

- The Company used direct mail offers for "no-cost-to-you" Accidental Death coverage, which were declined, as "...plan is not available to residents in your state". The form used in the direct sale was not approved by the WVOIC. This is a violation of W. Va. Code §33-6-8.
- The Company issued group certificates that were not approved by the WVOIC. This is a violation of W. Va. Code §33-6-8.
- The Company used the following forms in the group policy sample: AD1100GEM (rev. 04/02) Activation Form Accidental Death Insurance, CA4000GAM (Rev. 6/07) Invitation to Apply for Cancer Protection, which was not approved by the WVOIC. This is a violation of W. Va. Code St. R. §114-10-18.1.

Policies, Riders and Endorsements are Issued/Renewed Accurately, Timely and Completely the Company did not provide certificates to four (4) group policy members. This is a violation of W. Va. Code §33-16-3.

Claims Practices

Initial Contact

The Company failed to acknowledge the receipt of notice of claim from the claimant within 15 days. This is a violation of W. Va. Code §§33-11-4(9)(b) & (e) & 33-13-14 and W. Va. Code St. R. §114-14-5 & 6.

Denied and Closed-Without-Payment Claims are Handled in Accordance with Policy Provisions

The Company declined an internal replacement individual life insurance claim stating the incontestability clause, however, credit of policy in force was not given from the original replaced policy, which exceeded the two years. This is a violation of W. Va. Code §33-11-5 a (b) (1) and W. Va. Code St. R. §114-8-6.2.

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CORRECTIVE ACTION PLAN

Based on the findings stated in this report, the examiners recommend that the Company implement the following corrective actions. Monumental Life Insurance Company shall:

- Take steps to ensure compliance with W. Va. Code St. R. §§114-15-4.3, 4.8 and 4.9 for compliance of proper record retention and file maintenance. Note: During the examination review, the Company's initial response was that there were no rescissions during the exam period, however, rescissions were found during review and the Company responded that this was due to human error. The Company has reinforced their requirement to follow set up procedures with appropriate staff to ensure proper record retention and file maintenance.
- Review all advertisements and policy forms for current use to ensure compliance with W. Va. Code §33-11-4 and legislative rule W. Va. Code St. R. §114-11-1, assuring all information provides full and accurate disclosure. Note: During the examination review, the Company implemented corrective action in regards to advertising and policy language by filing Accident and Sickness advertising and assuring full and accurate disclosure.
- Establish and/or maintain procedures and training to comply with W. Va. Code St. R. §114-15-4.5 on retaining proper documentation on agent terminations. Note: During the examination review, the Company agreed that documents were not retained in two (2) agent files, however new procedures have been implemented for compliance by including all documents in agent files.
- Establish and/or maintain procedures and training to comply with W. Va. Code §33-6-8 by obtaining prior approval for use of forms. As well as complying with W. Va. Code St. R. §114-10-18.1 in regards to prior approval for advertisements as appropriate. Note: During examination review, the Company implemented corrective action to implement the procedure going forward to be to file forms with the Department prior to use. Forms indicated in WV UW-1 and WV UW-2 have since been filed and approved for use by the West Virginia Offices of the Insurance Commissioner.
- Establish and/or maintain procedures and training to assure compliance with W. Va. Code §33-16-3, in that group certificates are provided as required. Note: During the examination review, the Company responded that the issue was due to miscommunication and that the issue had been addressed and all such certificates will be timely distributed going forward.
- Establish and/or maintain procedures and training to assure compliance with W. Va. Code §§33-11-4(9)(b) & (e) & 33-13-14 and W. Va. Code St. R. §114-14-5 & 6, in that proper and timely acknowledgement is made upon receipt of a claim. Note: During the examination review, the Company agreed a claim had not been timely acknowledged and that procedures for timeliness were already in place, however

retraining was done to reinforce the correct process. The Company will re-enforce procedures for timely acknowledgement of claims.

- Establish and/or maintain procedures and training to assure compliance with W. Va. Code §33-11-5 a (b) (1) and W. Va. Code St. R. §114-8-6, in that proper handling of a claim occurs when in regards to non-forfeiture benefits. Note: During the examination review, the Company responded by completing a claim payment review on all states as applicable and no other situations regarding improper handled non-forfeiture benefits were found. In addition, the Company stated that proper handling of claims had been reiterated with the claims department and refresher training is being planned for the future. The Company will re-enforce procedures for handling of claims in regards to non-forfeiture benefits.

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EXAMINER'S SIGNATURE AND ACKNOWLEDGMENT

The examiner would like to acknowledge the cooperation and assistance extended by the Company during the course of the examination.

In addition to the undersigned, Desiree D. Mauller, MCM, CWCP, also participated in the examination.

Robert Parsons

Robert Parsons
Robert Parsons, CIE, MCM, AIRC, ACS, CICS, CWCP
Examiner in Charge

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EXAMINER'S AFFIDAVIT

State of West Virginia
County of Kanawha

EXAMINER'S AFFIDAVIT AS TO STANDARDS AND PROCEDURES
USED IN AN EXAMINATION

I, Robert Parsons, being duly sworn, state as follow:

1. I have the authority to represent West Virginia in the examination of Monumental Life Insurance Company.
2. I have reviewed the examination work papers and examination report, and the examination of Monumental Life Insurance Company was performed in a manner consistent with the standards and procedures required by West Virginia.

The affiant says nothing further.

Robert Parsons

Robert Parsons CIE, MCM, AIRC, ACS, CICS, CWCP
Examiner in Charge

Subscribed and sworn before me by Robert Parsons on this 27th day of August, 2013

Georgia Lea Cisco

Notary Public

My commission expires 10/1/2014

