



**MARKET CONDUCT REPORT ON EXAMINATION
OF THE
THRIVENT FINANCIAL FOR LUTHERANS
AS OF DECEMBER 31, 2019**

EXAMINER:

DONNA TAYLOR

DATE OF REPORT:

SEPTEMBER 4, 2020

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

March 29, 2023

Honorable Adrienne A. Harris
Superintendent of Financial Services
New York, New York 10004

Dear Adrienne A. Harris:

In accordance with instructions contained in Appointment No. 32060, dated March 31, 2020, and annexed hereto, an examination has been made into the condition and affairs of Thrivent Financial for Lutherans, hereinafter referred to as “the Society”. The Society’s home office is located at 4321 North Ballard Road, Appleton, WI 54919. The examination was conducted remotely because of the COVID-19 pandemic.

Wherever “Department” appears in this report, it refers to the New York State Department of Financial Services.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The material violations contained in this report are summarized below.

- The Society violated several sections of 11 NYCRR 51 (Insurance Regulation 60) by failing to: (i) examine and ascertain that the Disclosure Statement was accurate and met the requirements of the Regulation; (ii) maintain notification of replacement to the insurer that issued the life insurance policy or annuity contract that is to be replaced; and (iii) send the applicant a revised Disclosure Statement when the policy is issued other than as applied for. (See item 4A-1 of this report.)
- The Society violated Section 243.2(b)(1)(iv) of 11 NYCRR 243 (Insurance Regulation 152) by failing to maintain a copy of the preliminary information, presented to the applicant at the time of sale, in the policy record for each insurance policy or contract for six calendar years after the date the policy is no longer in force or until after the filing of the report on examination in which the record was subject to review, whichever is longer. (See item 4B-2 of this report.)
- The Society violated Section 3211(b)(2) of the New York Insurance Law by failing to disclose, on the premium notices mailed to policyholders, that unless payment is made on or before the date when due or within the specified grace period thereafter, the policy shall terminate or lapse except as to the right to any cash surrender value or nonforfeiture benefit. (See item 4C of this report.)
- The Society violated multiple sections of 11 NYCRR 53 (Insurance Regulation 74) with respect to new business (point of sale) and in-force illustrations of universal life and variable universal life products. (See item 4D of this report.)
- The Society violated Section 4221(a)(7) of the New York Insurance Law by failing to specify the loan value available to the policyholder under the policy in the annual report. (See item 4D of this report.)

2. SCOPE OF EXAMINATION

This is the Society's first statutory examination by the Department. For the review of the market conduct activities, this examination covers the period from January 1, 2015, to December 31, 2019 for items A, B, and C. As necessary, the examiner reviewed matters occurring subsequent to December 31, 2019, but prior to the date of this report (i.e., the completion date of the examination).

In addition, for the review of item D of the market conduct activities, this examination covers the period from January 1, 2018, to December 31, 2019.

The examination comprised a review of market conduct activities and utilized the National Association of Insurance Commissioners' *Market Regulations Handbook* or such other examination procedures, as deemed appropriate, in such review.

This report on examination is confined to comments on matters which involve departure from laws, regulations, or rules, or which require explanation or description.

3. DESCRIPTION OF SOCIETY

A. History

The Society was incorporated as a fraternal benefit society under the name of Aid Association for Lutherans on November 24, 1902 and commenced business on November 24, 1902. The Society was authorized to do business in New York on December 28, 1912.

Lutheran Brotherhood, a Minnesota-domiciled fraternal benefit society, was originally founded in 1917 under the name Luther Union and resulted from the 1917 Merger Convention of Norwegian Lutheran Church of America. The Merger Convention approved the formation of Luther Union as a not-for-profit mutual aid society. Luther Union merged with Lutheran Brotherhood of America in 1920 and adopted the corporate name Lutheran Brotherhood.

Effective January 1, 2002, as a result of the merger of Aid Association for Lutherans and Lutheran Brotherhood, which had been established in 1902 and 1917 respectively, Thrivent Financial for Lutherans (“the Society”) was formed.

In 2013, following the approval by the board of directors, the membership voted affirmatively to extend the organization’s common bond from Lutheran affiliation to include all denominations of Christianity.

B. Territory and Plan of Operation

The Society is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Society is licensed to transact business in 50 states, and the District of Columbia. Policies are written on a participating basis.

The following tables show the percentage of direct premiums received, by state, and by major lines of business for the year 2019:

<u>Life Insurance Premiums</u>		<u>Annuity Considerations</u>	
Minnesota	12.1%	Minnesota	14.3%
Wisconsin	11.6	Wisconsin	14.1
California	6.2	Illinois	5.6
Illinois	6.1	Michigan	5.5
Pennsylvania	<u>4.5</u>	California	<u>5.4</u>
Subtotal	40.5%	Subtotal	44.9%
All others	<u>59.5</u>	Others	<u>55.1</u>
Total	<u>100.0%</u>	Total	<u>100.0%</u>
<u>Accident and Health Insurance Premiums</u>		<u>Deposit Type Funds</u>	
Wisconsin	10.3%	Minnesota	14.0%
Minnesota	8.7	Pennsylvania	10.9
Illinois	<u>6.8</u>	Wisconsin	<u>10.6</u>
Subtotal	25.8%	Subtotal	35.5%
All others	<u>74.2</u>	Others	<u>64.5</u>
Total	<u>100.0%</u>	Total	<u>100.0%</u>

The Society writes life insurance, health insurance, and fixed and variable annuities. Management's focus has been on expanding its membership base through broadening its membership to the Christian community, improving distribution capacity, and enhancing member value. The Society has made a commitment to make a difference in communities around the country and internationally through its generosity and educational programs.

Since 2005, the Society and Habitat for Humanity have partnered to build homes, strengthen neighborhoods, and change lives.

For most of the examination period, the Society distributed insurance and annuity products solely through a retail distribution channel under a career agency system. Producers in this channel are employees or statutory employees of the Society. Later during the examination period, the Society also distributed insurance and annuity products through a small number of independent producers.

4. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Society's market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of the Society.

A. Advertising and Sales Activities

The examiner reviewed a sample of the Society's advertising files and the sales activities of the agency force including trade practices, solicitation, and the replacement of insurance policies.

1. Section 51.6(b) of 11 NYCRR 51 (Insurance Regulation 60, Third Amendment) states, in part:

“Where a replacement has occurred or is likely to occur, the insurer replacing the life insurance policy or annuity contract shall: . . .

(4) examine the sales material, including any proposal, used in the sale of the life insurance policy or annuity contract, and the ‘Disclosure Statement’, and ascertain that they are accurate and meet the requirements of the Insurance Law and regulations . . .

(8) maintain copies of: the sales material including any proposal, used in the sale of the life insurance policy proof of receipt by the applicant of the ‘IMPORTANT Notice Regarding Replacement or Change of Life Insurance Policies or Annuity Contracts’; the signed and completed ‘Disclosure Statement’; and the notification of replacement to the insurer that issued the life insurance policy that is to be replaced, indexed by insurance agent and broker in accordance with Part 243 of this Title (Regulation 152) . . .

(10) if an initial ‘Disclosure Statement’ was provided to the applicant prior to the delivery of the life insurance policy or . . . and the life insurance policy or . . . is issued other than as applied for, then the insurer shall provide the owner a revised ‘Disclosure Statement’ that conforms to the life insurance policy or . . . as issued not later than the time of delivery of the policy . . . ”

Section III. Discussion, sub-section A. Deferred-to-Immediate Annuity Contract Replacements of Department Circular Letter No. 7 (2016) states, in part:

“An insurer should not deliver an annuity contract as a result of a replacement unless the appropriate income comparison information has been provided and the insurer has ascertained that it is accurate in accordance with 11 NYCRR 51.6(b) of Insurance Regulation 60. An insurer that issued the contract that is being replaced that refuses or otherwise fails to provide the information would be undermining

Regulation 60's intended purpose, the protection of policyholders and contract holders, and violating 11 NYCRR 51.7(b) of Insurance Regulation 60. In those instances where the insurer replacing the annuity contract requests and does not receive the information to provide the consumer with the necessary income comparisons, that insurer should document the request and process the replacement, if otherwise suitable, and report the replaced insurer's refusal to provide the income comparison information”

Section 4223(a)(1)(C) of the New York Insurance Law states, in part:

“(a)(1) In the case of contracts issued on or after the operative date of this section, no contract of annuity, except as provided in subsection (b) of this section, shall be delivered or issued for delivery in this state unless it contains in substance the following provisions, or corresponding provisions that in the opinion of the superintendent are at least as favorable to the contract holder, upon cessation of payment of considerations under the contract. . . .

(C) A statement of the mortality table, if any, and interest rates used in calculating any minimum paid-up annuity during the period it is guaranteed, and any cash surrender or death benefits that are guaranteed under the contract, and any times at which such guaranteed benefits are payable, together with sufficient information to determine the amounts of such benefits and, if the contract provides for the determination of any cash surrender value in accordance with a market-value adjustment formula authorized by paragraph two of subsection (e) of this section, a brief description of the formula and the circumstances in which it is applied, together with a statement that a detailed description has been filed with the superintendent.”

The examiner's review of a sample of nine deferred annuities converted to single premium immediate annuities and three deferred annuities converted to single premium deferred paid-up annuities revealed the following:

- a. The Society did not provide or indicate the amounts on the Disclosure Statements for comparison on the “proposed” single premium individual annuity contracts.
- b. Circular Letter No. 7 (2016) requires the Society to request information on the payout from the replaced company.
 - i. In accordance with Section 4223(a)(1)(C) of the New York Insurance Law, every accumulation type deferred annuity issued to consumers in New York State must set forth the guaranteed interest rate and annuity mortality table being utilized for the guaranteed income purchase rates under the contract. The examiner noted that the Society did not provide the amount of guaranteed income available under the existing deferred annuity contract in

the Disclosure Statement. Similarly, the Society did not provide the payout amount for the guaranteed income available under the proposed immediate annuity and the deferred annuity. In fact, since the existing deferred annuities were purchased during earlier years, the interest rate factor that was applied to the current and guaranteed rates is higher under the existing annuities than at the time that the Society issued the replacement annuity contracts. The annuitization of the existing deferred annuity contracts would have resulted in higher income than under the proposed immediate annuity contracts.

- ii. As stated in item (i) above, none of the Disclosure Statements indicated a comparison regarding payout options. Although payout option is required to be allowed under Section 4223(a)(1)(C) of the New York Insurance Law, there was no payout comparison disclosed in the Society's prepared Disclosure Statements.
- c. The agent's statement section in the Disclosure Statements did not include key disadvantages pertaining to replacing a deferred annuity with an immediate annuity or a paid-up annuity, as follows:
- i. In 10 out of 12 (83%) cases, the agent used sales materials, but checked the box in the Disclosure Statement indicating that no sales material or proposal was used in the sale.
 - ii. In 8 out of 12 cases (67%) cases, the agent failed to indicate that the existing deferred annuity could be annuitized for monthly payments as an option as opposed to purchasing a new immediate or paid-up annuity. The monthly payout amount should have been shown in the Disclosure Statement for both the existing deferred annuity and the proposed immediate or paid-up annuity.
 - iii. The agent's statements were misleading because the statements erroneously indicated that the reasons for recommending the immediate or paid-up annuities were that there was no guaranteed lifetime income, or that the current annuity contract account is non-guaranteed, when in fact payouts were available with an annuitization of the existing annuity contracts.

- iv. In 6 out of 12 cases (50%) deferred to immediate annuity or single deferred paid-up replacements reviewed, the files did not contain any evidence of the existing annuitization quote for the existing annuities. Also, there were no records in the files indicating that the Society requested from the existing insurer the annuitization quote for an appropriate comparison with the proposed immediate annuity. The clients were not afforded the opportunity to observe what could have been a significant advantage of not replacing the existing annuity contracts.
- v. In 1 out of 12 cases (8%), the approximate account value of \$99,000 shown in the Disclosure Statement completed by the Society is lower than the account value of \$99,173.74 provided by the existing insurer; the surrender values and death benefit for the 5 years and 10 years under the existing annuity contract provided by the existing insurer are much higher than the values used with an approximation.

Based on items a, b and c above:

- The Society accepted Disclosure Statements in which the replaced account values were listed as lump sums rather than as monthly payment amounts that the contract holders would receive with immediate annuities. In these instances, the Society did not request from the existing insurers appropriate comparisons for the proposed immediate annuities.
- The Disclosure Statements did not indicate that a disadvantage of the proposed annuities is that the proposed immediate annuities cannot be surrendered for a lump sum cash value.
- The Disclosure Statements did not provide the monthly payment amount or any figures on the proposed immediate annuities for comparison with the existing deferred annuities.
- The Agent's Statement section of the Disclosure Statement failed to indicate that one of the advantages of keeping the existing deferred annuity contract would be the opportunity to annuitize the deferred annuity according to the terms of the original contract and that the client would avoid a surrender fee.

- The Society did not examine the Disclosure Statements to ensure it is accurate as required under Section 51.6(b)(4) of 11 NYCRR 51 (Insurance Regulation 60).

The examiner's review of a sample of 23 internal and 15 external life replacements revealed the following:

- i. In 15 out of 23 (65%) internal life and in 7 out of 15 (47%) external life replacements, the agents used illustrations or sales materials, but the agents erroneously checked the box in the Disclosure Statements indicating that no sales material or proposal was used in the sale.
- ii. In 10 out of 23 (43%) internal life and in seven out of 15 (47%) external life replacements, the agents failed to disclose the cost of insurance charges, premium charges, partial withdrawal charges, and surrender charges of the proposed policies in the Remarks section of the Disclosure Statements.
- iii. In 2 out of 23 (8.69%) internal life and in 5 out of 15 (33%) external life replacements, the agents failed to disclose in the Remarks section of the Disclosure Statements that the proposed policies are subject to rider charges.
- iv. The Agent or Broker's Statement Section of the Disclosure Statement asks the agent to state the advantages of continuing the existing life insurance policy or annuity contract without changes. In 2 out of the 23 (8.69%) internal life and 1 out of the 15 (6.67%) external life replacements, the agents stated "n/a", or "none" even when the surrender charge period of the existing contracts had expired. Expired surrender charge periods are among key advantages of continuing the existing policies without any changes.
- v. In 1 out of 23 (4.34%) internal life replacements, the agent did not complete all sections of the Disclosure Statement as required.
- vi. In 1 out of 23 (4.34%) internal life and in 1 out of 15 (6.67%) external life replacements, the agents failed to disclose to the applicants that the proposed policies are subject to a new 2-year contestability and suicide period.
- vii. In 1 out of 23 (4.34%) internal life replacements, the agent failed to disclose to the applicant that the additional protection for the proposed policy terminates on the first anniversary.

- viii. In 1 out of 15 (6.67%) external life replacements, the agent did not check any box in the Disclosure Statement, indicating if any sales material or proposal was used in the sale.
- ix. In 1 out of 15 external life replacements (6.67%), the agent used approximations on the 12th day after requesting the information to complete the Disclosure Statement, prior to the expiration of the 20 days required to obtain information from the existing insurer.
- x. In 1 out of 15 (6.67%) external life replacements, the agent did not complete the Summary Result Comparison section of the Disclosure Statement, and the values in the Disclosure Statement did not match values obtained from the existing insurer.
- xi. In 1 out of 15 (6.67%) external life replacements, the agent did not disclose to the applicant that after the first year of the policy, the available cash value will be used to buy one-year of term life insurance.

The examiner's review of a sample of 9 internal and 10 external annuity replacements revealed the following:

- i. In 5 out of 9 (55.5%) internal annuity and in 7 out of 10 (70%) external annuity replacements, the agents used prospectuses to market the products but checked the box in the Disclosure Statement indicating that no sales material or proposal was used in the sale.
- ii. In 1 out of 9 (11%) internal annuity and 2 of 10 (20%) external annuity replacements, a Guaranteed Life Withdrawal Benefit rider was offered, however, the agents failed to include the applicable rider charges and fees in the Remarks section of the Disclosure Statements.
- iii. In 4 out of 9 (44%) internal annuity and 8 out of 10 (80%) external annuity replacements, the agents failed to disclose the mortality and expense risk charges, administrative, and management fees in the Remarks section of the Disclosure Statements.
- iv. In 3 out of 9 (33.3%) internal annuity and in 3 out of 10 (30%) external annuity replacements, the agents failed to disclose the percentage rate of surrender charge

for each year a surrender charge is imposed in the Agent or Broker's Statement or the Remarks section of the Disclosure Statements.

- v. In one out of nine (11%) internal annuity replacements, the agent failed to disclose the percentage rate of surrender charge for the 5th, 6th, and 7th year in the Disclosure Statement.
- vi. In one out of nine (11%) internal annuity replacements, the agent failed to complete the Description of Transaction and Summary Result Comparison sections in the Disclosure Statement.
- vii. In one out of nine (11%) internal annuity replacements, the agent did not check the appropriate box in the Disclosure Statement indicating if any sales material or proposal was used in the sale.
- viii. In one out of nine (11%) internal annuity replacements, the agent stated "none" as one of the advantages of not replacing the existing annuity in the Disclosure Statement even when the replaced life insurance policy's contestable and suicide periods had expired; unless a replacement life insurance policy is issued without a new set of contestable and suicide periods, expired contestable and suicide periods are amongst key advantages of continuing the existing policy without any changes.

The Society violated Section 51.1(b) of 11 NYCRR 51 (Insurance Regulation 60, Third Amendment) by failing to disclose the rider charges in the Remarks section of the Disclosure Statement.

The Society violated Section 51.6(b)(4) of 11 NYCRR 51 (Insurance Regulation 60, Third Amendment) by failing to examine the Disclosure Statements and ascertain that they are accurate and meet the requirements of Insurance Law and regulations.

In 2 out of 10 (20%) external annuity replacements and 1 out of 12 (8%) deferred to immediate annuity replacements, the files did not contain a copy of Form 512NYG, the authorization form used to request information from the replaced insurer.

The Society violated Section 51.6(b)(8) of 11 NYCRR 51 (Insurance Regulation 60, Third Amendment) by failing to maintain notification of replacement to the insurer that issued the life insurance policy or annuity contract that is to be replaced, indexed by insurance agent and broker in accordance with Part 243 of this Title (Insurance Regulation 152).

In 2 out of 23 (8.69%) internal life and 1 out of 15 (6.67%) external life replacements, the policy was issued other than as applied for, in that either the face amount or premium amount were revised, and the Society failed to provide a revised Disclosure Statement to the applicant.

The Society violated Section 51.6(b)(10) of 11 NYCRR 51 (Insurance Regulation 60, Third Amendment) by failing to send the applicant a revised Disclosure Statement when the policy is issued other than as applied for.

2. Section 243.2(b) of 11 NYCRR 243 (Insurance Regulation 152) states, in part:

“Except as otherwise required by law or regulation, an insurer shall maintain:

(1) A policy record for each insurance contract or policy for six calendar years after the date the policy is no longer in force or until after the filing of the report on examination in which the record was subject to review, whichever is longer. Policy records need not be segregated from the policy records of other states as long as they are maintained in accordance with the provisions of this Part. A separate copy need not be maintained in an individual policy record, provided that any data relating to a specific contract or policy can be retrieved pursuant to Section 243.3(a) of this Part. A policy record shall include: . . .

(iv) Other information necessary for reconstructing the solicitation, rating, and underwriting of the contract or policy. . . .

(8) Any other record for six calendar years from its creation or until after the filing of a report on examination or the conclusion of an investigation in which the record was subject to review.”

The examiner’s review revealed that in 4 out 15 (27%) external life replacements, the Society failed to maintain a copy of the Authorization to Disclose form (Form 512NYF) that is sent to the replaced insurer and the Society failed to maintain the information that was required to complete the Disclosure Statement.

The Society violated Section 243.2(b)(1)(iv) of 11 NYCRR 243 (Insurance Regulation 152) by failing to maintain copies of the Authorization to Disclose forms (Form 512NYF), and the information from replaced insurers that is necessary to complete the Disclosure Statement, so that the examiner could reconstruct the solicitation and underwriting of the policy.

3. Section 2112(d) of the New York Insurance Law states, in part:

“Every insurer . . . doing business in this state shall, upon termination of the certificate of appointment as set forth in subsection (a) of this section of any

insurance agent . . . or upon termination for cause for activities as set forth in subsection (a) of section two thousand one hundred ten of this article, of the certificate of appointment, of employment, of a contract or other insurance business relationship with any insurance producer, file with the superintendent within thirty days a statement, in such form as the superintendent may prescribe, of the facts relative to such termination for cause. The insurer . . . shall provide, within fifteen days after notification has been sent to the superintendent, a copy of the statement filed with the superintendent to the insurance producer at his, or her or its last known address by certified mail, return receipt requested, postage prepaid or by overnight delivery using a nationally recognized carrier. Every statement made pursuant to this subsection shall be deemed a privileged communication.”

The examiner’s review indicated that in all three terminations of the certificate of appointments for cause (100%), the Society failed to file with the Superintendent a statement of the facts relative to such termination for cause within the stipulated 30 days as required by law. In addition, the examiner could not find any communication in the files to indicate that the three agents that were terminated for cause were notified by certified mail or within fifteen days after the superintendent was notified.

The examiner’s review of 19 agents whose appointments with the Society were terminated during the examination period revealed that in four cases (21%), the Society failed to notify the Superintendent of the termination within thirty days.

The Society violated Section 2112(d) of the New York Insurance Law by failing to file notice of the termination for seven certificates of appointment, within thirty days of such termination, with the Superintendent.

The Society violated Section 2112(d) of the New York Insurance Law by failing to provide the insurance producer, a copy of the statement filed with the Superintendent within fifteen days after notification has been sent to the Superintendent, and deliver to his, or her last known address by certified mail, return receipt requested, postage prepaid or by overnight delivery using a nationally recognized carrier.

B. Underwriting and Policy Forms

1. Section 3207(b) of the New York Insurance Law states, in part:

“ . . .[A]n insurer shall not knowingly issue such a policy or policies for an amount which, together with the amount of life insurance under any other policy or policies then in force upon the life of such minor, is in excess of the limit of fifty thousand

dollars or the limit of fifty per centum or the limit of twenty-five per centum in the case of a minor under the age of four years, and six months of the amount of life insurance in force upon the life of the person effectuating the insurance at the date of issue of the policy on the life of such minor, whichever limit is the greater . . .”

The examiner’s review of a sample of 15 policies issued on the lives of minors under the age of fourteen and one-half years revealed that for five policies (33.0%), the amount of life insurance issued exceeded the limits allowed under Section 3207(b) of the New York Insurance Law.

The Society violated Section 3207(b) of the New York Insurance Law by issuing policies on the lives of minors for amounts of life insurance in excess of the limits allowed by law.

2. Section 243.2(b) of 11 NYCRR 243 (Insurance Regulation 152) states, in part:

“Except as otherwise required by law or regulation, an insurer shall maintain:

(1) A policy record for each insurance contract or policy for six calendar years after the date the policy is no longer in force or until after the filing of the report on examination in which the record was subject to review, whichever is longer. Policy records need not be segregated from the policy records of other states as long as they are maintained in accordance with the provisions of this Part. A separate copy need not be maintained in an individual policy record, provided that any data relating to a specific contract or policy can be retrieved pursuant to Section 243.3(a) of this Part. A policy record shall include: . . .

(iv) Other information necessary for reconstructing the solicitation, rating, and underwriting of the contract or policy. . . .

(8) Any other record for six calendar years from its creation or until after the filing of a report on examination or the conclusion of an investigation in which the record was subject to review.”

The examiner’s review of samples of 10 individual life term policies and 14 rated term policies revealed that in all 24 policies (100%), copies of the preliminary information were not included in the files. The examiner requested a copy of the preliminary information provided to the applicant for each policy. The Society replied, “Thrivent’s form 9844 is used by our New York licensed producers and is completed during the application process. The producers are instructed to leave the completed form with the applicant as required by Section 3209(b) of the New York Insurance Law. Section 3209(b) does not require the form to be attached and submitted with the application. Therefore, Thrivent does not receive copies of the completed form.”

The Society violated Section 243.2(b)(1)(iv) of 11 NYCRR 243 (Insurance Regulation 152) by failing to maintain a copy of the preliminary information, presented to the applicant at the time of sale, in the policy record for each insurance policy or contract for six calendar years after the date the policy is no longer in force or until after the filing of the report on examination in which the record was subject to review, whichever is longer.

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims, surrenders, changes, and lapses. The examiner also reviewed the various controls involved, checked the accuracy of the computations, and traced the accounting data to the books of account.

Section 3211 of the New York Insurance Law states, in part:

“(a)(1) No policy of life insurance or non-cancellable disability insurance delivered or issued for delivery in this state, and no life insurance certificate delivered or issued for delivery in this state by a fraternal benefit society, shall terminate or lapse by reason of default in payment of any premium, installment, or interest on any policy loan in less than one year after such default, unless a notice shall have been duly mailed at least fifteen and not more than forty-five days prior to the day when such payment becomes due. A separate notice shall not be required for insurance that is supplemental to a policy of life insurance. . . .

Section 3211(b) of the New York Insurance Law states, in part:

“The notice required by paragraph one of subsection (a) hereof shall: . . .
(2) state the amount of such payment, the date when due, the place where and the person to whom it is payable; and shall also state that unless such payment is made on or before the date when due or within the specified grace period thereafter, the policy shall terminate or lapse except as to the right to any cash surrender value or nonforfeiture benefit.”

The examiner reviewed samples of 36 types of universal life (i.e., Flexible Premium Adjustable Life, Horizon Universal Life II, Thrivent Universal Life III, etc.), 11 types of whole life (i.e., Whole Life Payable to Age 65, Whole Life Payable to Age 90, Whole Life Payable to Age 95, etc.), and 18 types of term life (i.e., Annual Renewable & Convertible Term, Convertible Term, Level Term Life Insurance II – 20 Year, etc.) lapsed policies, which had flexible premium and regularly scheduled premium Mode (i.e., annually, semi-annually, quarterly and monthly).

In 4 out of 11 whole life (36.4%) and in 17 out of 18 (94.4%) term life premium notices reviewed, the premium notices utilized by the Society did not contain the language required by

Section 3211(b)(2) of the New York Insurance Law to address the cash value and nonforfeiture benefit. These notices should have stated that unless such payment is made on or before the date when due or within the specified grace period thereafter, the policy shall terminate or lapse except as to the right to any cash surrender value or nonforfeiture benefit.

In 34 out of 36 (94.4%) universal life premium notices reviewed, the Society’s “Universal Life Notice of Pending Contract Termination,” contained a statement that “There is insufficient value for . . . deduction. To prevent this valuable protection from terminating on . . . the end of the grace period, please send a payment of . . .”.

The Society violated Section 3211(b)(2) of the New York Insurance Law by failing to disclose, on the premium notices mailed to policyholders, that unless payment is made on or before the date when due or within the specified grace period thereafter, the policy shall terminate or lapse except as to the right to any cash surrender value or nonforfeiture benefit.

In 5 out of 11 (45.5%) whole life and in 1 out of 18 (5.6%) term life premium notices reviewed, the required language under Section 3211(b)(2) of the New York Insurance Law for the premium notice was not included on page 1 of the premium notices but the language was included on page 2 of such notices.

The examiner recommends that, as a best practice, the required language under Section 3211(b)(2) of the New York Insurance Law should be included on page 1 instead of page 2 of the premium notices.

D. Annual Illustration Actuary Certifications

1. Variable Universal Life Basic Illustrations (Policy Forms V-VM-VUL (07) & V-VZ-VUL NY (19))

Section 53-3.3(a)(8) of 11 NYCRR 53 (Insurance Regulation 74) states, in part:

“(a) Format. A basic illustration shall conform with the following requirements...
 (8) The guaranteed elements, if any, shall be shown before corresponding non-guaranteed elements and shall be specifically referred to on any page of an illustration that shows or describes only the non-guaranteed elements (e.g., ‘see page one for guaranteed elements’).”

The examiner’s review focused on the variable universal life product that was sold through December 2019, policy form V-VM-VUL (07). The examiner did not review a basic illustration for policy form V-VZ-VUL NY (19) which was introduced to new sales effective December 2019.

As of February 2020, the Society had not issued a policy under policy form V-VZ-VUL NY (19) and therefore the Society had no signed illustration to provide for review.

The examiner reviewed a signed basic illustration presented in New York for variable universal life policy form V-VM-VUL (07). The basic illustration depicted the values and benefits (Tabular Detail) using guaranteed maximum charges and assumed rates of return on different pages from the values and benefits using current, non-guaranteed, charges and expense assumptions and assumed rates of return. The Tabular Detail on a current, non-guaranteed basis precedes the Tabular Detail using guaranteed maximum policy costs and charges and an assumed 0% gross rate of return. In addition, the pages containing the current, non-guaranteed values and benefits do not specifically refer to the page(s) describing the values and benefits using guaranteed maximum policy cost factors and a 0% gross investment rate of return.

The Society violated Section 53-3.3(a)(8) of 11 NYCRR 53 (Insurance Regulation 74) by failing to show the values and benefits using guaranteed maximum policy cost assumptions before the corresponding non-guaranteed values and benefits in the illustration; and by failing to include a reference on the pages of the illustration containing the values and benefits based on current, non-guaranteed assumptions and assumed rates of return to the pages containing the values and benefits using guaranteed maximum policy cost factors and assumed rates of return (i.e. “See page XX for values and benefits using guaranteed maximum policy charges and cost assumptions”).

The examiner recommends that the Society revise its illustration software for new business and in-force variable universal life illustrations so that the Tabular Detail containing values and benefits using a 0% gross investment rate of return and guaranteed maximum policy costs are presented before the Tabular Detail showing the values and benefits using higher assumed investment rates of return and current (non-guaranteed) policy cost assumptions.

The examiner recommends that the Society revise its illustration software for new business and in-force variable universal life illustrations where the tables of benefits and values using different assumed rates of return and policy cost assumptions are shown on separate pages to specifically refer to the page(s) of the illustration containing values based on guaranteed maximum policy cost factors (i.e. “see page XX for guaranteed policy cost factors”).

Section 53-3.3 of 11 NYCRR 53 (Insurance Regulation 74) states, in part:

“(c) Numeric summary.

(1) Following the narrative summary, a basic illustration shall include a numeric summary of the death benefits and values and the premium outlay and contract premium, as applicable. For a policy that provides for a contract premium, the guaranteed death benefits and values shall be based on the contract premium. Except as provided in subdivision (g) of this Section, this summary shall be shown for at least policy years 5, 10 and 20 and at age 70, if applicable, on the three bases shown below. For multiple life policies the summary shall show policy years 5, 10, 20 and 30. The three bases are as follows:

(i) Policy guarantees;

(ii) Insurer’s illustrated scale;

(iii) Insurer’s illustrated scale used but with the non-guaranteed elements reduced as follows:

(a) Dividends at 50 percent of the dividends contained in the illustrated scale used;

(b) Non-guaranteed credited interest at rates that are the average of the guaranteed rates and the rates contained in the illustrated scale used; and

(c) All non-guaranteed charges, including but not limited to, term insurance charges, mortality and expense charges, at rates that are the average of the guaranteed rates and the rates contained in the illustrated scale used.

(d) If coverage would cease prior to policy maturity or age 100, the year in which coverage ceases shall be identified for each of the three bases.”

The Society identified policy form V-VM-VUL (07) as being marketed with an illustration. If an insurer chooses to use a sales illustration in lieu of providing preliminary information and a policy summary as permitted by Section 3209(l) of the New York Insurance Law, then the insurer must comply with all the applicable provisions of 11 NYCRR 53 (Insurance Regulation 74). A review of the basic illustration for policy form V-VM-VUL (07) revealed that the basic illustration for policy form V-VM-VUL (07) did not contain a Numeric Summary, as required.

The Society violated Section 53-3.3(c) of 11 NYCRR 53 (Insurance Regulation 74) by failing to include a Numeric Summary of the death benefits and values and the annual premium outlay based on guaranteed, median, and current policy cost assumptions and assumed investment rates of return.

The Society admitted that the basic illustration authorized for use in New York for policy form V-VZ-VUL NY (19) did not include a Numeric Summary however the basic illustration provided a Tabular Detail section that reflected guaranteed and current charges using two different hypothetical returns.

The Society closed policy form V-VM-VUL (07) to new sales effective December 2019 when policy form V-VZ-VUL NY (19) was made available for sale. The Society received 281 applications for insurance for policy form V-VM-VUL (07).

The Society proposed the following measures going forward with respect to V-VZ-VUL NY (19) to comply with Section 53-3.3(c) of 11 NYCRR 53 (Insurance Regulation 74). There is no guaranteed crediting rate for form V-VZ-VUL NY (19). As an alternative, the Society will use 0% for the gross return on investment rate, and provide numeric summaries for the contract using maximum, midpoint, and current charges for the items listed in Section 53-3.3(c)(iii)(c) of 11 NYCRR 53 (Insurance Regulation 74). For the midpoint assumptions, the Society will use the average of the current and guaranteed charges for the cost of insurance rates and the mortality and expense charge, along with the assumption for the investment rate.

The examiner recommends that the Society add the disclosure required in Section 53-3.3(a)(12)(ii) of 11 NYCRR 53 (Insurance Regulation 74) that the assumptions on which the non-guaranteed values and benefits are based are subject to change by the Society to the illustrations of policy form V-VZ-VUL NY (19) (point of sale and in-force), if the Society has not already done so.

The examiner recommends that the Society review the basic illustration authorized for use in New York for variable universal life policy form V-VZ-VUL NY (19) to ensure that it complies with Subpart 53-3 of 11 NYCRR 53 (Insurance Regulation 74), to the extent applicable.

2. Universal Life Basic Illustrations

Section 53-3.3(e)(3) of 11 NYCRR 53 (Insurance Regulation 74) states, in part:

“Non-guaranteed elements may be shown if described in the policy. In the case of an illustration for a policy on which the insurer intends to credit terminal dividends, they may be shown if the insurer’s current practice is to pay terminal dividends. If any non-guaranteed elements are shown, they shall be shown at the same durations as the corresponding guaranteed elements, if any. If no guaranteed benefit or value is available at any duration for which a non-guaranteed benefit or value is shown, a zero shall be displayed in the guaranteed column.”

The examiner’s review revealed that in certain instances, the Tabular Detail in the basic illustration contained blank spaces, instead of showing a zero, for policy forms U-UM-UL (07) and U-YM-UL (15).

The Society violated Section 53-3.3(e)(3) of 11 NYCRR 53 (Insurance Regulation 74) by failing to show a zero in the guaranteed column if no guaranteed benefit or value is available at any duration for which a non-guaranteed benefit or value is shown.

The Society updated the basic illustration software to display zeroes (instead of blanks) for all years where no guaranteed benefit or value is available for policy forms U-UM-UL (07) and U-YM-UL (15). The Society implemented these changes in June 2019.

The examiner recommends that the Society perform a self-review of its in-force universal life and variable universal life policy forms, as well as the products currently available for sale, to ensure that in-force illustrations also comply with Section 53-3.3(e)(3) of 11 NYCRR 53 (Insurance Regulation 74).

3. Universal Life and Variable Universal Life In-Force Illustrations

Section 53-3.6(c) of 11 NYCRR 53 (Insurance Regulation 74) states, in part:

“Upon the request of the policyowner, the insurer shall furnish an in-force illustration of current and future benefits and values based on the insurer’s present illustrated scale. This illustration shall comply with the requirements of Sections 53-3.2(a), 53-3.3(a) and 53-3.3(e) of this Subpart. No signature or other acknowledgment of receipt of this illustration shall be required.”

Section 53-3.3(a)(7) of 11 NYCRR 53 (Insurance Regulation 74) states, in part:

“If the illustration shows any non-guaranteed elements, they cannot be based on a scale more favorable to the policyowner than the insurer’s illustrated scale at any duration. These elements shall be clearly labeled non-guaranteed.”

In the in-force illustration for policy form U3-UC-UL-1 NY (97), the Society labels the non-guaranteed elements as “illustrated assumptions”, instead of non-guaranteed, as required.

The Society violated Section 53-3.3(a)(7) of 11 NYCRR 53 (Insurance Regulation 74) by failing to clearly label non-guaranteed elements in the illustration of benefits and values for policy form U3-UC-UL-1 NY (97).

The Society replaced the reference to “illustrated assumptions” with “non-guaranteed assumptions” in the in-force illustration for policy form U3-UC-UL-1 NY (97) effective May 14, 2020.

The examiner recommends that the Society ensure that non-guaranteed elements are clearly labeled in the basic and in-force illustrations for all universal life and variable universal life policy forms that are actively marketed in New York or have policies in-force.

Section 53-3.3(a) of 11 NYCRR 53 (Insurance Regulation 74) states, in part:

“(a) Format. A basic illustration shall conform with the following requirements . . .
(12) Any illustration of non-guaranteed elements shall be accompanied by a statement indicating that:
(i) the benefits and values are not guaranteed;
(ii) the assumptions on which they are based are subject to change by the insurer;
and
(iii) actual results may be more or less favorable.”

The in-force illustration for policy form U3-UC-UL-1 (97) failed to contain a statement indicating that the benefits and values are not guaranteed, the assumptions on which they are based are subject to change by the insurer and that actual results may be more or less favorable.

The Society violated Section 53-3.3(a)(12) of 11 NYCRR 53 (Insurance Regulation 74) by failing to include the required disclosures concerning non-guaranteed elements depicted in the in-force illustration of policy form U3-UC-UL-1 NY (97).

The Society was asked to perform an internal review to identify and determine all other affected universal life and variable universal life policy forms with policies in force where the illustration did not comply with Sections 53-3.3(a)(7) and 53-3.3(a)(12) of 11 NYCRR 53 (Insurance Regulation 74). The Society identified only one (1) additional policy form, W-3-VC-VUL-1 (97), with 48 policies in force, that did not comply with Section 53-3.3(a)(12) of 11 NYCRR 53 (Insurance Regulation 74).

The examiner reviewed the illustration prepared on November 19, 2019 for variable universal life policy form V-VM-VUL (07). The Tabular Detail page depicting the values and benefits based on current (non-guaranteed) assumptions for variable universal life policy form V-VM-VUL (07) omitted the disclosure required in Section 53-3.3(a)(12)(ii) of 11 NYCRR 53 (Insurance Regulation 74) that the assumptions on which the non-guaranteed benefits and values are based are subject to change by the Society. The examiner comments that the disclosures required in Section 53-3.3(a)(12)(i) and (iii) of 11 NYCRR 53 (Insurance Regulation 74) were shown on pages 5 and 8 only, and not all pages containing the Tabular Detail.

The examiner also reviewed an in-force illustration prepared on June 26, 2020 for variable universal life policy form W-3-VC-VUL-1 (97), after the Society implemented corrective action. The Tabular Detail containing the values and benefits using non-guaranteed assumed rates of return and policy cost assumptions start on page 3 of the 11-page illustration. Partial disclosures were displayed at the bottom of the Tabular Detail pages (i.e. pages 3 through 8). However, the phrase required in Section 53-3.3(a)(12)(ii) of 11 NYCRR 53 (Insurance Regulation 74) was omitted from the disclosures located at the bottom of the Tabular Detail pages.

The Society violated Section 53-3.3(a)(12)(ii) of 11 NYCRR 53 (Insurance Regulation 74) by failing to include the required disclosure that the assumptions on which the non-guaranteed values and benefits are based are subject to change by the Society.

The important disclosures concerning the non-guaranteed elements of the policy required by Section 53-3.3(a)(12) of 11 NYCRR 53 (Insurance Regulation 74) should be contained in a basic illustration (point of sale illustration) and in the in-force illustration of the policy proximate to the projection of policy values and benefits on a non-guaranteed basis.

The examiner recommends that the Society identify and correct illustrations for all universal life and variable universal life policy forms so that the basic and in-force illustrations include the disclosures required by Section 53-3.3(a)(12) of 11 NYCRR 53 (Insurance Regulation 74) in entirety and that the placement of such disclosures is proximate to the Tabular Detail page(s) containing or illustrating non-guaranteed elements of the policy.

Section 53-3.2(a)(5) of 11 NYCRR 53 (Insurance Regulation 74) states, in part:

“(a) An illustration used in the sale of a life insurance policy and subject to this Subpart shall satisfy the applicable requirements of this Subpart, be clearly labeled ‘life insurance illustration’ and contain the following basic information. . .
(5) Generic name of policy, the company product name, if different, and form number. . .”

The policy form number shown in the in-force illustration prepared on June 26, 2020 for variable universal life policy form W-3-VC-VUL-1 (97) was incorrect. The policy form number shown in the illustration was V3-YC-VUL-1 (97), not W-3-VC-VUL-1 (97).

The Society violated Section 53-3.2(a)(5) of 11 NYCRR 53 (Insurance Regulation 74) by failing to show the correct policy form number of the policy in in-force illustrations of variable universal life policy form W-3-VC-VUL-1 (97).

In November 2022, the Society advised the Department that a coding error resulted in the wrong policy form number being printed on in-force illustrations. The Society is in the process of fixing the coding error.

As of March 31, 2019, the Society had 48 policies in force under policy form U3-UC-UL-1 NY (97); 48 policies in-force under policy form W-VC-VUL-1 (97); and 178 policies in-force under policy form V-VM-VUL (07).

4. Participating Policies

Section 53-3.2(a)(7) of 11 NYCRR 53 (Insurance Regulation 74) states, in part:

“(a) An illustration used in the sale of a life insurance policy and subject to this Subpart shall satisfy the applicable requirements of this Subpart, be clearly labeled ‘life insurance illustration’ and contain the following basic information . . .

(7) Dividend option election or application of non-guaranteed elements, if applicable.”

The Society identified the following universal and variable universal life policy forms that are participating and contain dividend provisions: 4100NY, 4101NY, 4150NY, 4151NY, U1-AL-1 NY, U2-FT-FPAL3-1, U2-FTFPALJ-1, U3-UC-UL-1 NY (97), U-UM-UL NY (03), U-UP-UL NY (06), U-UP-ULR NY (06), U-UM-UL NY (07), U-YM-UL (15), U-UZ-UL NY (19), U-DZ-UL NY (19), 4213 ROP NY, V-VQ-VUL NY (03), V-VM-VUL (07), and V-VZ-VUL NY (19).

The examiner selected a sample of the illustrated forms with policies in force for review from the 2018 certification and requested that the Society provide an example in-force illustration for policy forms U-UM-UL (07), U-YM-UL (15), 4150NY, 4151NY, U3-UC-UL-1 NY (97), U-UQ-UL NY (03), and U-UP-UL (06). The in-force illustration examples provided for policy forms U-UM-UL (07), U-YM-UL (15), and U3-UC-UL-1 NY (97) included a statement that unless another option is elected, dividends will be applied toward the payment of premium. This statement implies that the actual dividend option elected on the application by the policyholder may not be used for the purposes of the illustration of the policy form, basic or in-force. It is unclear if a generic statement is being used and whether the dividend option elected by each individual applicant is contained in the basic or in-force illustration for these policy forms.

The illustration, basic or in-force, is required to include the dividend option elected by the applicant, regardless of whether or not a dividend is paid or anticipated (how the dividend would be applied, if a dividend were paid) if the policy contains provisions for the participation in surplus.

The in-force illustrations for policy forms 4151NY and 4150NY include the following language:

“The current cost of insurance rates and the current interest rate and dividends are not guaranteed and are declared periodically by the Thrivent Financial for Lutherans Board of Directors.”

The examiner was not able to locate the dividend option election of non-guaranteed elements in the example illustrations provided for these forms, in accordance with Section 53-3.2(a)(7) of 11 NYCRR 53 (Insurance Regulation 74). This disclosure is not contingent upon the actual payment of a dividend. If a policy form is participating, the dividend option elected by the policyholder must be shown in the illustration regardless of whether the Society anticipates that dividends will be credited.

The Society violated Section 53-3.2(a)(7) of 11 NYCRR 53 (Insurance Regulation 74) by failing to include the dividend option in the basic and in-force illustrations of its participating policy forms.

The examiner recommended that the Society modify the illustration software for participating policy forms so that basic and in-force illustrations of all participating policy forms contain the dividend option elected by the policyholder, as required.

As of April 2019, the Society had 21,582 participating policies in-force, excluding policy forms U-UZ-UL NY (19) and U-DZ-UL NY (19).

The Society indicated that it updated its illustration software to add the dividend option elected by the certificate owner for participating policy forms 4150NY and 4151NY effective June 6, 2020. The Society stated that dividend election information is now printed in the Contract Information section on the first page of the in-force illustration for policy forms 4150NY and 4151NY.

The Society has also agreed to take corrective action with respect to the remainder of its affected universal life and variable universal life policy forms by the end of 2023.

5. Annual Reports

Section 4221(a)(7) of the New York Insurance Law states, in part:

“That the company shall deliver . . . and shall mail to each such holder at least once each policy year or within sixty days after the end of a policy year a statement as

of a date during such year as to the death benefit, cash surrender value and loan value under the policy. . . .”

The examiner reviewed an annual report furnished to a New York universal life policyholder in January 2019. The annual report did not specify the maximum amount available to the policyholder as a loan under the policy.

The Society violated Section 4221(a)(7) of the New York Insurance Law by failing to specify the loan value available to the policyholder under the policy in the annual report.

The Society agreed to add the loan value to the annual report for universal life products by June 2019 and for variable universal life products by June 2020.

Section 53-3.6(b) of 11 NYCRR 53 (Insurance Regulation 74) states:

“(b) If the annual report does not include an in-force illustration, it shall contain the following notice displayed prominently: ‘IMPORTANT POLICY OWNER NOTICE: You should consider requesting more detailed information about your policy to understand how it may perform in the future. You should not consider replacement of your policy or make changes in your coverage without requesting a current illustration. You may annually request, without charge, such an illustration by calling [insurer’s phone number], writing to [insurer’s name] at [insurer’s address] or contacting your agent or broker. If you do not receive a current illustration of your policy within 30 days from the date of your request, you should contact your state insurance department.’ The insurer may vary the sequential order of the methods for obtaining an in-force illustration.”

The Important Policy Owner Notice appeared on Page 3 of the 3-page universal life statement. The notice omitted the phrase, “You may annually request, without charge, such an illustration . . .” The Society stated that it did not charge the policyowner for an in-force illustration, unless more than one request was made within 12 months.

The Society violated Section 53-3.6(b) of 11 NYCRR 53 (Insurance Regulation 74) by failing to provide notice to the policyholder that they may annually request an in-force illustration of their policy, without charge.

The examiner recommended that the Society revise the Important Notice in the annual report to align with the notice requirements in Insurance Regulation 74, specifically that the Society add the phrase, “You may annually request, without charge, such an illustration” to this section of the annual report.

The Society updated the Important Notice in the annual report for all universal life policyholders effective June 30, 2019 so that the language is consistent with Section 53-3.6(b) of 11 NYCRR 53 (Insurance Regulation 74) concerning the policyowner's right to annually request, without charge, an illustration of the policy.

As of March 31, 2019, the Society had 21,876 universal life policies and 395 variable universal life policies in force.

5. SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in this report:

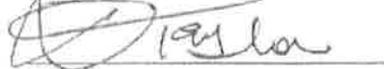
<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Society violated Section 51.1(b) of 11 NYCRR 51 (Insurance Regulation 60, Third Amendment) by failing to disclose the rider charges in the Remarks section of the Disclosure Statement.	12
B	The Society violated Section 51.6(b)(4) of 11 NYCRR 51 (Insurance Regulation 60, Third Amendment) by failing to examine the Disclosure Statements and ascertain that they are accurate and meet the requirements of Insurance Law and regulations.	12
C	The Society violated Section 51.6(b)(8) of 11 NYCRR 51 (Insurance Regulation 60, Third Amendment) by failing to maintain notification of replacement to the insurer that issued the life insurance policy or annuity contract that is to be replaced, indexed by insurance agent and broker in accordance with Part 243 of this Title (Insurance Regulation 152).	12
D	The Society violated Section 51.6(b)(10) of 11 NYCRR 51 (Insurance Regulation 60, Third Amendment) by failing to send the applicant a revised Disclosure Statement when the policy is issued other than as applied for.	13
E	The Society violated Section 243.2(b)(1)(iv) of 11 NYCRR 243 (Insurance Regulation 152) by failing to maintain copies of the Authorization to Disclose forms (Form 512NYF), and the information from replaced insurers that is necessary to complete the Disclosure Statement, so that the examiner could reconstruct the solicitation and underwriting of the policy.	13
F	The Society violated Section 2112(d) of the New York Insurance Law by failing to file notice of the termination for seven certificates of appointment, within thirty days of such termination, with the Superintendent.	14
G	The Society violated Section 2112(d) of the New York Insurance Law by failing to provide the insurance producer, a copy of the statement filed with the superintendent within fifteen days after notification has been sent to the superintendent, and deliver to his, or her last known address by certified mail, return receipt requested, postage prepaid or by overnight delivery using a nationally recognized carrier.	14

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
H	The Society violated Section 3207(b) of the New York Insurance Law by issuing policies on the lives of minors for amounts of life insurance in excess of the limits allowed by law.	15
I	The Society violated Section 243.2(b)(1)(iv) of 11 NYCRR 243 (Insurance Regulation 152) by failing to maintain a copy of the preliminary information, presented to the applicant at the time of sale, in the policy record for each insurance policy or contract for six calendar years after the date the policy is no longer in force or until after the filing of the report on examination in which the record was subject to review, whichever is longer.	16
J	The Society violated Section 3211(b)(2) of the New York Insurance Law by failing to disclose, on the premium notices mailed to policyholders, that unless payment is made on or before the date when due or within the specified grace period thereafter, the policy shall terminate or lapse except as to the right to any cash surrender value or nonforfeiture benefit.	17
K	The examiner recommends that, as a best practice, the required language under Section 3211(b)(2) of the New York Insurance Law should be included on page 1 instead of page 2 of the premium notices.	17
L	The Society violated Section 53-3.3(a)(8) of 11 NYCRR 53 (Insurance Regulation 74) by failing to show the values and benefits using guaranteed maximum policy cost assumptions before the corresponding non-guaranteed values and benefits in the illustration; and by failing to include a reference on the pages of the illustration containing the values and benefits based on current, non-guaranteed assumptions and assumed rates of return to the pages containing the values and benefits using guaranteed maximum policy cost factors and assumed rates of return (i.e. "See page XX for values and benefits using guaranteed maximum policy charges and cost assumptions").	18
M	The examiner recommends that the Society revise its illustration software for new business and in-force variable universal life illustrations so that the Tabular Detail containing values and benefits using a 0% gross investment rate of return and guaranteed maximum policy costs are presented before the Tabular Detail showing the values and benefits using higher assumed investment rates of return and current (non-guaranteed) policy cost assumptions.	18

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
N	The examiner recommends that the Society revise its illustration software for new business and in-force variable universal life illustrations where the tables of benefits and values using different assumed rates of return and policy cost assumptions are shown on separate pages to specifically refer to the page(s) of the illustration containing values based on guaranteed maximum policy cost factors (i.e. “see page XX for guaranteed policy cost factors”).	18
O	The Society violated Section 53-3.3(c) of 11 NYCRR 53 (Insurance Regulation 74) by failing to include a Numeric Summary of the death benefits and values and the annual premium outlay based on guaranteed, median, and current policy cost assumptions and assumed investment rates of return.	19
P	The examiner recommends that the Society add the disclosure required in Section 53-3.3(a)(12)(ii) of 11 NYCRR 53 (Insurance Regulation 74) that the assumptions on which the non-guaranteed values and benefits are based are subject to change by the Society to the illustrations of policy form V-VZ-VUL NY (19) (point of sale and in-force), if the Society has not already done so.	20
Q	The examiner recommends that the Society review the basic illustration authorized for use in New York for variable universal life policy form V-VZ-VUL NY (19) to ensure that it complies with Subpart 53-3 of 11 NYCRR 53 (Insurance Regulation 74), to the extent applicable.	20
R	The Society violated Section 53-3.3(e)(3) of 11 NYCRR 53 (Insurance Regulation 74) by failing to show a zero in the guaranteed column if no guaranteed benefit or value is available at any duration for which a non-guaranteed benefit or value is shown.	21
S	The examiner recommends that the Society perform a self-review of its in-force universal life and variable universal life policy forms, as well as the products currently available for sale, to ensure that in-force illustrations also comply with Section 53-3.3(e)(3) of 11 NYCRR 53 (Insurance Regulation 74).	21
T	The Society violated Section 53-3.3(a)(7) of 11 NYCRR 53 (Insurance Regulation 74) by failing to clearly label non-guaranteed elements in the illustration of benefits and values for policy form U3-UC-UL-1 NY (97).	21

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
U	The examiner recommends that the Society ensure that non-guaranteed elements are clearly labeled in the basic and in-force illustrations for all universal life and variable universal life policy forms that are actively marketed in New York or have policies in-force.	22
V	The Society violated Section 53-3.3(a)(12) of 11 NYCRR 53 (Insurance Regulation 74) by failing to include the required disclosures concerning non-guaranteed elements depicted in the in-force illustration of policy form U3-UC-UL-1 NY (97).	22
W	The Society violated Section 53-3.3(a)(12)(ii) of 11 NYCRR 53 (Insurance Regulation 74) by failing to include the required disclosure that the assumptions on which the non-guaranteed values and benefits are based are subject to change by the Society.	23
X	The examiner recommends that the Society identify and correct illustrations for all universal life and variable universal life policy forms so that the basic and in-force illustrations include the disclosures required by Section 53-3.3(a)(12) of 11 NYCRR 53 (Insurance Regulation 74) in entirety and that the placement of such disclosures is proximate to the Tabular Detail page(s) containing or illustrating non-guaranteed elements of the policy.	23
Y	The Society violated Section 53-3.2(a)(5) of 11 NYCRR 53 (Insurance Regulation 74) by failing to show the correct policy form number of the policy in in-force illustrations of variable universal life policy form W-3-VC-VUL-1 (97).	23
Z	The Society violated Section 53-3.2(a)(7) of 11 NYCRR 53 (Insurance Regulation 74) by failing to include the dividend option in the basic and in-force illustrations of its participating policy forms.	25
AA	The Society violated Section 4221(a)(7) of the New York Insurance Law by failing to specify the loan value available to the policyholder under the policy in the annual report.	26
BB	The Society violated Section 53-3.6(b) of 11 NYCRR 53 (Insurance Regulation 74) by failing to provide notice to the policyholder that they may annually request an in-force illustration of their policy, without charge.	26

Respectfully submitted,



Donna Taylor
Senior Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Donna Taylor, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.



Donna Taylor

Subscribed and sworn to before me

this 29th day of March, 2023



AUDREY HALL
Notary Public, State of New York
No. 01HA6274900
Qualified in Kings County
Commission Expires January 28, 2025

Respectfully submitted,

/s/

Christine Mavour
Associate Insurance Examiner

STATE OF NEW YORK)
) SS:
COUNTY OF NEW YORK)

Christine Mavour, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

/s/

Christine Mavour

Subscribed and sworn to before me

this _____ day of _____

APPOINTMENT NO. 32060

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, LINDA A. LACEWELL, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

DONNA TAYLOR

as a proper person to examine the affairs of the

THRIVENT FINANCIAL FOR LUTHERANS

and to make a report to me in writing of the condition of said

COMPANY

with such other information as she shall deem requisite.

*In Witness Whereof, I have hereunto subscribed my name
and affixed the official Seal of the Department
at the City of New York*

this 31st day of March 2020

*LINDA A. LACEWELL
Superintendent of Financial Services*

By:

mark mcleod

*MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU*

