



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
MARKET CONDUCT REPORT ON EXAMINATION
OF THE
CONNECTICUT GENERAL LIFE INSURANCE COMPANY

CONDITION:

JUNE 30, 2016

DATE OF REPORT:

SEPTEMBER 1, 2017

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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EXAMINER:

KINGS ANKRAH

TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE NO.</u>
1. Executive summary	2
2. Scope of examination	3
3. Description of Company	4
A. History	4
B. Territory and plan of operation	4
4. Market conduct activities	7
A. Advertising and sales activities	7
B. Underwriting and policy forms	10
C. Treatment of policyholders	11
5. Summary and conclusions	14



NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Linda A. Lacewell
Superintendent

February 28, 2019

Honorable Linda A. Lacewell
Acting Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31666, dated August 30, 2017, and annexed hereto, an examination has been made into the affairs of Connecticut General Life Insurance Company, hereinafter referred to as “the Company,” at its home office located at 900 Cottage Grove Road, Bloomfield, CT 06002.

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 Company violated several sections of 11 NYCRR 53 (Insurance Regulation No. 74), by failing to: (1) ensure that the illustration was signed and dated by the applicant; (2) include a statement that the agent or other authorized representative of the insurer signed a statement certifying that an illustration was presented to the applicant and that the agent or the representative explained to the applicant that any non-guaranteed elements illustrated are subject to change; (3) number each page in the illustration to show the relationship between each page and the total number of pages in the illustration; (4) include the business address of the agent or insurer's authorized representative in the illustration; (5) use the approved policy form number in its policy illustration; instead, it used a generic national form number; (6) clearly disclose that a charge may continue to be required and that, depending on actual results, the premium payer may be required to continue or resume premium outlays in its policy illustration; (7) provide a copy of the signed illustration to the applicant on or before the date that the application was taken, and; (8) show in the narrative of the basic illustration the premium outlay that must be paid to guarantee coverage for the term of the contract, subject to maximum premiums allowable to qualify as a life insurance policy under the applicable provisions of the Internal Revenue Code. (See item 4A of this report.)
- The Company violated Section 3211(b)(2) of the New York Insurance Law by failing to include the required language in the premium due notice it utilized. (See item 4C-2 of this report.)

2. SCOPE OF EXAMINATION

This examination covers the period from January 1, 2010, through June 30, 2016. As necessary, the examiner reviewed matters occurring subsequent to June 30, 2016, but prior to the date of this report (i.e., the completion date of the examination).

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 COMPANY

A. History

The Company was incorporated as a stock life insurance company under a charter granted by the General Assembly of the State of Connecticut and commenced business on October 1, 1865. The Company was licensed in New York on August 29, 1866. On December 19, 1967, the Company became a wholly owned subsidiary of the Connecticut General Insurance Corporation (“CGIC”), a Connecticut insurance holding company chartered in 1967. In July 1981, CGIC changed its name to Connecticut General Corporation (“CGC”).

On November 6, 1981, the respective boards of directors of CGC and INA Corporation (“INA”), an insurance holding company, approved a plan of merger. The merger was consummated on March 31, 1982, with the creation of CIGNA Corporation (“CIGNA”) as the ultimate parent company of CGC and INA. CIGNA Holdings, Inc. (“CIGNA Holdings”), a Delaware holding company, was established on November 3, 1982. On October 1, 1983, CGC became a direct subsidiary of CIGNA Holdings, which, in turn, is wholly owned by CIGNA, a Delaware corporation and the ultimate parent company. This is the Company’s first statutory examination by the Department.

B. Territory and Plan of Operation

The Company 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 Company is licensed to transact business in all 50 states, the District of Columbia, the United States territories of Puerto Rico and the U.S. Virgin Islands, and the foreign country, Canada. In 2016, 8% of life premiums, 68% of annuity considerations, and 68% of deposit-type funds were received from New York. Policies are written on a non-participating basis.

The following tables show the percentage of direct premiums received, by state, and by major lines of business for the year 2016:

<u>Life Insurance Premiums</u>		<u>Annuity Considerations</u>	
Texas	19.9%	New York	67.7%
New York	8.3	New Jersey	16.0
California	7.7	Illinois	6.9
Pennsylvania	<u>6.2</u>	California	<u>6.0</u>
Subtotal	42.1%	Subtotal	96.6%
All others	<u>57.9</u>	All others	<u>3.4</u>
Total	<u>100.0%</u>	Total	<u>100.0%</u>

<u>Accident and Health Insurance Premiums</u>		<u>Deposit Type Funds</u>	
Florida	52.4%	New York	68.0%
Texas	22.5	Connecticut	13.5
Washington	<u>6.0</u>	Florida	<u>5.5</u>
Subtotal	80.9%	Subtotal	87.0%
All others	<u>19.1</u>	All others	<u>13.0</u>
Total	<u>100.0%</u>	Total	<u>100.0%</u>

The Company and its subsidiaries are major providers of health care and related benefits in the United States, the majority of which are offered through employers and other groups. The principal products sold during the examination period are group life and individual accident and health insurance. In addition, the Company has international operations that offer products to businesses and individuals in select markets. The Company has certain run-off operations, including individual life insurance, group retirement, and reinsurance.

The Company sells its individual accident and health products through three primary distribution channels for its employer size-based market segments: (1) the National Accounts Segment (“NAS”), (2) Regional Segment (“RS”), and (3) Select Segment (“SS”).

The NAS is the Company’s primary distribution channel for employers with 5,000 or more employees, and it comprises independent consultants retained by the employer to provide advisory services. The RS covers groups between 250 to 5,000 employees and distributes the Company’s

products through independent agents and brokers. The SS covers employers with 50 to 250 employees and distributes the Company's products through independent agents and brokers.

The Company's life products are offered through internal sales representatives, external agents, brokers, consultants, and managing general underwriters.

4. MARKET CONDUCT ACTIVITIES

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

A. Advertising and Sales Activities

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

1. Section 53-3.5(a) of Regulation 74 states, in part:

“If a basic illustration is used by an insurance producer or other authorized representative of the insurer in the sale of a life insurance policy and the policy is applied for as illustrated, a copy of that illustration, signed in accordance with this Subpart, shall be submitted to the insurer at the time of policy application. A copy also shall be provided to the applicant. . . .”

The Company certified that it markets its corporate owned life insurance policy form number LN502 NY, a flexible premium adjustable life insurance policy, with an illustration. The examiner reviewed 28 flexible premium adjustable life policies that were issued during the examination period and noted the following:

- i. In 7 of the 28 policies reviewed (25%), the applicant signed the illustration after the date that the enrollment form was signed.
- ii. In 5 of the 28 policies reviewed (18%), the illustration was not signed and dated by the applicant.
- iii. In 10 of the 28 policies reviewed (36%), the illustration was not signed and dated by the agent or the insurance producer.

The Company violated Section 53-3.5(a) of 11 NYCRR 53 (Insurance Regulation 74) by failing to provide a copy of the signed illustration to the applicant on or before the date that the application was taken.

2. Section 53-3.2(a) of Regulation 74 states, in part:

“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: . . .

(2) Name and business address of producer or insurer's authorized representative, if any; . . .

(5) Generic name of policy, the company product name, if different, and form number; . . .”

In all 28 policies reviewed, the illustration did not contain the name and business address of the producer or insurer’s authorized representative. The examiner also noted instances where the person presenting the illustration was different from the agent that signed the illustration.

The Company violated Section 53-3.2(a)(2) of 11 NYCRR 53 (Insurance Regulation 74) by failing to include the producing agent’s name and business address on the illustration.

In all 28 policies reviewed, the illustration contained a generic national form number, “LN502_88 and state variations thereof,” rather than the New York approved policy form number, LN502 NY Rev.1/09.

The Company violated Section 53-3.2(a)(5) of 11 NYCRR 53 (Insurance Regulation 74) by referring to a generic national form number in its basic illustration instead of the policy form number approved by the Superintendent.

3. Section 53-3.3 of Regulation 74 states, in part:

“(a) Format. A basic illustration shall conform with the following requirements: . . .

(2) Each page . . . shall be numbered and show its relationship to the total number of pages in the illustration (e.g., the fourth page of a seven-page illustration shall be labeled ‘page 4 of 7 pages’). . . .

(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.

(13) If the illustration shows that the premium payer may have the option to allow policy charges to be paid using non-guaranteed values, the illustration must clearly disclose that a charge continues to be required and that, depending on actual results, the premium payer may need to continue or resume premium outlays. Similar disclosure shall be made for premium outlay of lesser amounts or shorter durations than the contract premium. If a contract premium is due, the premium outlay display

shall not be left blank or show zero unless accompanied by an asterisk or similar mark to draw attention to the fact that the policy is not paid up. . . .

(b) Narrative summary. A basic illustration shall include the following: . . .

(2) a brief description of the premium outlay or contract premium, as applicable, for the policy. For a policy that does not require payment of a specific contract premium, the illustration shall show the premium outlay that must be paid to guarantee coverage for the term of the contract, subject to maximum premiums allowable to qualify as a life insurance policy under the applicable provisions of the Internal Revenue Code; . . .

(d) Statements. Statements substantially similar to the following shall be included on the same page as the numeric summary and signed by the applicant, or the policyowner . . .

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

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

The examiner’s review of policy illustrations used by the Company with universal life policies issued during the examination period revealed the following deficiencies:

In 5 out of 28 instances (18%), the applicant did not sign the policy illustration, which contains a statement that the applicant received a copy of the illustration and that he or she understood that any non-guaranteed elements illustrated are subject to change. Furthermore, the agent or other authorized representative of the insurer did not sign the statement certifying that an illustration was presented to the applicant and that the agent or the representative explained to the applicant that any non-guaranteed elements illustrated are subject to change.

The Company violated Section 53-3.3(d)(1) of 11 NYCRR 53 (Insurance Regulation 74) by failing to ensure that the illustration was signed and dated by the applicant.

The Company also violated Section 53-3.3(d)(2) of 11 NYCRR 53 (Insurance Regulation 74) by failing to ensure that the agent or other authorized representative of the insurer signed a statement certifying that an illustration was presented to the applicant and that the agent or the representative explained to the applicant that any non-guaranteed elements illustrated are subject to change.

All 28 policy illustrations reviewed contained an error in page numbering. Each page showed “Page [X] of Page 1.” As a result, the pages of the illustration were not numbered in a manner that show each page’s relationship to the total number of pages in the illustration.

The Company violated Section 53-3.3(a)(2) of 11 NYCRR 53 (Insurance Regulation 74) by failing to number pages in a manner that shows each page’s relationship to the total number of pages in the illustration.

All 28 policy illustrations reviewed did not clearly disclose that a charge continues to be required and that, depending on actual results, the premium payer may need to continue or resume premium outlays.

The Company violated Section 53-3.3(a)(13) of 11 NYCRR 53 (Insurance Regulation 74) by failing to clearly disclose that a charge continues to be required and that, depending on actual results, the policyholder may need to continue or resume premium outlays.

All 28 policy illustrations reviewed failed to state the premium outlay that must be paid to guarantee coverage for the term of the contract, subject to maximum premiums allowable to qualify as a life insurance policy under the applicable provisions of the Internal Revenue Code.

The Company violated Section 53-3.3(b)(2) of 11 NYCRR 53 (Insurance Regulation 74) by failing to show in the narrative summary of the basic illustration the premium outlay that must be paid to guarantee coverage for the term of the contract, subject to maximum premiums allowable to qualify as a life insurance policy under the applicable provisions of the Internal Revenue Code.

B. Underwriting and Policy Forms

The examiner reviewed a sample of new underwriting files, both issued and declined, and the applicable policy forms.

Section 3201(b)(1) of the New York Insurance Law states, in part:

“No policy form shall be delivered or issued for delivery in this state unless it has been filed with and approved by the superintendent . . .”

In 15 out of 28 corporate universal life insurance policies reviewed (54%), the Company used enrollment form number B10178 to issue these policies. The Company claimed that policy form number B10178 was approved in 1994 but could not provide proof of the form’s approval.

The Department has no record that policy form number B10178 was approved, and the Company continued to use the form after its replacement by policy form number B20004 NY in 2003.

The Company violated Section 3201(b)(1) of the New York Insurance Law by failing to provide proof of form number B10178's approval and by continuing to use the form after it had been replaced by form number B20004 NY.

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims, surrenders, expiries, maturities 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.

1. Section 403(d) of the New York Insurance Law states, in part:

“All applications for commercial insurance, individual, group or blanket accident and health insurance and all claim forms . . . shall contain a notice in a form approved by the superintendent that clearly states in substance the following:
‘Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand and the stated value of the claim for each such violation.’ ”

Section 86.4 of Regulation 95 states, in part:

“(a) . . . all claim forms for insurance . . . provided to any person residing or located in this State in connection with insurance policies for issuance or issuance for delivery in this State, shall contain the following statement:

‘Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand and the stated value of the claim for each such violation.’ . . .

(d) Location of warning statements and type size. The warning statements . . . shall be placed immediately above the space provided for the signature of the person executing the application or claim form and shall be printed in type which will produce a warning statement of conspicuous size.

(e) . . . insurers may use substantially similar warning statements provided such warning statements are submitted to the Criminal Investigation Unit for prior approval.”

The Company's death claim processing procedures allow for "fast track determination" for claims of \$25,000 or less. For claims that qualify for fast track determination, the Company does not require the claimant to complete a claim form. When the Company processed claims under the expedited fast track determination procedures, the Company failed to recite or communicate the required fraud warning statement to the claimant. The Company processed 1,109 claims using the expedited claims procedures during the examination period.

The Company violated Section 403(d) of the New York Insurance Law by failing to communicate the required fraud warning statement to the claimant.

The examiner recommends that the Company implement a procedure to convey the fraud warning statement to the claimant and to provide assurance to the Department that the claimant has been made aware of the required fraud warning statement at the time the claim is taken by the Company.

In addition, the examiner reviewed 11 death claims, of which one was a resisted claim, that were not processed using the expedited procedures. All 11 claim forms utilized by the Company did not contain an accurate and complete fraud warning statement placed immediately above the space provided for the signature of the person executing the claim form.

The Company violated Sections 86.4(a), 86.4(d) and 86.4(e) of 11 NYCRR 86 (Insurance Regulation 95) by using language that differed from the statutorily required fraud warning statement without obtaining prior approval from the Criminal Investigation Unit and by failing to place the fraud warning statement immediately above the signature of the person executing the claim form.

2. 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, . . . , 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, for scheduled premium policies, a notice shall have been duly mailed . . . prior to the day when such payment becomes due, or for life insurance policies in which the amount and frequency of premiums may vary, . . . after the day when the insurer determines that the net cash surrender value under the policy is insufficient to pay the total charges that are necessary to keep the policy in force. . . .

- (b) The notice required by paragraph one of subsection (a) hereof shall:
- (1) be duly mailed to the last known address of the policyowner, or if any other person shall have been designated in writing to receive such notice, then to such other person;
 - (2) . . . 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. . . .”

In 11 out of 11 universal life policies (100%) administered by the Company and in 42 out of 58 universal life policies (76.4%) administered by Lincoln Life & Annuity Company of New York, the premium notice did not include the required language 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 Company violated Section 3211(b)(2) of the New York Insurance Law by failing to include the required language in the premium due notice it utilized.

The examiner recommends that the Company conduct a study to identify insureds who died within one year of the lapse of their policy and who received premium notices that failed to comply with Section 3211 of the New York Insurance Law. The study should include a cross-check through the Social Security Administration death master file.

The examiner also recommends that the Company pay the appropriate beneficiary or beneficiaries the total death benefit due under the policies where death occurred within one year of policy lapse processing.

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 Company violated Section 53-3.5(a) of 11 NYCRR 53 (Insurance Regulation 74) by failing to provide a copy of the signed illustration to the applicant on or before the date that the application was taken.	7
B	The Company violated Section 53-3.2(a)(2) of 11 NYCRR 53 (Insurance Regulation 74) by failing to include the producing agent's name and business address on the illustration.	8
C	The Company violated Section 53-3.2(a)(5) of 11 NYCRR 53 (Insurance Regulation 74) by referring to a generic national form number in its basic illustration instead of the policy form number approved by the Superintendent.	8
D	The Company violated Section 53-3.3(d)(1) of 11 NYCRR 53 (Insurance Regulation 74) by failing to ensure that the illustration was signed and dated by the applicant.	9
E	The Company violated Section 53-3.3(d)(2) of 11 NYCRR 53 (Insurance Regulation 74) by failing to ensure that the agent or other authorized representative of the insurer signed a statement certifying that an illustration was presented to the applicant and that the agent or the representative explained to the applicant that any non-guaranteed elements illustrated are subject to change.	9
F	The Company violated Section 53-3.3(a)(2) of 11 NYCRR 53 (Insurance Regulation 74) by failing to number pages in a manner that shows each page's relationship to the total number of pages in the illustration.	10
G	The Company violated Section 53-3.3(a)(13) of 11 NYCRR 53 (Insurance Regulation 74) by failing to clearly disclose that a charge continues to be required and that, depending on actual results, the policyholder may need to continue or resume premium outlays.	10
H	The Company violated Section 53-3.3(b)(2) of 11 NYCRR 53 (Insurance Regulation 74) by failing to show in the narrative summary of the basic illustration the premium outlay that must be paid to guarantee coverage for the term of the contract, subject to maximum premiums allowable to qualify as a life insurance policy under the applicable provisions of the Internal Revenue Code.	10

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
I	The Company violated Section 3201(b)(1) of the New York Insurance Law by failing to provide proof of form number B10178's approval and by continuing to use the form after it had been replaced by form number B20004 NY.	11
J	The Company violated Section 403(d) of the New York Insurance Law by failing to communicate the required fraud warning statement to the claimant.	12
K	The examiner recommends that the Company implement a procedure to convey the fraud warning statement to the claimant and to provide assurance to the Department that the claimant has been made aware of the required fraud warning statement at the time the claim is taken by the Company.	12
L	The Company violated Sections 86.4(a), 86.4(d) and 86.4(e) of 11 NYCRR 86 (Insurance Regulation 95) by using language that differed from the statutorily required fraud warning statement without obtaining prior approval from the Criminal Investigation Unit and by failing to place the fraud warning statement immediately above the signature of the person executing the claim form.	12
M	The Company violated Section 3211(b)(2) of the New York Insurance Law by failing to include the required language in the premium due notice it utilized.	13
N	The examiner recommends that the Company conduct a study to identify insureds who died within one year of their policy lapse and who received premium notices that failed to comply with Section 3211 of the New York Insurance Law. The study should include a cross-check through the Social Security Administration death master file.	13
O	The examiner also recommends that the Company pay the appropriate beneficiary or beneficiaries the total death benefit due under the policies where death occurred within one year of policy lapse processing.	13

Respectfully submitted,

_____/s/
Kings Ankrah
Senior Insurance Examiner

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

Kings Ankrah, being duly sworn, deposes and says that the foregoing report, subscribed by him,
is true to the best of his knowledge and belief.

_____/s/
Kings Ankrah

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 31666

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, MARJA T. VULLO, 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:

KINGSANKRAH

as a proper person to examine the affairs of the

CONNECTICUT GENERAL LIFE INSURANCE COMPANY

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

COMPANY

with such other information as he 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 30th day of August, 2017

MARIA T VULLO
Superintendent of Financial Services

By:

 DW l/q
MARK MCLEOD
DEPUTY CHIEF - LIFE BURBA U

