

M. GALE LEMMON #4363
Assistant Attorney General
JOHN E. SWALLOW #5802
Attorney General
Attorneys for Utah Insurance Department
160 East 300 South, Fifth Floor
P.O. Bos 147840
Salt Lake City, Utah 84114-0874
Telephone: 801-366-0375

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UTAH STATE
INSURANCE DEPT.

**BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF UTAH**

<p>COMPLAINANT:</p> <p>UTAH INSURANCE DEPARTMENT</p> <p>RESPONDENT:</p> <p>PHYSICIANS LIFE INSURANCE COMPANY 2600 Dodge Street Omaha, NE 68131-2671 NAIC ID # 72125 Company ID # 628</p>	<p>STIPULATION AND ORDER</p> <p>Docket No. 2013-004 LF</p> <p>Enf. Case No. 3243</p>
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STIPULATION

1. Respondent, Physicians Life Insurance Company is an insurer domiciled in the State of Nebraska and authorized to do business in the State of Utah, Utah Company Identification No. 682.
2. Respondent stipulates with the Complainant, Utah Insurance Department, as follows:
 - a. If a hearing were held, witnesses called by the Complainant could offer and introduce evidence that would support the Findings of Fact herein;

- b. Respondent admits the Findings of fact and Conclusions made therefrom;
- c. Respondent stipulates to the summary entry of the Order herein which shall be in lieu of other administrative proceedings by Complainant in this matter; and
- d. Respondent and Complainant have negotiated the terms of the Order entered herein and Respondent agrees to its entry and further agrees to be bound by all its terms.


3. Respondent is aware of its right to a hearing at which it may be represented by counsel, present evidence, and cross-examine witnesses. Respondent has irrevocably waived its right to such hearing and to any appeal related thereto.

4. Respondent admits the jurisdiction of the State of Utah Insurance Commissioner as to all matters herein.

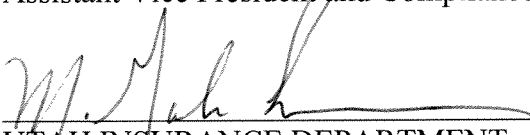
5. Respondent is acting herein free from any duress or coercion of any kind or nature, having been advised fully as to its rights set forth herein.

6. Respondent acknowledges that the issuance of this Order by the Commissioner is solely for purpose of disposition of the matter entitled herein.

DATED this 31st day of January, 2013.



PHYSICIANS LIFE INSURANCE COMPANY.
David P. Woods
Assistant Vice President and Compliance Officer



UTAH INSURANCE DEPARTMENT
M. Gale Lemmon
Assistant Attorney General

Based upon the foregoing Stipulation and information in the file, the Presiding Officer makes the following Findings of Fact:

FINDINGS OF FACT

1. Respondent Physicians Life Insurance Company is an insurer authorized to do business in the State of Utah.
2. In March 2006, Respondent issued annuity contract form AP112AB/AP113AB to five Utah residents who were members of the Michael Miner family. The contract is a flexible premium deferred annuity that offers interest credits tied to the performance of an equity index (S&P 500).
3. Upon review by the Department actuary, it was determined that the language in the contract referring to the cash surrender benefits available before maturity and the cash surrender benefits available at maturity do not comply with the Utah Standard Nonforfeiture Law for Individual Deferred Annuities under Utah Code Annotated Section 31A-22-409(8) and (10).
4. Subsection 31A-22-409(8) requires that the cash surrender values available prior to the maturity date gradually approach maturity value. The cash surrender values provided by the contract do not smoothly grade to the maturity value. Additionally, contrary to Subsection 31A-22-409(10), which requires that at and past the maturity date the cash surrender value be equal to the value used to determine annuity payments, the contract provides for a cash surrender value that may be substantially lower than the value used to determine the annuity benefits.
4. Upon further investigation, it was determined that a net total of 282 annuity contract forms AP112AB/AP113AB were issued to Utah residents after May 6, 2002, the date Utah changed the Utah Standard Nonforfeiture Law to limit surrender charges and surrender charge periods. Of the 282 non-compliant contracts, 155 are still active and 127 have been surrendered.

5. On November 16, the Respondent agreed to an administrative forfeiture of \$2,500.00. Respondent also agreed to a remediation plan requiring that Respondent file the proper endorsements to accommodate changes to contract language for policies that are currently in force and begin the process of remediation for those contracts that have been surrendered.

6. Respondent will pay a total of \$208,202.30 to the 127 surrendered contract holders, which represents the deficit in their cash surrender value when they surrendered their annuities. Respondent will increase the cash surrender value of the 155 active contracts by \$910,252.68.

7. Respondent has drafted the proper endorsements and submitted them to the Department for review prior to filing. Department personnel have reviewed the endorsements and they appear to be acceptable to the Department. The current contract holders will receive a new annual statement reflecting the revised cash surrender values at maturity.

Based upon the foregoing Stipulation and Findings of Fact, the Presiding Officer enters the following Conclusions of Law:

CONCLUSIONS OF LAW

1. Utah Code Annotated Section 31A-22-409 subsections 8 and 10 are the relevant provisions and provide:

(1) This section is known as the "Standard Nonforfeiture Law for Individual Deferred Annuities."

(8) (a) For a contract that provides cash surrender benefits, the cash surrender benefits available before maturity may not be less than the present value as of the date of surrender of that portion of the cash surrender value that would be provided under the contract at maturity arising from considerations paid before the time of cash surrender:

(b) For purposes of this Subsection (8), the present value is to be calculated on the basis of an interest rate not more than 1% higher than the interest rate specified in

the contract for accumulating the net considerations to determine the maturity value.

(c) In no event shall a cash surrender benefit be less than the minimum nonforfeiture amount at that time.

(d) The death benefit under a contract described in Subsection (8)(a) shall be at least equal to the cash surrender benefit.

(10) (a) For the purpose of determining the benefits calculated under Subsections (8) and (9), the maturity date shall be considered to be:

(I) in the case of an annuity contract issued on or before May 5, 2002, under which an election may be made to have an annuity payment commence at an optional maturity date, the latest date for which an election is permitted by the contract, except that it may not be considered to be later than the later of:

(A) the anniversary of the contract next following the day on which the annuitant becomes 70 years of age; or

(B) the tenth anniversary of the contract; or

(ii) in the case of an annuity contract issued on or after May 6, 2002, the latest date permitted by the contract, except that it may not be considered to be later than the later of:

(A) the anniversary of the contract next following the day on which the annuitant becomes 70 years of age; or

(B) the tenth anniversary of the contract.

(b) In the case of an annuity contract issued on or after May 6, 2002:

(I) for a contract that provides cash surrender benefits, the cash surrender value on or past the maturity date shall be equal to the amount used to determine the annuity benefit payments; and

(ii) a surrender charge may not be imposed on or past maturity.

3. Respondent violated the above statutory provisions in its pre-maturity cash surrender values did not smoothly grade to the maturity value. In addition the contract form provided for cash surrender value at or past the maturity date that might have been substantially lower than the value used to determine the annuity benefits.

4. An administrative forfeiture in the amount of \$2,500.00 and the remediation actions described above and already proceeding are appropriate in this matter.

Based upon the foregoing Stipulation, Findings of Fact and Conclusions of Law, the Presiding Officer herewith enters the following Order:

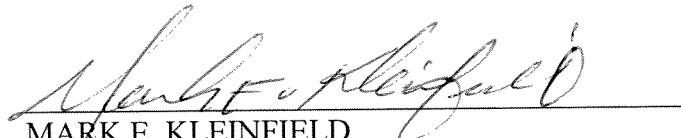
ORDER

IT IS HEREBY ORDERED:

Respondent Physicians Life Insurance Company is assessed a forfeiture of \$2,500.00 to be paid to the Department within 30 days of issuance of this Order. Respondent is further ordered to complete the remediation actions as outlined herein.

DATED this 7th day of February, 20 .

TODD E. KISER
Insurance Commissioner


MARK E. KLEINFELD
Administrative Law Judge
Utah Insurance Department
State Office Building, Room 3110
Salt Lake City, Utah 84114
Telephone: (801) 538-3800

NOTIFICATION

You are hereby notified that a failure to obey an Order of the Commissioner may subject you to further penalties, including forfeiture of up to \$5,000 per violation and the suspension or revocation of your license and the filing of an action in district court, which may impose forfeitures of up to \$10,000 per day for continued violation.

You are further notified that other jurisdictions in which you may be licensed may require that you report this action to them.