

STATE OF UTAH INSURANCE DEPARTMENT  
REPORT OF MARKET CONDUCT EXAMINATION  
of

**BENEFICIAL LIFE INSURANCE COMPANY**

36 South State Street  
Salt Lake City, Utah 84136-0001  
NAIC Company Code Number: 61395

as of  
August 31, 2001

(Filed December 31, 2002)

**TABLE OF CONTENTS**

<b>SUBJECT</b>	<b>PAGE</b>
SALUTATION	2
FOREWORD	3
SCOPE OF EXAMINATION	3
EXECUTIVE SUMMARY	3
EXAMINATION FINDINGS	4
Issued Policies/Policy Forms	4
Decreased Face Amount Policies	4
Surrendered Policies	4
SUMMARY	5
ACKNOWLEDGMENT	6

November 27, 2002

The Honorable Merwin U. Stewart  
Insurance Commissioner  
Utah Insurance Department  
State Office Building, Room 3110  
Salt Lake City, Utah 84114

In accordance with your instructions, a limited examination has been made of the market conduct practices of

BENEFICIAL LIFE INSURANCE COMPANY  
Salt Lake City, Utah

a domestic stock life insurance company, hereinafter referred to as the Company, as of August 31, 2001. The report of such examination is herein respectfully submitted.

## **FOREWORD**

The market conduct examination report is, in general, a report by exception. Reference to the Company's practices, procedures, or files subject to review may be omitted if no improprieties are encountered by the examiners.

## **SCOPE OF EXAMINATION**

This limited scope target examination was conducted by examiners representing the Utah Insurance Department in accordance with the Model Market Conduct Examination Handbook of the National Association of Insurance Commissioners and Utah Code Annotated (U.C.A.) 31A-2, Administrations of the Insurance Laws. The period covered by the examination was January 1, 2000 to August 31, 2001.

The purpose of the examination was to determine the Company's compliance with the Utah Insurance Code (U.C.A. 31A), and Rules promulgated by the Utah Insurance Department as contained in the Utah Administrative Code (U.A.C.) applicable to U.C.A. 31A, as pertains to the Company's underwriting and policyholder service practices in the individual life insurance market, and to determine if the Company's operations in these areas were consistent with public interest.

## **EXECUTIVE SUMMARY**

The examiners reviewed new business issued by the Company, policies with face amounts that had been decreased, and policies that had been surrendered during the examination period, along with applicable policy forms, all of which pertain to the underwriting and policyholder service practices of the Company. The following discrepancies were noted as a result of that review.

In four (4) cases, the form filings maintained by the Company and provided to the examiners for review were inaccurate or incomplete in that they varied from the latest filing of those forms located at the Utah Insurance Department. In six (6) cases, the Company's forms used in the production of newly issued business varied from the forms filed by the Company with the Utah Insurance Department. Additionally, the Company was unable to provide the examiners with all of the requested records. Specifically, in two (2) cases the Company could not provide the surrender application documents requested. In one (1) additional case in which the surrender documents were provided to the examiners, there was no documentation as to the surrender request date or of the date the surrender application was received from the policyholder.

These discrepancies were determined to be in violation of Utah insurance laws. The examiner's recommendations for correcting the discrepancies are provided in the Summarization section located at the end of this report.

## EXAMINATION FINDINGS

### Issued Policies/Policy Forms:

The examiners reviewed underwriting files of (50) fifty randomly selected samples of individual life insurance and annuity policies issued during the examination period. No discrepancies were noted with regard to the issuance of the newly issued policies. However, the examiners also requested for review a copy of the form filings for all individual policy forms used in Utah during that period, including the filed forms pertaining to the selected samples of recently issued policies, in order to review policy language and to determine compliance with form filing requirements. Additionally, the examiners requested specimens of the Company's policy contract forms used in the production of newly issued business, in order to compare the forms used in production with the Company's filed forms. The Company provided the requested forms for thirty-eight (38) different products used during the examination period.

In four (4) of the thirty-eight (38) form filings cases reviewed, the form filings maintained by the Company and provided to the examiners were inaccurate or incomplete in that they varied from the latest filing of those forms located at the Utah Insurance Department. Providing inaccurate or incomplete information to the examiner is a violation of U.C.A. Subsection 31A-2-202(6).

In six (6) of the thirty-eight (38) cases, the Company's policy contract forms that were used in the production of newly issued business varied from the forms filed by the Company with the Utah Insurance Department, as follows: in four (4) of those six (6) cases, the *description of the expense charge* varied between the forms used in production and the filed forms; in two (2) of the six (6) cases, the *description of the surrender charge* varied between the forms used in production and the filed forms; in three (3) of the six (6) cases, the *maturity date calculation* varied between the forms used in production and the filed forms; and in three (3) of the six (6) cases, the *monthly guarantee cost of insurance rates* varied between the forms used in production and the filed forms. Using a form that varies from the filed form is a violation of U.C.A. Subsection 31A-21-201(1).

### Decreased Face Amount Policies:

The examiners reviewed policyholder file screen printouts of thirty (30) randomly selected sample policies for which the face amount of the policy had been decreased during the examination period. The examiners also reviewed specimens of the applicable forms for the products pertaining to those policies in order to review the policy language in connection with face amount decreases. No discrepancies were noted as a result of those reviews.

### Surrendered Policies:

The examiners requested for review an electronic file of all individual life insurance

policies surrendered during the examination period, including information as to the date the surrender was requested, the date the surrender application was received from the policyholder, and the date the surrender was processed. However, the Company stated that it does not maintain in its computer system the surrender request date or the date the surrender application was received from the policyholder, but that this information is referenced in the file notes. The examiners then requested for review policyholder files and applicable screen printouts pertaining to fifty (50) randomly selected sample policies in order to determine proper handling and timely processing of the surrender. Many of the requested records were archived in an off-site storage location, which resulted in a delay in the Company providing the information requested by the examiners. Once the documents from the randomly sampled surrendered policies were made available to the examiners, they were reviewed. The following paragraph reports the results of that review.

The policy surrenders reviewed were generally handled in a proper and timely manner. However, in two (2) cases, the Company was unable to provide the examiners with the surrender application documents requested. In one (1) additional case in which the surrender documents were provided to the examiners, there was no documentation as to date the surrender was requested or of the date the surrender application was received from the policyholder. The examiners were therefore unable to determine whether the surrendered policies in those three (3) cases were handled in a timely manner. Providing inaccurate or incomplete information to the examiner is a violation of U.C.A. Subsection 31A-2-202(6). Failure to maintain and make available to the commissioner for examination a complete and accurate record of recent policy surrender transactions, including in part, the surrender application document, the date the surrender was requested, and the date surrender application was received is a violation of U.C.A. Section 31A-2-203.

The examiners also reviewed specimens of the applicable forms for the products pertaining to the sample selected of recently surrendered policies in order to review the policy language in connection with policy surrenders. No discrepancies were noted as a result of that review.

## SUMMARIZATION

Comments included in this report which are considered to be significant and requiring special attention are summarized below:

1. In four (4) cases, the form filings maintained by the Company and provided to the examiners for review were inaccurate or incomplete in that they varied from the latest filing of those forms located at the Utah Insurance Department. Providing inaccurate or incomplete information to the examiner is a violation of U.C.A. Subsection 31A-2-202(6). The examiner recommends procedures be implemented to ensure that the filed form records maintained by the Company and provided to the examiners are accurate and complete. **(ISSUED POLICIES/POLICY FORMS)**

2. In six (6) cases, the Company's forms used in the production of newly issued business varied from the forms filed by the Company with the Utah Insurance Department. Using a form that varies from the filed form is a violation of U.C.A. Subsection 31A-21-201(1). The examiner recommends procedures be implemented to ensure that the forms used in the production of newly issued business are the same as the applicable forms filed with the department. **(ISSUED POLICIES/POLICY FORMS)**

3. The Company stated that it does not maintain in its computer system the surrender request date or the date the surrender application was received from the policyholder, but that this information is referenced in the file notes. When the examiners requested for review policyholder files and applicable screen printouts pertaining to the fifty (50) randomly selected sample policies surrendered during the examination period, the Company was unable to provide the examiners with all of the requested records. Specifically, in two (2) cases the Company could not provide the surrender application documents requested. In one (1) additional case in which the surrender documents were provided to the examiners, there was no documentation as to the surrender request date or of the date the surrender application was received from the policyholder. Providing inaccurate or incomplete information to the examiner is a violation of U.C.A. Subsection 31A-2-202(6). Failure to maintain and make available to the commissioner for examination a complete and accurate record of recent policy surrender transactions, including in part, the surrender application document, the date the surrender was requested, and the date surrender application was received, is a violation of U.C.A. Section 31A-2-203. The examiner recommends procedures be implemented to ensure that the Company maintains complete and accurate records of its policy surrender transactions and makes them available for inspection by the commissioner. **(SURRENDERED POLICIES)**

### **ACKNOWLEDGMENT**

The cooperation and assistance rendered by the officers and employees of the Company during this examination is hereby acknowledged and appreciated.

In addition to the undersigned, Brian W. Hansen, FLMI, CFE, Market Conduct Examiner, and other Utah Insurance Department personnel assisted in the examination.

Randal A. Overstreet, CIE, FLMI  
Market Conduct Examiner  
Examiner-in-Charge  
Utah Insurance Department