

Exhibit A

Order No. G05-47

Symetra Life Insurance Company

Symetra National Life Insurance Company

American States Life Insurance Company

MARKET CONDUCT EXAMINATION

**SYMETRA LIFE INSURANCE COMPANY
f.k.a. SAFECO LIFE INSURANCE COMPANY
AND
SYMETRA NATIONAL LIFE INSURANCE
COMPANY f.k.a.
SAFECO NATIONAL LIFE INSURANCE
COMPANY
AND
AMERICAN STATES LIFE INSURANCE
COMPANY**

**777 108th Avenue NE, Suite 1200
Bellevue, Washington 98004-5135**

**Examination Period:
July 1, 2002 – June 30, 2003**



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The Honorable Mike Kreidler
Washington State Insurance Commissioner
P.O. Box 40255
Olympia, Washington 98504

Dear Commissioner Kreidler:

Pursuant to your instructions and in compliance with the statutory requirements of Chapter 48.03 RCW and procedures promulgated by the National Association of Insurance Commissioners (NAIC) and the Office of the Insurance Commissioner (OIC), an examination of the market conduct affairs has been performed of:

Symetra Life Insurance Company f.k.a.
Safeco Life Insurance Company, NAIC #68608
and
Symetra National Life Insurance Company f.k.a.
Safeco National Life Insurance Company, NAIC #90581
and
American States Life Insurance Company, NAIC #60879
5069 154th Place NE
Redmond, Washington

In this report, Safeco Life Insurance Company is referred to as Safeco Life. Safeco National Life Insurance Company is referred to as Safeco National. American States Life Insurance Company is referred to as American States. Collectively these entities are referred to as the Companies.

This report of examination is respectfully submitted.

**CHIEF EXAMINER'S REPORT CERTIFICATION and
ACKNOWLEDGEMENTS**

This examination was conducted in accordance with Office of Insurance Commissioner and National Association of Insurance Commissioners procedures for market conduct examinations. Leslie Krier, AIE, FLMI; Nancy L. Barnes, AIE, ACS; Sandy Ray, CPCU; and Charlotte Wright of the Washington State Office of Insurance Commissioner performed this examination and participated in the preparation of this report.

The examiners wish to express appreciation for the courtesy and cooperation extended to them by the personnel at Symetra Life Insurance Company, Symetra National Life Insurance Company and American States Life Insurance Company.

I certify that the following is the report of the examination, that I have reviewed this report in conjunction with pertinent examination work papers, that this report meets the provisions for such reports prescribed by the Office of Insurance Commissioner and that this report is true and correct to the best of my knowledge and belief.



Leslie A. Krier, AIE, FLMI
Chief Market Conduct Examiner
Office of the Insurance Commissioner
State of Washington

FOREWORD

This examination was completed by applying tests to each examination standard. Each test applied during the examination is stated in this report and the results are reported. Exceptions are noted as part of the comments for the applied test. Throughout the report, where cited, RCW refers to the Revised Code of Washington, and WAC refers to Washington Administrative Code.

Special Note:

On July 31, 2004, the entities covered by this examination were purchased by White Mountain Insurance Group and Berkshire Hathaway. As of September 1, 2004, the companies became known as Symetra Life Insurance Company (Safeco Life) and Symetra National Life Insurance Company (Safeco National Life) and American States Life Insurance Company. This examination report uses the naming conventions in place at the time of the examination.

Scope

Time Frame

This was the first market conduct examination of Safeco Life Insurance Company, Safeco National Life Insurance Company and American States Life Insurance Company by the Washington State Office of Insurance Commissioner (OIC). The examination covered operations from July 1, 2002 through June 30, 2003. In some instances, the review period may be extended to cover a more current time frame. These areas will be noted in the report. This examination was performed both in the Companies' office in Redmond, Washington and in the OIC Seattle Office.

Matters Examined

The examination included a review of the following areas:

| | |
|---------------------|-------------------------------------|
| Advertising | Agent Activity |
| Death Claims | Disability/Waiver of Premium Claims |
| Complaints | Underwriting & Policy Issue |
| Policy Replacements | Inforce Policy Administration |
| Policy Form Filing | |

Sampling Standards

Methodology

In general, the sample for each test utilized in this examination falls within the following guidelines:

92 % Confidence Level

Symetra Life Insurance Company, Symetra National Life
American States Life Insurance Company
Market Conduct Examination as of June 30, 2003

+/- 5 % Mathematical Tolerance.

Regulatory Standards

Market conduct samples are tested for compliance with standards established by the OIC. The tests applied to sampled data will result in an error ratio, which determines whether or not a standard is met. If the error ratio found in the sample is, generally, less than 5%, the standard will be considered as met. The standards in the areas of agent licensing and appointment, and policy and form filings will not be met if any violation is identified. This will also apply when all records are examined, in lieu of a sample.

For those standards, which look for the existence of written procedures, or a process to be in place, the standard will be met based on the examiner's analysis of those procedures or processes. The analysis will include a determination of whether or not the Company follows established procedures.

Standards will be reported as Passed (without Comment), Passed with Comment or Failed. The definition of each category follows:

| | |
|---------------------|--|
| Passed | There were no findings for the standard. |
| Passed with Comment | Errors in the records reviewed fell within the tolerance level for that standard. |
| Failed | Errors in the records reviewed fell outside of the tolerance level established for the standard. |

COMPANY OPERATIONS AND MANAGEMENT

Company History

Safeco Life Insurance Company was originally incorporated as General Life Company of America, and was issued a Certificate of Authority by the Office of Insurance Commissioner April 5, 1957. The Company name was changed in 1959 to LIFECO Insurance Company of America, and in 1964 the present name was adopted. Safeco Life Insurance Company is part of Safeco Life and Investments, which is one of the three main business lines of Safeco Corporation, along with Safeco Property and Casualty and Safeco Surety.

Safeco National Life Insurance Company and American States Life Insurance Company are wholly owned subsidiaries of Safeco Life Insurance Company.

Safeco National Life Insurance Company was issued a Certificate of Authority by the Office of Insurance Commissioner October 10, 1979. The Company is a domestic life insurance company.

American States Life Insurance Company was issued a Certificate of Authority by the Office of Insurance Commissioner November 12, 1965. The Company is a foreign life insurance company, domiciled in Indiana.

Company Management

A Board of Directors governs Safeco Life, as well as its subsidiaries, Safeco National and American States. The Chairman of the Board is Michael S. McGavick and the president of all three companies is Randall H. Talbot. There are nine board members: Roger F. Harbin, Michael E. LaRocco, Dale E. Lauer, Michael S. McGavick, Christine B. Mead, James W. Ruddy, Ronald L. Spaulding, Kasey J. Sweet and Randall H. Talbot.

Territory Of Operations

During the examination period, Safeco Life and American States operated in all of the states and the District of Columbia, with the exception of New York. Safeco National operated in 39 states and the District of Columbia: Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia and Wisconsin.

Findings

Company Operations Standard #2 is not applicable to this examination. The examiners did not review the minutes of the Board of Directors meetings.

The following Company Operations Standards passed without comment:

| # | Company Operations Standards | Reference |
|---|---|------------------|
| 1 | The company is issued a certificate of authority by the OIC prior to acting as a life insurance carrier in the State of Washington. | RCW 48.05.030(1) |
| 3 | No less than three-fourths of the directors are United States or Canadian citizens, and a majority of mutual insurer directors are residents of this state. | RCW 48.07.050 |
| 4 | All domestic insurers report to the OIC any amendments to the Articles of Incorporation. | RCW 48.07.070(2) |

GENERAL EXAMINATION FINDINGS

The Companies records and operations were reviewed to determine if the Companies do business in accordance with the requirements of this state.

Findings

The following General Examination Findings Standards passed without comment:

| # | General Examination Standards | Reference |
|---|---|-------------------|
| 1 | The company does business in good faith, and practices honesty and equity in all transactions. | RCW 48.01.030 |
| 2 | The company allows the examiners access to all records, documents and files, and facilitates the examination process. | RCW 48.03.030(1) |
| 5 | The company does not discourage insureds from contacting the OIC and does not discriminate against those that do contact the OIC. | WAC 284-30-572(2) |

The following General Examination Findings Standards failed:

| # | General Examination Standards | Reference |
|---|--|------------------------------------|
| 3 | The company does business in its legal name. | RCW 48.05.190(1), Bulletin 78-7 |
| 4 | The company maintains full and adequate accounts and records of its assets, obligations, transactions and affairs. | RCW 48.05.280 |

General Examination Findings Standard #3:

The examiners found several areas during the review in which the Company is not clearly identified on documents to meet the requirement of doing business in its own name:

- Claims: There were ten (10) American States files in which Safeco Life letterhead was used.

- Individual Life New Business: There were three (3) American States files in which the issuing Company is not identified on the application.
- Life Declines: All 17 decline letters sent for American States policies identified the company declining coverage as Safeco Life in the body of the letter.
- Policy Replacements: There were two (2) Safeco Life files in which the issuing Company name is not checked on the application and one (1) Safeco Life file in which the replacement letter to the other carrier identified American States in the letter heading as the replacing company. See Appendix 1.

General Examination Findings Standard #4:

Policy records are imaged into the document retrieval system by the Client Services Department. The examiners found scanning errors in three (3) Safeco Life new business files, one (1) American States new business file, one (1) Safeco Life decline file, one (1) declined annuity, three (3) deferred annuity claim files, one (1) waiver of premium claim file and 19 Safeco Life policy replacement files. Because of these errors, it was not possible to review complete and accurate company records. The examiners found the following types of errors:

- Misfiled originals were scanned into the wrong files.
- Illegible documents.
- Illegible date stamps on documents.
- Missing pages from documents.

The Companies did not adequately prepare the files for scanning, and did not perform a quality check after scanning. See Appendix 2.

Subsequent Event: As of September, 2003 the Companies implemented new technology to improve the imaging process. All documents, including applications, which are received by mail in the Client Services Department, are imaged prior to distribution. The Client Services Department now has a Quality Control process in place to ensure that all imaged documents are legible.

It is also noted that applications taken on the internet were not date stamped; since the application process results in multiple applications for one file it is often impossible to trace the correct sequence of events.

The Company was unable to produce one (1) Safeco Life decline file and one (1) American States decline file selected as part of the Underwriting and Policy Issue sample. See Appendix 2.

ADVERTISING

Advertising Policy and Procedures Manuals

The advertising policies and procedures reside on the company's internet site. The information is detailed and well organized. The examiners found two (2) issues:

Each time an online document is opened, the prior revision date is replaced with the current date. There is not a history file created when this happens, and therefore the company is not able to track changes to documents. There are no paper copies of the documents.

Subsequent Event: As of December, 2003 the Companies removed the automatic update feature. They began archiving the existing procedure into an electronic folder.

The document titled "Sales, Marketing and Training Material – Life & Annuities Compliance Reference Guide" misinforms the user that only the "Company name, city & state must be included on all client pieces." This is addressed under Standard #2.

Advertising Process

Advertising materials are created in the Marketing Department and submitted to the Compliance Department for review. On rare occasions individual items are submitted by agents to the Sales Center and are forwarded to the Compliance Department for review. The Companies strongly urge agents to utilize the wide selection of advertising materials created by the Companies.

The new advertising items are reviewed for compliance with state filing requirements and any product specific contractual issues. All securities related items are also reviewed for compliance with NASD and SEC regulations.

Advertising File Review

The Companies provided a database which consisted of 1,576 advertising items including the Companies' website. Sixty (60) items were randomly selected for review.

In reviewing the advertising sample, the examiners found that there were 16 items that were not within the scope of the examination and were deleted from the sample.

Findings

Advertising Standard #15 is not applicable to this examination. No policy illustrations were reviewed as part of the advertising section.

The following Advertising Standards passed without comment:

| # | Advertising Standards | Reference |
|----------|--|--|
| 1 | The company does not use any false, deceptive or misleading representations or advertising in the conduct of its business. | RCW 48.30.040, WAC 284-23-040(1) and (3) |

| # | Advertising Standards | Reference |
|----|---|--------------------------------------|
| 3 | No advertisement shall use any combination of words, symbols or physical materials which by content, phraseology, shape, color or other characteristics are so similar to materials used by a governmental program or agency that tends to mislead prospective insureds into believing that the solicitation is in some manner connected with such governmental program or agency. | WAC 284-23-060(2) |
| 4 | Any advertising of the company's financial condition must substantially correspond with the last annual statement filed with the OIC. | RCW 48.30.070 |
| 5 | The company does not make, publish, disseminate, circulate, or place before the public in any newspaper, magazine, or other publication, or in the form of a notice, circular, pamphlet, letter, or poster, or over any radio station or television station any advertisement, announcement or statement which uses the existence of the Washington Insurance Guaranty Association or the Washington Life and Disability Insurance Guaranty Association for the purpose of sales, solicitation or inducement to purchase any form of insurance covered by the Washington Insurance Guaranty Association Act or the Washington Life and Disability Insurance Guaranty Association Act. | RCW 48.30.075 |
| 6 | No advertising contains any false or unfair statements criticizing or implying criticism of another insurer. | RCW 48.30.080, WAC 284-23-050(15) |
| 7 | The company does not make, issue or circulate, or cause to be made, issued or circulated any misrepresentation of the terms of any policy, benefit or advantage of the policy, nor does the company use any name or title of any policy or class of policies misrepresenting the nature of the policy. | RCW 48.30.090 |
| 8 | The company establishes and maintains a system of control over the content, form and methods of dissemination of all advertisements of its policies. | WAC 284-23-030(2) |
| 9 | All advertisements meet the disclosure requirements. | WAC 284-23-050 |
| 10 | Any advertisement that can reasonably expect to be seen outside of the company's stated jurisdiction must not imply that the company is licensed outside that jurisdiction. | WAC 284-23-070(1) |
| 11 | A company may state in an advertisement that it is licensed in the state where the advertisement appears but this fact may not be exaggerated. | WAC 284-23-070(2) |

| # | Advertising Standards | Reference |
|----|--|-------------------|
| 12 | An advertisement may not imply that an insurer is, in any way, recommended or endorsed by any governmental agency unless the entity has authorized the endorsement or recommendation in writing. | WAC 284-23-070(3) |
| 13 | Any statements by any commercial rating system about the insurer contained in an advertisement are accompanied with a definition of the scope and extent of the recommendation. | WAC 284-23-080 |
| 14 | The company maintains a complete advertising file for the longer of (4) four years or the next filing of the next regular report of examination of the insurer, whichever is later. | WAC 284-23-090 |

The following Advertising Standard failed:

| # | Advertising Standards | Reference |
|---|--|-------------------------------------|
| 2 | All advertising materials must show the full name and location of the company. | RCW 48.30.050, WAC 284-23-060(1) |

Advertising Standard #2:

Thirteen (13) of the 44 items did not include the full Company name or the full home office address. See Appendix 3.

AGENT ACTIVITY

The examiners selected the following for review:

- 100 individual life policy files
- 226 annuity policy files

File Review

The examiners reviewed the status of agents' licenses and appointments. As part of the review, the examiners compared the Companies agent licensing and affiliation records with the OIC records to ensure that agents were licensed and appointed prior to soliciting business on behalf of the Companies as required by Washington law.

After file review, five (5) records were eliminated from the sample. Three (3) life files and one (1) annuity file represented conversions, and one (1) annuity file involved an employee account transaction in which no agent was involved. This left a total sample size of 321 records, consisting of 97 individual life files and 224 annuity files.

While reviewing the Companies' individual life business, the examiners noted that the Companies do not require non-resident agent licenses for agents soliciting applications

from Washington residents when the applications are signed in a state other than Washington.

Findings

Note: Standards 1 and 2 have a zero tolerance level.

The following Agent Activity Standards passed without comment:

| # | Agent Activity Standards | Reference |
|---|--|-------------------------|
| 1 | The company ensures that agents and brokers are licensed for the appropriate line of business with the State of Washington prior to allowing them to solicit business or represent the company in any way. | RCW48.17.060(1) and (2) |
| 3 | The company provides written notice to the agent and the OIC when an agent's appointment is revoked. | RCW 48.17.160(3) |
| 4 | The company ensures that agents and brokers selling variable policies or contracts are licensed as security salesmen or securities brokers under a license issued by the director of financial institutions. | RCW 48.18A.060 |

The following Agent Activity Standards failed:

| # | Agent Activity Standards | Reference |
|---|---|------------------|
| 2 | The company ensures that agents are appointed to represent the company prior to allowing them to solicit business on behalf of the Company. | RCW 48.17.160(1) |

Agent Activity Standard #2:

There were five (5) of 97 individual life files in which the agent did not have a direct appointment with the Companies or did not have an affiliation with the agency listed on the application.

There were three (3) of 224 annuity files in which the agent did not have a direct appointment with the Companies or did not have an affiliation with the agency listed on the application. See Appendix #4.

CLAIMS

Claims Procedures

The Companies provided the examiners with a copy of the claims handling procedures for life claims, annuity claims, accelerated benefits rider claims, and waiver of premium claims. The Company has no written procedures for structured settlement or simultaneous death claims.

Claim Handling Processes and Procedures

The examiners reviewed the company's claims procedures to ensure that company personnel were processing claims in accordance with company procedures and to ensure that processes are in place to avoid fraud. The examiners found that the company does follow established procedures. Examiners reviewed the following types of claim procedures:

Life Claims
Annuity Claims
Waiver of Premium Claims
Accelerated Benefit Rider Claims

Claims Review

There were 815 claims reported to the Companies during the examination period. A random sample of 140 claims was pulled for review:

| Company | Type of Claim | Population # | Sample Size |
|----------------------|----------------------------|--------------|-------------|
| Safeco Life | Life | 68 | 33 |
| | Life Pending | 5 | 5 |
| | Accelerated Benefits Rider | 2 | 2 |
| | Waiver of Premium | 4 | 4 |
| | Deferred Annuities | 604 | 50 |
| | Immediate Annuities | 101 | 27 |
| Safeco National Life | Life | 1 | 1 |
| American States Life | Life | 29 | 17 |
| | Life Pending | 1 | 1 |
| TOTAL | | 815 | 140 |

During the review of the claims files, the examiners found 11 files in which the Companies used Safeco Life letterhead on claims correspondence for American States life policies. There were also three (3) deferred annuity and one (1) waiver of premium claim files that were missing documents. This is addressed in the General Examination Findings on Page 9.

Findings

Claims Standards #1, #9 and #14 were not applicable to this examination. There were no simultaneous death claims, no OIC inquiries or denied claims during the examination period.

The following Claims Standards passed without comment:

| # | Claims Standard | Reference |
|----|--|---------------------------|
| 3 | When the company receives a request for an accelerated benefit claim, it sends the required disclosure statement within 20 days of the request. | WAC 284-23-650(7) |
| 4 | The company does not use unfair discrimination or apply conditions on accelerated benefits except as specified in the policy or rider. | WAC 284-23-680 |
| 7 | The company does not misrepresent any policy provisions at the time of the claim. | WAC 284-30-350(1) and (4) |
| 10 | The company responds to claimant inquiries within 10 working days, or 15 working days with respect to inquiries arising under group insurance contracts. | WAC 284-30-360(3) |

The following Claims Standards passed with comment:

| # | Claims Standard | Reference |
|---|--|-------------------|
| 6 | The Company maintains complete claim files with all notes and papers in such detail that the claims history can be reconstructed. | WAC 284-30-340 |
| 8 | The company acknowledges receipt of notification of a claim under an individual policy within 10 working days, or within 15 working days under a group policy. | WAC 284-30-360(1) |

Claims Standard #6:

Two (2) deferred annuities claims had incomplete files:

- One (1) deferred annuity claim (#DA42, Policy LP1090911) was missing correspondence to verify acknowledgement of notification of death within 10 days.
- One (1) deferred annuity claim (#DA33, Policy # AN0859005) contained an illegible, partial copy of the death certificate with no documentation in the file to verify the date of death.

Claims Standard #8:

There were five (5) deferred annuity claims in which the Companies did not acknowledge the notification of death within the required ten (10) working days. See Appendix 7.

The following Claims Standards failed:

| # | Claims Standard | Reference |
|---|--|---------------|
| 2 | Interest at no less than 8% of the payable death benefit accrues from the date of death up to the payment date. Benefits that have not been paid 90 days after receipt of the proof of death accrue an additional 3% interest, commencing on the 91 st day, up to the payment date. | RCW 48.23.300 |

| # | Claims Standard | Reference |
|----|--|---|
| 5 | The company pays claims fairly and without deception as defined by the Unfair Claims Settlement Practices act. | WAC 284-30-330(1), (2),(3),(4),(5),(9),(11), (13),(15) and (19) |
| 11 | The company provides necessary claim forms, instructions, and reasonable assistance within 10 days of receipt of notice of claim. | WAC 284-30-360(4) |
| 12 | The company completes investigation of the claim within 30 days of notice of claim, unless such investigation cannot reasonably be completed within such time. | WAC 284-30-370 |
| 13 | The company advises of the acceptance or denial of a claim within 15 working days of receipt of properly executed proof of loss. If denied for a specific policy provision, condition, or exclusion it must be given to the claimant in writing. | WAC 284-30-380(1) |
| 15 | If the company needs more time to determine if the claim should be accepted or denied, it notifies the claimant within 15 working days of receipt of proof of loss. If the investigation remains incomplete, the company sends a letter with the reason for the delay within 45 days of the initial notice and every 30 days thereafter. | WAC 284-30-380(3) |

Claims Standard #2:

The interest paid on six (6) claims was not calculated correctly. The Companies' procedure was to pay interest based on the state of policy issue rather than the state of residence as required. See Appendix 5.

Subsequent Event: As of February, 2004 the Companies started paying interest on proceeds according to WA requirements when the decedent is a WA resident. The Companies have re-calculated the correct interest due and sent the claimants supplemental checks and letters of explanation.

Claims Standard #5:

The Companies did not acknowledge the notification of death within a reasonable time on eight (8) deferred annuity claims and five (5) immediate annuities claims. There was one (1) deferred annuity claim that was missing correspondence. The examiners were not able to verify that the Companies acknowledged the notification of death within a reasonable time. There was one (1) deferred annuity claim in which the Companies failed to respond to an inquiry from the son of the deceased within a reasonable time. These errors violate WAC 284-30-330(2). See Appendix 6.

There were five (5) deferred annuity claims, 12 immediate annuities claims and one (1) waiver of premium claim in which the Companies did not advise of the acceptance or

denial of the claim within a reasonable time after receipt of proof of loss. These violated WAC 284-30-330(5). See Appendix 6.

Claims Standard #11:

There were seven (7) deferred annuity claims and five (5) immediate annuities claims in which the Companies did not send forms to the claimants within the required ten (10) working days. There was one (1) waiver of premium claim which was missing correspondence. The examiners were not able to verify that the Companies sent forms to the claimants within the ten (10) working days. See Appendix 7.

Claims Standard #12:

There were four (4) deferred annuity claims, nine (9) immediate annuities claims and one (1) waiver of premium claim in which the Companies did not complete investigation of the claim within the required 30 days of notice of claim. See Appendix 7.

Claims Standard #13:

There were four (4) deferred annuity claims, ten (10) immediate annuities claims, and two (2) waiver of premium claims in which the Companies did not advise of the acceptance or denial of the claim with the required 15 working days of receipt of proof of loss. See Appendix 8.

Claims Standard #15:

There were six (6) deferred annuity claims and 11 immediate annuities claims in which the Companies did not advise the claimants in writing of the need for additional processing time within 45 days of the initial notice of loss. See Appendix 8.

COMPLAINTS

Complaint Policy & Procedures

The Companies provided the examiners with two (2) documents: Complaint Policy and Complaint Procedures. The procedures contain the required definition of a complaint and explain the steps necessary to record and handle complaints in a thorough and timely manner.

File Review

The Companies provided a database with 24 complaints: 15 Company complaints and nine (9) OIC complaints. One (1) of the 15 Company complaints was removed from the sample because it was a group health long term disability complaint. Two (2) of the nine (9) OIC complaints were removed from the sample because both complaint files were individual health disability income complaints. This left a total of 21 complaints: 14 Company complaints and seven (7) OIC complaints which were reviewed by the examiners.

The review of the Company complaints indicates that the Companies responded promptly to the complaints with appropriate responses. The review of the OIC complaints indicates that the Companies' responses to the OIC were timely and complete.

Findings

The following Complaint Standard passed without comment:

| # | Complaint Standard | Reference |
|---|---|---|
| 1 | The company responds to any inquiry from the OIC within 15 business days, and the response is in writing, unless otherwise indicated in the inquiry. The response to the OIC contains the substantial information requested by the OIC. | WAC 284-30-650, Technical Advisory T 98-4 |

UNDERWRITING AND POLICY ISSUE

The Individual Life Department within Safeco Life handles the underwriting of life insurance policies and disability income policies for all three (3) companies. Annuities are administered by two separate departments within Safeco Life. Immediate annuities are handled by the Income Annuities Department while deferred annuities are administered by the Retirement Services Department.

Individual Life Underwriting Procedures

The Companies have written procedures in place documenting the underwriting process, as well as underwriting requirements and guidelines to be used to help guide underwriting decisions.

Individual Life Underwriting Process

The new business unit of the Individual Life Department receives applications submitted by the Companies' independent agency force by facsimile or mail. Applications are distributed to a case manager who reviews the information, enters it into the mainframe system, and creates a file. When all requested information is received, the file is sent to underwriting for review and a decision. When the final decision is made, the case manager is responsible for processing the approval or declination in the mainframe system. The case manager also adds any amendments or endorsements and mails the policy to the agent for delivery to the proposed insured.

There are instances in which an application is taken on a Washington resident by an agent in another state. When this happens, the Companies assume that the policy is also delivered in the state in which the application was taken. There is not a procedure to formally document the file to show where policy delivery actually occurred and there is not a requirement of any type of policy delivery receipt for this line of business

Issued policies, policy declines and policies that are not taken are bar coded and sent to the Client Services Department to be imaged. Documents can be viewed using the document retrieval system. Paper files are retained for 90 days after imaging.

Subsequent Event:

As of September, 2003 the Companies implemented new technology that allows applications to be automatically imaged as they are received via facsimile. All documents, including applications that are received by mail in the Client Services Department are imaged prior to distribution. The standard is for a file to be created in the mainframe system within 24-48 hours after receipt of the application. The Client Services Department has a quality control process in place to ensure that all imaged documents are legible.

Virtual Producer

In late 2000 the Companies, in conjunction with the Safeco property and casualty companies, launched the virtual producer program. This program is an on-line application tool used to quote, illustrate and apply for life insurance.

Once the Companies receive the completed application, it is uploaded to the mainframe system within 24 hours. The application is processed by the Individual Life Department in the same manner as the regular applications.

Annuities Underwriting Process

Immediate Annuities

Most of the Companies' immediate annuities consist of assigned structured settlements purchased by insurance companies to fund settlement agreements with third-party personal injury claimants. The annuity purchaser submits the annuity application to the Income Annuities Department, funds the annuity, and gives the Companies instructions as to where benefit payments are to be sent.

Deferred Annuities

The majority of deferred annuity applications are received by mail in the Retirement Services Department. Approximately 80% of these are funded when received. Funds received with applications are sent to the cashier and the applications are forwarded to the retirement services new business department. Applications that are not funded are sent directly to the new business unit. Variable annuities are reviewed by the Safeco Mutual Funds broker dealer for SEC requirements and then returned to the new business unit.

The applications are distributed equally among the service representatives for processing. Approved funded applications are sent to the control clerk who applies the funds to the correct account. Applications that are received without funding are entered into the system, assigned a number and suspended until funding has been received. A letter is also sent to the client advising them that the application has been received and policy issue is pending until receipt of funding.

Individual Life Underwriting File Review

A random sample of 100 new business policies was selected from the Companies' database of 4,179 new business policies. The sample consists of 73 policies written by Safeco Life and 27 policies written by American States Life.

A random sample of 50 declined individual life applications was selected from a total population of 133 Safeco Life declines. There were 20 American States declined individual life applications. All 20 of the American States files were reviewed.

The Companies were not able to find one (1) file listed on the sample of 50 Safeco Life declines. The Companies were unable to locate one (1) file listed on the sample of 20 American States Life declines. In addition, two (2) of the American States Life files were duplicates. This left a total of 66 declined files that were reviewed. The two (2) missing files are addressed in the General Examination Findings on Page 9.

There were three (3) American States new business files in which the issuing Company was not identified on the application. All 17 decline letters sent for American States policies referenced Safeco Life in the body of the letter. There were three (3) Safeco Life and one (1) American States new business files, and one (1) Safeco Life decline file that contained scanning errors. These are addressed in the General Examination Findings on Page 9.

Annuities Underwriting File Review

The Companies issued 2,339 new annuities during the examination period. The examiners asked the Companies to select samples of deferred annuity contracts and immediate annuity contracts. A random sample of 50 deferred annuity contracts and 50 immediate annuity contracts was selected using ACL.

The sample of 50 deferred annuity contracts included 41 individual annuities and nine (9) group annuities. The group annuity contracts were outside the scope of the examination and were not reviewed. The Companies also provided three (3) individual deferred annuity accounts that were classified as declined. The examiners reviewed a total of 44 individual deferred annuities. The sample of 50 immediate annuities included 40 structured settlements.

There was one (1) declined annuity that did not include a copy of the application in the file. This is addressed in the General Examination Findings on Page 9.

Findings

The following Underwriting and Policy Issue Standards passed without comment:

| # | Underwriting and Policy Issue Standards | Reference |
|----|--|---|
| 1 | The company does not accept a life insurance policy on another person unless the benefits are payable to the individual insured, his personal representative or a person having an insurable interest at the time of issue. | RCW 48.18.030(1) |
| 4 | The policy specifies the name of the company, the parties of the contract, the subject of the contract, the named risk, and a statement of the premium. | RCW 48.18.140(2) |
| 5 | The premium stated in the policy includes all fees, charges, premiums or other considerations charged for the insurance. | RCW 48.18.180(1) |
| 6 | The policy contains the entire contract. | RCW 48.18.190 (Annuity: RCW 48.23.170) |
| 7 | The company does not use unfair discrimination between insureds having substantially like insuring, risk, and exposure factors, or expense factors. | RCW 48.18.480, RCW 48.30.300(1) |
| 8 | Correspondence concerning denial of an application must give the true and actual reason for denying insurance in clear and simple language that does not require an applicant or insured to do further research to understand that reason. | RCW 48.30.320, WAC 284-30-570 |
| 9 | The company has standards to ensure that juvenile life applications are appropriate and maintains a log of juvenile life denied applications. <i>Effective 08-01-01</i> | RCW 48.23.345 |
| 12 | The company furnishes the specified Buyer's Guide and Policy Summary to the applicant as required. | WAC 284-23-230(2), and (3), WAC 284-23-235(1) |
| 13 | The company maintains a complete file with copies of the Buyer's Guides and Policy Summaries for 3 years. | WAC 284-23-240(1) |
| 14 | For all annuities the specified Contract Summary is delivered to the applicant prior to accepting the application. | WAC 284-23-350 |
| 15 | The company maintains a complete file with copies of the annuity Contract Summaries for 3 years. | WAC 284-23-360(1) |
| 16 | A receipt is given to the insured by the agent, solicitor, or insurer's representative for money collected with the application. | WAC 284-30-550(1) |
| 17 | The company makes an independent evaluation on each application. | WAC 284-30-574 |

The following Underwriting and Policy Issue Standards passed with comment:

| # | Underwriting and Policy Issue Standard | Reference |
|----|---|-------------------|
| 2 | All policies use a written application completed by the applicant. | RCW 48.18.060 |
| 3 | No alterations are made to the application except by the applicant, or with the consent of the applicant. | RCW 48.18.070(1) |
| 10 | If a policy form is filed to be marketed without an illustration, an illustration may not be used until after the first policy anniversary. | RCW 48.23A.020(2) |

Underwriting and Policy Issue Standard #2:

There was one (1) declined annuity of 94 individual deferred and immediate annuity files (#DA2, Policy #Not Assigned) which did not include a copy of the application in the file.

Subsequent Event: On December 3, 2004, the companies' procedures for handling declined business were amended. If new business is rejected for any reason, a policy number is assigned, the application is screened, and the original is returned with a letter to the agent. The application is placed on a tracking log listing applications returned prior to issue.

Underwriting and Policy Issue Standard #3:

Two (2) of 73 Safeco Life and one (1) of 27 American States new business files, and two (2) of 41 individual deferred and one (1) of 50 immediate annuities files contained alterations to the application that were not initialed by the applicant. See Appendix 9.

Subsequent Event: The companies initiated underwriting guidelines on May 25, 2004 that outline the applicant acknowledgement requirements for changes made to applications.

Underwriting and Policy Issue Standard #10:

There were 55 Safeco Life and six (6) American States files for policies that were identified as ones to be marketed without an illustration. Ten (10) of these Safeco Life files contained forms labeled as illustrations even though the forms do not meet the OIC definition of illustrations as outlined under RCW 48.23A.040(1). This use of the term illustration is misleading. See Appendix 9.

The following Underwriting and Policy Issue Standards failed:

| # | Underwriting and Policy Issue Standards | Reference |
|----|--|----------------|
| 11 | A copy of the illustration used in the sale of the life insurance policy, or acknowledgement of no illustration used in the sale, or a signed copy of a "revised illustration" sent to the applicant is retained by the company. | RCW 48.23A.060 |

Underwriting and Policy Issue Standard #11:

Five (5) of 18 Safeco Life and two (2) of 21 American States New Business files contained incomplete illustrations. See Appendix 9.

POLICY REPLACEMENTS

Life Insurance Policy Replacement Procedures

The Field Underwriting Guide provided by the Companies contains detailed information regarding the processing of replacements. The Field Underwriting Guide also provides detailed instructions to ensure that the replacement database is maintained correctly.

Semi-annual audits on replacements are conducted by the Individual Life Department. Audits are done on the business submitted by agents whose replacements are 30% or more of their total applications submitted during the audit period.

Annuity Replacement Procedures

The Retirement Services Department processes annuity replacements. The department provides its employees with a spreadsheet detailing the required forms needed to process replacement transactions as well as the time frames to be met for sending documentation.

The Retirement Services Department conducts semi-annual audits on annuity replacements. Audits are conducted on agents whose annuity replacements are 30% or more of their total applications submitted during the audit period.

Life Insurance Policy Replacement File Review

The Companies provided a database of 762 Safeco Life individual policy replacements during the examination period. A random sample of 50 files was selected using ACL. The sample included 38 external replacements and 12 internal replacements. WAC 284-23-430 exempts variable contracts from Standard #5. There was one (1) external replacement variable life contract that was excluded from review for this standard.

There were two (2) Safeco Life policy replacement files in which the issuing Company name is not identified on the application and one (1) Safeco Life file in which the replacement letter used American States letterhead. There were also 19 Safeco Life policy replacement files that contained scanning errors. These are addressed in the General Examination Findings on Page 9.

Annuity Replacement File Review

The Companies provided a database of 105 annuity replacements. A random sample of 50 files was selected using ACL. During the review of the sample files, it was discovered that the Companies included all contracts that included a transfer of funds from another organization which does not meet the replacement definition under WAC 284-23-410. The sample included 30 files that were not replacements and one (1) duplicate file, which

left a total of 19 files to review, 18 external replacements and one (1) internal replacement. There were 12 variable contracts that were exempt from Standard #5.

Findings

Policy Replacement Standards #8 and #9 were not applicable to this examination. The Companies are not direct response insurers.

The following Policy Replacement Standards passed without comment:

| # | Policy Replacement Standard | Reference |
|----|---|-------------------|
| 1 | The company informs its field representatives or personnel responsible for compliance about the requirements of the replacement regulations. | WAC 284-23-450(1) |
| 6 | The company maintains evidence of the notice of replacement, policy summaries, and a replacement register for at least (3) three years or until examination by its state of domicile, whichever is later. | WAC 284-23-455(3) |
| 10 | The specified replacement form is used in all transactions proposing replacement. | WAC 284-23-485 |

The following Policy Replacement Standards passed with comment:

| # | Policy Replacement Standard | Reference |
|---|---|----------------------|
| 2 | All life insurance applications must include a statement signed by the applicant regarding the replacement of an existing policy. | WAC 284-23-450(2) |
| 4 | The company requires that the agent include with the application a listing of all existing insurance to be replaced and a copy of the replacement notice provided to the applicant. | WAC 284-23-455(2)(a) |

Policy Replacement Standard #2:

One (1) of 19 annuity replacement files (SLC# 50, Policy #LP 1101684) shows a "No" answer to the replacement question with no amendment in the file showing the correction.

Subsequent Event: On December 3, 2004, the companies established replacement procedures to assure compliance with state regulations.

Policy Replacement Standard #4:

There was one (1) of 18 external annuity replacement files that involved the transfer of funds from two (2) carriers but only listed one (1) on the replacement notice. See Appendix 10.

Subsequent Event: The companies updated replacement procedures on December 3, 2004, to ensure that all applications involving replacement include a complete listing of the coverage to be replaced.

The following Policy Replacement Standards failed:

| # | Policy Replacement Standards | Reference |
|---|--|----------------------|
| 3 | The company requires a statement signed by the agent indicating whether or not replacement is involved. | WAC 284-23-455(1) |
| 5 | The company sends the required notice of replacement and policy summary to the existing insurer within (3) three working days of receipt of the application. | WAC 284-23-455(2)(b) |
| 7 | The company notifies the applicant in its policy or by separate written notice that the applicant has the right to an unconditional refund of all premiums paid if exercised within 20 days from the date of delivery of the policy. | WAC 284-23-455(4) |

Policy Replacement Standard #3:

In reviewing files, the examiners found that the earliest version of Virtual Producer web application tool required the agent's response as to involvement of replacement, but that the answer did not flow through to the actual application form. The agent replacement question was left blank unless the agent checked a box when signing the form. The Company did not endorse or amend the application for this information. This is not an issue in later versions of Virtual Producer. As of June 2003 the Companies fixed this problem and the answer does flow through to the application that is attached to the policy and the form is not signed by the agent.

Thirteen (13) of 50 life replacement files were done on the Virtual Producer.

Four (4) of 19 annuity replacement files did not have the agent's signature on the agent replacement question. See Appendix 10.

Subsequent Event: The companies updated replacement procedures on December 3, 2004, to ensure that the agent's signature is present if replacement is involved in the application.

Policy Replacement Standard #5:

There were nine (9) of 37 external life replacement files reviewed in which the replacement notice was not sent within three (3) days. One (1) file did not have a receipt date on the application, and the time requirements could not be determined.

There were two (2) of six (6) external annuity replacements in which the replacement notice was not sent to the existing carrier within three (3) days. See Appendix 10.

Subsequent Event: The companies updated the replacement procedures on December 3, 2004, to ensure that notice of replacement is sent to the existing carrier within three (3) business days.

Policy Replacement Standard #7:

Ten (10) variable annuity replacements did not include the 20 day free look provision. See Appendix 10.

Subsequent event: The Companies' replacement procedures were modified in November, 2003 to include detailed instructions on attaching the 20- day sticker to new contracts.

INFORCE POLICY ADMINISTRATION

Inforce policies, policy terminations, and policy loans for individual life and individual deferred annuities were reviewed by the examiners.

Because of the large number of policies involved in each of the categories in the section, the examiners asked the Companies to provide a select database from which samples could be extracted.

| Section | Total Population | Select Database Size | Sample Size |
|--------------------------------------|------------------|----------------------|-------------|
| Inforce Policies, Individual Life | 280,018 | 164 | 50 |
| Inforce Policies, Deferred Annuities | 80,249 | 50 | 10 |
| Terminations, Individual Life | 1,917 | 101 | 50 |
| Terminations, Deferred annuities | 3,142 | 94 | 11 |
| Policy Loans, Individual Life | 340 | 114 | 50 |
| Policy Loans, Deferred Annuities | 21 | 50 | 10 |

Findings

The following Inforce Policy Administration Standards passed without comment:

| # | Inforce Policy Administration Standards | Reference |
|---|--|--|
| 1 | The company only pays dividends, unused premium refunds, or savings distributed on account of any policy to the policy owner as shown in its records, or any party to whom the policy owner has assigned these rights. <i>Individual Life Only</i> | RCW 48.18.340(1) and (2) |
| 2 | The company processes all types of policy administration procedures in accordance with the required policy provisions. <i>Individual Life Only</i> | RCW 48.23.030, RCW 48.23.070(1), RCW 48.23.080(1), RCW 48.23.085(6), RCW 48.23.120 |

| # | Inforce Policy Administration Standards | Reference |
|---|---|---|
| 3 | The company processes all types of annuity contract administration procedures in accordance with the required contract provisions. <i>Individual Annuity Only</i> | RCW 48.23.150, RCW 48.23.190, RCW 48.23.210 |
| 4 | The company uses policy illustrations at issue and provides the insured with an annual report on the status of the policy in accordance with the regulations. <i>Individual & Group Life Only</i> | RCW 48.23A.070 |

POLICY FORM FILING

Findings

The following Policy Form Filing Standard failed:

| # | Policy Form Filing Standard | Reference |
|---|---|------------------|
| 1 | All policy and application forms are filed with and approved by the OIC prior to use. | RCW 48.18.100(1) |

Policy Form Filing Standard #1:

There were 48 life insurance forms reviewed by the examiners throughout the course of the examination. All life insurance forms reviewed were filed with and approved by the OIC prior to use.

One (1) of 31 deferred annuity forms reviewed (OIC #22, Contract #LP1111475) used Application form LPC 1161 3/00 which was not filed with the OIC. The Companies indicated that this is a form for another state that was used in error. The Companies did not request that the agent resubmit the application with an approved form.

Subsequent Event: The companies updated the procedures on December 3, 2004 to ensure that the correct application forms are used. If an incorrect form is used, the companies will require a correct application submission or the business will be rejected.

INSTRUCTIONS AND RECOMMENDATIONS

| | INSTRUCTIONS | Page # |
|----|--|---------------|
| 1 | The Companies are instructed to identify the correct insurance company name on all correspondence and applications. RCW 48.05.190(1), Bulletin 78-7 | 8 |
| 2 | The Companies are instructed to ensure that paperwork is filmed/imaged under the correct policy number, that two-sided forms are filmed on both sides, that copies are readable once filmed and that pages longer than 8 ½ x 11 are filmed completely. RCW 48.05.280 | 8 |
| 3 | The Companies are instructed to revise all advertising materials to show the full name and address of the Companies. RCW 48.30.050, WAC 284-23-060(1) | 12 |
| 4 | The Companies are instructed to ensure that agents are appointed to represent the Companies prior to allowing them to solicit business on behalf of the Companies. RCW 48.17.160(1) | 13 |
| 5 | The Companies are instructed to pay interest on death claims in accordance with the regulations. RCW 48.23.300 | 15 |
| 6 | The Companies are instructed to acknowledge and act reasonably promptly to communications concerning claims and to advise of acceptance or denial of the claim within a reasonable time after receipt of proof of loss. WAC 284-30-330(2), WAC 284-30-330(5) | 16 |
| 7 | The Companies are instructed to send claim forms to the claimant within the required 10 working days of receipt of the notification of claim. WAC 284-30-360(4) | 16 |
| 8 | The Companies are instructed to complete investigation of the claim within the required 30 days of receipt of notice of claim. WAC 284-30-370 | 16 |
| 9 | The Companies are instructed to advise the claimant of the acceptance or denial of the claim with the required 15 working days of receipt of properly executed proofs of loss. WAC 284-30-330(5), WAC 284-30-380(1) | 16 |
| 10 | The Companies are instructed to notify the claimant within 15 days of receipt of properly executed proofs of loss if more time is needed to determine if the claim is to be accepted or denied. If still incomplete a letter with the reason for delay must be sent within 45 days of the initial notice and every 30 days thereafter. WAC 284-30-380(3) | 16 |
| 11 | The Companies are instructed to retain a complete copy of the illustration used in the sale of life insurance, or acknowledgement of no illustration used in the sale, or a signed copy of a "revised illustration" sent to the applicant. RCW 48.23A.060 | 22 |
| 12 | The Companies are instructed to require a statement signed by the agent indicating whether or not replacement is involved. WAC 284-23-455(1) | 25 |

| | INSTRUCTIONS | Page # |
|----|---|---------------|
| 13 | The Companies are instructed to send the required notice of replacement and policy summary to the existing carrier within three (3) working days of receipt of the application. WAC 284-23-455(2)(b) | 25 |
| 14 | The Companies are instructed to notify the applicant in their policy or by separate written notice that the applicant has the right to an unconditional refund of all premiums paid if exercised within 20 days from the date of delivery of the policy. WAC 284-23-455(4). | 25 |
| 15 | The Companies are instructed to file and obtain approval from the OIC for all policy, application, and endorsement forms prior to use. RCW 48.18.100(1) | 27 |

| | RECOMMENDATIONS | |
|---|--|----|
| 1 | It is recommended that the Companies maintain complete claim files with all notes and papers in such detail that the claims history can be reconstructed. WAC 284-30-340 | 15 |
| 2 | The Companies are instructed to acknowledge receipt of the notification of claim within the required 10 working days. WAC 284-30-360(1) | 15 |
| 3 | RCW 48.23.020(1) requires that any policy issued for delivery in this state contain the appropriate standard provisions. There are times that the Companies do not know where a policy is delivered because it is assumed that when a policy is mailed to an agent in another state, it is actually delivered to the policy owner in the agent's office. It is recommended that the Companies develop a procedure for these instances to document the underwriting file to show the actual location of policy delivery, and to ensure that the policy form used is appropriate for the actual delivery location. | 18 |
| 4 | It is recommended that the Companies use a written application signed by the applicant and maintain a copy of the signed application in the underwriting file. RCW 48.18.060 | 22 |
| 5 | It is recommended that the Companies require the applicant's signature any time the original application has been altered materially. RCW 48.18.070(1) | 22 |
| 6 | It is recommended that the Companies discontinue the use of forms labeled as illustrations that do not meet the OIC definition of illustrations with policies that the Companies have identified as marketed without an illustration. RCW 48.23A.020(2) | 22 |
| 7 | Due to the number of failed policy replacement standards, it is recommended that the Companies initiate additional training of its field representatives and revise the web application tool to meet the replacement regulations. WAC 284-23-450(1) | 24 |

| RECOMMENDATIONS | | |
|------------------------|--|----|
| 8 | It is recommended that the Companies require that the agent include with the application a listing of all existing insurance to be replaced and a copy of the replacement notice provided to the applicant. WAC 284-23-455(2)(a) | 24 |
| 9 | In order to better facilitate future examinations, it is recommended that the Companies maintain a replacement register with only those replacements that are defined as such by WAC 284-23-410. WAC 284-23-455(3) | 24 |
| 10 | It is recommended that the Companies require that applications include a statement signed by the applicant regarding the replacement of an existing policy. WAC 284-43-450(2) | 24 |

SUMMARY OF STANDARDS

| # | Company Operations & Management Standards | PAGE | PASS | FAIL |
|---|--|------|------|------|
| 1 | The company is issued a certificate of authority by the OIC prior to acting as a life insurance carrier in the State of Washington. Reference: RCW 48.05.030(1) | 8 | X | |
| 2 | Each domestic insurer holds an annual meeting of shareholders or members to receive reports and elect officers. Reference: RCW 48.07.040 | | N/A | |
| 3 | No less than three-fourths of the directors are United States or Canadian citizens, and a majority of mutual insurer directors are residents of this state. Reference: RCW 48.07.050 | 8 | X | |
| 4 | All domestic insurers report to the OIC any amendments to the Articles of Incorporation. Reference: RCW 48.07.070(2) | 8 | X | |

| # | General Examination Findings Standards | Page | Pass | Fail |
|---|--|------|------|------|
| 1 | The company does business in good faith, and practices honesty and equity in all transactions. Reference: RCW 48.01.030 | 8 | X | |
| 2 | The company allows the examiners access to all records, documents and files, and facilitates the examination process. Reference: RCW 48.03.030(1) | 8 | X | |
| 3 | The company does business in its own legal name. Reference: RCW 48.05.190(1), Bulletin 78-7 | 8 | | X |
| 4 | The company maintains full and adequate accounts and records of its assets, obligations, transactions and affairs. Reference: RCW 48.05.280 | 8 | | X |
| 5 | The company does not discourage insureds from contacting the OIC and does not discriminate against those that do contact the OIC. Reference: WAC 284-30-572(2) | 8 | X | |

| # | Advertising Standards | Page | Pass | Fail |
|---|---|------|------|------|
| 1 | The company does not use any false, deceptive or misleading representations or advertising in the conduct of its business. Reference: RCW 48.30.040, WAC 284-23-040(1) and (3) | 10 | X | |
| 2 | All advertising materials must show the full name and location of the company. Reference: RCW 48.30.050, WAC 284-23-060(1) | 12 | | X |
| 3 | No advertisement shall use any combination of words, symbols or physical materials which by content, phraseology, shape, color or other characteristics are so similar to materials used by a governmental program or agency that tends to mislead prospective insureds into believing that the solicitation is in some manner connected with such governmental program or agency. Reference: WAC 284-23-060(2) | 11 | X | |

| # | Advertising Standards | Page | Pass | Fail |
|----|--|------|------|------|
| 4 | Any advertising of the company's financial condition must substantially correspond with the last annual statement filed with the OIC. Reference: RCW 48.30.070 | 11 | X | |
| 5 | The company does not make, publish, disseminate, circulate, or place before the public in any newspaper, magazine or other publication, or in the form of a notice, circular, pamphlet, letter or poster, or over any radio station or television station any advertisement, announcement or statement which uses the existence of the Washington Insurance Guaranty Association or the Washington Life and Disability Insurance Guaranty Association for the purpose of sales, solicitation or inducement to purchase any form of insurance covered by the Washington Insurance Guaranty Association Act or the Washington Life and Disability Insurance Guaranty Association Act. Reference: RCW 48.30.075 | 11 | X | |
| 6 | No advertising contains any false or unfair statements criticizing or implying criticism of another insurer. Reference: RCW 48.30.080, WAC 284-23-050(15) | 11 | X | |
| 7 | The company does not make, issue or circulate, or cause to be made, issued or circulated any misrepresentation of the terms of any policy, benefit or advantage of the policy, nor does the Company use any name or title of any policy or class of policies misrepresenting the nature of the policy. Reference: RCW 48.30.090 | 11 | X | |
| 8 | The company establishes and maintains a system of control over the content, form and methods of dissemination of all advertisements of its policies. Reference: WAC 284-23-030(2) | 11 | X | |
| 9 | All advertisements meet the disclosure requirements. Reference: WAC 284-23-050 | 11 | X | |
| 10 | Any advertisement that can reasonably expect to be seen outside of the company's stated jurisdiction must not imply that the company is licensed outside that jurisdiction. Reference: WAC 284-23-070(1) | 11 | X | |
| 11 | A company may state in an advertisement that it is licensed in the state where the advertisement appears but this fact may not be exaggerated. Reference: WAC 284-23-070(2) | 11 | X | |
| 12 | An advertisement may not imply that an insurer is, in any way, recommended or endorsed by any governmental agency unless the entity has authorized the endorsement or recommendation in writing. Reference: WAC 284-23-070(3) | 12 | X | |

| # | Advertising Standards | Page | Pass | Fail |
|----|---|------|------|------|
| 13 | Any statements by any commercial rating system about the insurer contained in an advertisement are accompanied with a definition of the scope and extent of the recommendation. Reference: WAC 284-23-080 | 12 | X | |
| 14 | The company maintains a complete advertising file for the longer of (4) four years or the next filing of the next regular report of examination of the insurer, whichever is later. Reference: WAC 284-23-090 | 12 | X | |
| 15 | All life insurance sales illustrations must satisfy the applicable requirements and contain the information described in the regulations. Reference: Chapter 48.23A RCW | | N/A | |

| # | Agent Activity Standards | Page | Pass | Fail |
|---|--|------|------|------|
| 1 | The company ensures that agents and brokers are licensed for the appropriate line of business with the State of Washington prior to allowing them to solicit business or represent the company in any way. Reference: RCW 48.17.060(1) and (2) | 13 | X | |
| 2 | The company ensures that agents are appointed to represent the company prior to allowing them to solicit business on behalf of the company. Reference: RCW 48.17.160(1) | 13 | | X |
| 3 | The company provides written notice to the agent and the OIC when an agent's appointment is revoked. Reference: RCW 48.17.160(3) | 13 | X | |
| 4 | The company ensures that agents and brokers selling variable policies or contracts are licensed as security salesmen or securities brokers under a license issued by the director of financial institutions. Reference: RCW 48.18A.060 | 13 | X | |

| # | Claims Standards | Page | Pass | Fail |
|---|---|------|------|------|
| 1 | The Company complies with the required provision regarding simultaneous deaths of the insured and beneficiary as required by the statute. Reference: RCW 48.18.390 | | N/A | |
| 2 | Interest at no less than 8% of the payable death benefit accrues from the date of death up to the payment date. Benefits that have not been paid 90 days after receipt of the proof of death accrue an additional 3% interest, commencing on the 91 st day, up to the payment date. Reference: RCW 48.23.300 | 15 | | X |
| 3 | When the company receives a request for an accelerated benefit claim it sends the required disclosure statement within 20 days of the request. Reference: WAC 284-23-650(7) | 15 | X | |
| 4 | The company does not use unfair discrimination or apply conditions on accelerated benefits except as specified in the policy or rider. Reference: WAC 284-23-680 | 15 | X | |

| # | Claims Standards | Page | Pass | Fail |
|----|---|------|------|------|
| 5 | The company pays claims fairly and without deception as defined by the Unfair Claims Settlement Practices act. Reference: WAC 284-30-330(1),(2),(3),(4),(5),(9),(11),(13), (15) and (19) | 16 | | X |
| 6 | The company maintains complete claim files with all notes and papers in such detail that the claims history can be reconstructed. Reference: WAC 284-30-340 | 15 | X | |
| 7 | The company does not misrepresent any policy provisions at the time of the claim. Reference: WAC 284-30-350(1) and (4) | 15 | X | |
| 8 | The company acknowledges receipt of notification of a claim under an individual policy within 10 working days, or within 15 working days under a group policy. Reference: WAC 284-30-360(1) | 15 | X | |
| 9 | The company responds to inquiries from the OIC regarding a claim within 15 working days. Reference: WAC 284-30-360(2) | | N/A | |
| 10 | The company responds to claimant inquiries within 10 working days, or 15 working days with respect to inquiries arising under group insurance contracts. Reference: WAC 284-30-360(3) | 15 | X | |
| 11 | The company provides necessary claim forms, instructions, and reasonable assistance within 10 days of receipt of notice of claim. Reference: WAC 284-30-360(4) | 16 | | X |
| 12 | The company completes investigation of the claim within 30 days of notice of claim, unless such investigation cannot reasonably be completed within such time. Reference: WAC 284-30-370 | 16 | | X |
| 13 | The company advises of the acceptance or denial of a claim within 15 working days of receipt of properly executed proof of loss. If denied for a specific policy provision, condition, or exclusion it must be given to the claimant in writing. Reference: WAC 284-30-380(1) | 16 | | X |
| 14 | If a claim is denied for a reason other than a specific policy provision, condition, or exclusion, and not made in writing, the company includes an appropriate notation in the claim file. Reference: WAC 284-30-380(2) | | N/A | |
| 15 | If the company needs more time to determine if the claim should be accepted or denied, it notifies the claimant within 15 working days of receipt of proof of loss. If the investigation remains incomplete, the company sends a letter with the reason for the delay within 45 days of the initial notice and every 30 days thereafter. Reference: WAC 284-30-380(3) | 16 | | X |

| # | Complaint Standard | Page | Pass | Fail |
|---|--|------|------|------|
| 1 | The company responds to any inquiry from the OIC within 15 business days, and the response is in writing, unless otherwise indicated in the inquiry. The response to the OIC contains the substantial information requested by the OIC. Reference: WAC 284-30-650, Technical Advisory T 98-4 | 18 | X | |

| # | Underwriting and Policy Issue Standards | Page | Pass | Fail |
|----|---|------|------|------|
| 1 | The company does not accept a life insurance policy on another person unless the benefits are payable to the individual insured, his personal representative or a person having an insurable interest at the time of issue. Reference: RCW 48.18.030(1) | 21 | X | |
| 2 | All policies use a written application completed by the applicant. Reference: RCW 48.18.060 | 22 | X | |
| 3 | No alterations are made to the application except by the applicant, or with the consent of the applicant. Reference: RCW 48.18.070(1) | 22 | X | |
| 4 | The policy specifies the name of the company, the parties of the contract, the subject of the contract, the named risk, and a statement of the premium. Reference: RCW 48.18.140(2) | 21 | X | |
| 5 | The premium stated in the policy includes all fees, charges, premiums or other considerations charged for the insurance. Reference: RCW 48.18.180(1) | 21 | X | |
| 6 | The policy contains the entire contract. Reference: RCW 48.18.190, (Annuity: RCW 48.23.170) | 21 | X | |
| 7 | The company does not use unfair discrimination between insureds having substantially like insuring, risk and exposure factors, or expense factors. Reference: RCW 48.18.480, RCW 48.30.300(1) | 21 | X | |
| 8 | Correspondence concerning denial of an application must give the true and actual reason for denying insurance in clear and simple language that does not require an applicant or insured to do further research to understand that reason. Reference: RCW 48.30.320, WAC 284-30-570 | 21 | X | |
| 9 | The company has standards to ensure that juvenile life applications are appropriate and maintains a log of juvenile life denied applications. <i>Effective 08-01-01</i> Reference: RCW 48.23.345 | 21 | X | |
| 10 | If a policy form is filed to be marketed without an illustration, an illustration may not be used until after the first policy anniversary. Reference: RCW 48.23A.020(2) | 22 | X | |

| # | Underwriting and Policy Issue Standards | Page | Pass | Fail |
|----|--|------|------|------|
| 11 | A copy of the illustration used in the sale of the life insurance policy, or acknowledgement of no illustration used in the sale, or a signed copy of a "revised illustration" sent to the applicant is retained by the Company. Reference: RCW 48.23A.060 | 22 | | X |
| 12 | The company furnishes the specified Buyer's Guide and Policy Summary to the applicant as required. Reference: WAC 284-23-230(2) and (3), and WAC 284-23-235(1) | 21 | X | |
| 13 | The company maintains a complete file with copies of the Buyer's Guides and Policy Summaries for 3 years. Reference: WAC 284-23-240(1) | 21 | X | |
| 14 | For all annuities the specified Contract Summary is delivered to the applicant prior to accepting the application. Reference: WAC 284-23-350 | 21 | X | |
| 15 | The company maintains a complete file with copies of the annuity Contract Summaries for 3 years. Reference: WAC 284-23-360(1) | 21 | X | |
| 16 | A receipt is given to the insured by the agent, solicitor, or insurer's representative for money collected with the application. Reference: WAC 284-30-550(1) | 21 | X | |
| 17 | The company makes an independent evaluation on each application. Reference: WAC 284-30-574 | 21 | X | |

| # | Policy Replacement Standards | Page | Pass | Fail |
|---|---|------|------|------|
| 1 | The company informs its field representatives or personnel responsible for compliance about the requirements of the replacement regulations. Reference: WAC 284-23-450(1) | 24 | X | |
| 2 | All life insurance applications must include a statement signed by the applicant regarding the replacement of an existing policy. Reference: WAC 284-23-450(2) | 24 | X | |
| 3 | The company requires a statement signed by the agent indicating whether or not replacement is involved. Reference: WAC 284-23-455(1) | 25 | | X |
| 4 | The company requires that the agent include with the application a listing of all existing insurance to be replaced and a copy of the replacement notice provided to the applicant. Reference: WAC 284-23-455(2)(a) | 24 | X | |
| 5 | The company sends the required notice of replacement and policy summary to the existing insurer within (3) three working days of receipt of the application. Reference: WAC 284-23-455(2)(b) | 25 | | X |
| 6 | The company maintains copies of the notice of replacement, policy summaries and a replacement register for at least (3) three years or until examination by its state of domicile, whichever is later. Reference: WAC 284-23-455(3) | 24 | X | |

| # | Policy Replacement Standards | Page | Pass | Fail |
|----|---|------|------|------|
| 7 | The company notifies the applicant in its policy or by separate written notice that applicant has the right to an unconditional refund of all premiums paid if exercised within 20 days from the date of delivery of the policy. Reference: WAC 284-23-455(4) | 25 | | X |
| 8 | If the sale is generated by direct response and replacement was not proposed by the insurer, the company sends a replacement statement to the applicant with the policy. Reference: WAC 284-23-460(1) | | N/A | |
| 9 | If the sale is generated by direct response and the insurer proposes replacement, the company provides a replacement notice, requests a listing of all existing policies, and informs any existing carriers of proposed replacement. Reference: WAC 284-23-460(2) | | N/A | |
| 10 | The specified replacement form is used in all transactions proposing replacement. Reference: WAC 284-23-485 | 24 | X | |

| # | Policy Administration Standards | Page | Pass | Fail |
|---|---|------|------|------|
| 1 | The company only pays dividends, unused premium refunds, or savings distributed on account of any policy to the policy owner as shown in their records, or any party to whom the insured has assigned these rights. <i>Individual Life Only</i> Reference: RCW 48.18.340(1) and (2) | 26 | X | |
| 2 | The company processes all types of policy administration procedures in accordance with the required policy provisions. <i>Individual Life Only</i> Reference: RCW 48.23.030, RCW 48.23.070(1), RCW 48.23.080(1), RCW 48.23.085(6), RCW 48.23.120 | 26 | X | |
| 3 | The company processes all types of annuity contract administration procedures in accordance with the required contract provisions. <i>Individual Annuity Only</i> Reference: RCW 48.23.150, RCW 48.23.190, RCW 48.23.210 | 27 | X | |
| 4 | The company uses policy illustrations at issue and provides the insured with an annual report on the status of the policy in accordance with the regulations. <i>Individual and Group Life Only</i> Reference: RCW 48.23A.070 | 27 | X | |

| # | Policy Form Filing Standard | Page | Pass | Fail |
|---|---|------|------|------|
| 1 | All policy and application forms are filed with and approved by the OIC prior to use. Reference: RCW 48.18.100(1) | 27 | | X |

APPENDIX 1

General Examination Findings Standard #3: The company does business in its legal name. Reference: RCW 48.05.190(1), Bulletin 78-7.

| Exam Section | OIC ID # | Policy/ Contract # | Description |
|---------------------|-----------------|-------------------------------|---|
| Claims | SLC1/ASL2 | 0100812960 | ASL correspondence on SLC letterhead |
| Claims | SLC4/ASL3 | 0100719349 | ASL correspondence on SLC letterhead |
| Claims | SLC6/ASL5 | 0100287446 | ASL correspondence on SLC letterhead |
| Claims | SLC7/ASL6 | 0100714007 | ASL correspondence on SLC letterhead |
| Claims | SLC8/ASL7 | 0100714008 | ASL correspondence on SLC letterhead |
| Claims | SLC9/ASL8 | 0100474755 | ASL correspondence on SLC letterhead |
| Claims | SLC15/ASL15 | 0100852901 | ASL correspondence on SLC letterhead |
| Claims | SLC21/ASL18 | 0100398688 | ASL correspondence on SLC letterhead |
| Claims | SLC26/ASL22 | 0100747602 | ASL correspondence on SLC letterhead |
| Claims | SLC33/ASL25 | 0100341191 | ASL correspondence on SLC letterhead |
| Claims | SLC34/ASL26 | 0100653385 | ASL correspondence on SLC letterhead |
| Underwriting | ASL NB21 | 0101906323 | Company issuing the policy not noted application |
| Underwriting | ASL NB22 | 0101906936 | Company issuing the policy not noted application |
| Underwriting | ASL NB26 | 0101906310 | Company issuing the policy not noted application |
| Underwriting | ASL D1 | 0100848322 | ASL correspondence references SLC in body of letter |
| Underwriting | ASL D2 | 0100903136 | ASL correspondence references SLC in body of letter |
| Underwriting | ASL D3 | 0100903440 | ASL correspondence references SLC in body of letter |
| Underwriting | ASL D4 | 0100903751 | ASL correspondence references SLC in body of letter |
| Underwriting | ASL D5 | 0100903909 | ASL correspondence references SLC in body of letter |
| Underwriting | ASL D6 | 0100904466 | ASL correspondence references SLC in body of letter |
| Underwriting | ASL D7 | 0100904532 | ASL correspondence references SLC in body of letter |
| Underwriting | ASL D9 | 0101903178 | ASL correspondence references SLC in body of letter |
| Underwriting | ASL D10 | 0101903886 | ASL correspondence references SLC in body of letter |
| Underwriting | ASL D12 | 0101903890 | ASL correspondence references SLC in body of letter |

| Exam Section | OIC ID # | Policy/ Contract # | Description |
|---------------------|-----------------|---------------------------|---|
| Underwriting | ASL D13 | 0101905451 | ASL correspondence references SLC in body of letter |
| Underwriting | ASL D14 | 0101905698 | ASL correspondence references SLC in body of letter |
| Underwriting | ASL D16 | 0101906065 | ASL correspondence references SLC in body of letter |
| Underwriting | ASL D17 | 0101906066 | ASL correspondence references SLC in body of letter |
| Underwriting | ASL D18 | 0101907234 | ASL correspondence references SLC in body of letter |
| Underwriting | ASL D19 | 0101907263 | ASL correspondence references SLC in body of letter |
| Underwriting | ASL D20 | 01019072781 | ASL correspondence references SLC in body of letter |
| Replacements | SLC R16 | AA4100234 | Company issuing the policy not noted application |
| Replacements | SLC R23 | AA3076475 | Letter to existing carrier on ASL letterhead |

APPENDIX 2

General Examination Findings Standard #4: The company maintains full and adequate accounts and records of its assets, obligations, transactions and affairs. Reference: RCW 48.05.280.

| OIC ID # | Policy/ Contract # | Description |
|-----------------|---------------------------|--|
| SLC NB21 | AA3068967 | Imaged application not legible |
| SLC NB41 | AA307782 | Documents imaged to wrong file |
| SLC NB50 | AA3066318 | Only one page of illustration imaged to file |
| ASL NB10 | 0101903622 | Documents from unrelated policy imaged to file |
| SLC D6 | AA3065231 | Only one page of illustration imaged to file |
| SLC D2 | Not assigned | Application missing from file |
| SLC DA9 | LP1037396 | Claim correspondence showing notification and acknowledgement date missing |
| SLC DA17 | LP1066978 | Correspondence showing acknowledgement date missing |
| SLC DA42 | LP1090911 | Correspondence showing acknowledgement date missing |
| SLC WP3 | AA052879 | Correspondence showing acknowledgement date missing |
| SLC R4 | AA3900978 | Cannot confirm receipt date of application (no date stamp) |
| SLC R5 | SL54319202 | Cannot confirm receipt date of application (date stamp illegible) |
| SLC R8 | AA3113407 | File was not imaged into company system |

| OIC ID # | Policy/ Contract # | Description |
|----------|-----------------------|---|
| SLC R10 | AA3074952 | Cannot confirm receipt date of application (date stamp illegible) |
| SLC R12 | AA3802569 | Cannot confirm receipt date of application (no date stamp); incorrect replacement notice imaged to file |
| SLC R13 | AA3904212 | Cannot confirm receipt date of application (no date stamp) |
| SLC R14 | AA3905787 | Cannot confirm receipt date of application (no date stamp) |
| SLC R21 | AA3801494 | Cannot confirm receipt date of application (no date stamp) |
| SLC R22 | AA3802574 | Cannot confirm receipt date of application (no date stamp) |
| SLC R28 | AA3904531 | Cannot confirm receipt date of application (no date stamp) |
| SLC R29 | AA3804248 | Cannot confirm receipt date of application (no date stamp) |
| SLC R41 | AA3900598 | Cannot confirm receipt date of application (no date stamp) |
| SLC R42 | AA3903658 | Cannot confirm receipt date of application (no date stamp) |
| SLC R43 | AA3903314 | Cannot confirm receipt date of application (no date stamp) |
| SLC R45 | AA3801705 | Cannot confirm receipt date of application (no date stamp) |
| SLC R46 | AA3900268 | Cannot confirm receipt date of application (no date stamp) |
| SLC R47 | AA3900268 | Cannot confirm receipt date of application (no date stamp) |
| SLC R49 | AA3904629 | Cannot confirm receipt date of application (no date stamp) |
| SLC R50 | AA3113712 | File was not imaged into company system |
| SLC D31 | AA3802688 | Company could not locate file |
| ASL D8 | 0101903150 | Company could not locate file |

APPENDIX 3

Advertising Standard #2: All advertising materials must show the full name and location of the company. Reference: RCW 48.30.050, WAC 284-23-060(1).

| OIC ID # | Company Form # |
|----------|--|
| 6 | AdvMar FAS1 07/02 |
| 8 | LS-6086 08/02 Variable Universal Life Poster |
| 12 | LMC-5046 7/02 Intro to Cookie Launch |
| 13 | LFT-094 9/02 Prioritizing of Basic PR for Advisors |
| 14 | LFT-048 9/02 The SAFECO Story |
| 16 | LFT-5028 10/02 Power Point Presentation for Secure |
| 19 | LMD-5214 10/02 INSIGHT Sales Idea – Is Group Life Insurance Enough |
| 20 | LS-6111 10/02 Marsh Letter |
| 26 | LMC-5214 12/02 IRA Sales IDEA “Procrastination” |
| 33 | LPS-6247 2/03 The Word is Team PowerPoint |
| 46 | LFI-5060 5/03 Rolodex Card |
| 50 | LO-1249a 5/03 Comparison of Level Term Life and Credit Life |
| 53 | SI-33-52 5/03 (Final Version: LMD-5248 8/03) |

APPENDIX 4

Agent Activity Standard #2: The company ensures that agents are appointed to represent the company prior to allowing them to solicit business on behalf of the company. Reference: RCW 48.17.160(1).

| OIC ID # | Policy/Contract # |
|----------|-------------------|
| ASL 9 | 0100909594 |
| ASL 14 | 0100908456 |
| ASL 18 | 0100903673 |
| SLC 66 | AA3070061 |
| SLC 79 | AA3903750 |
| DA 21 | LP1104135 |
| DA 39 | LP1110977 |
| DA 50 | LP1112292 |

APPENDIX 5

Claims Standard #2: Interest at no less than 8% of the payable death benefit accrues from the date of death up to the payment date. Benefits that have not been paid 90 days after receipt of the proof of death accrue an additional 3% interest, commencing on the 91st day, up to the payment date. Reference: RCW 48.23.300.

| OIC ID # | Policy/Contract # |
|---------------|-------------------|
| SLC 16 | AA0103944 |
| SLC 30 | AA0167126 |
| SLC 31/ASL 24 | 0100069378 |
| SLC 43 | AA0587400 |
| SLC 45 | AA0143478 |
| SLC 50 | AA3020753 |

APPENDIX 6

Claims Standard #5: The company pays claims fairly and without deception as defined by the Unfair Claims Settlement Practices Act. Reference: WAC 284-30-330(1), (2), (3), (4), (5), (9), (11), (13), (15) and (19)

WAC 284-30-330(2): The company must acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies.

| OIC ID # | Policy/ Contract # | Comments |
|----------|-----------------------|--|
| DA 5 | LP1019351 | Delayed acknowledgement of notice of death (15 days) |
| DA 20 | AN1057810 | Delayed acknowledgement of notice of death (13 days) |
| DA 33 | AN0859005 | Delayed acknowledgement of notice of death (35 days) |
| DA 35 | AN0861057 | Delayed acknowledgement of notice of death (12 days) |

| OIC ID # | Policy/ Contract # | Comments |
|----------|-----------------------|---|
| DA 39 | LP1085514 | Delayed acknowledgement of notice of death (13 days) |
| DA 42 | LP1090911 | Cannot confirm acknowledgement date |
| DA 43 | LP1092572 | Delayed acknowledgement of notice of death (22 days) |
| DA 48 | 1A8801528 | Delayed acknowledgement of notice of death (16 days) |
| DA 50 | 1A8803388 | Delayed acknowledgement of notice of death (18 days) |
| IA 2 | 1A8900893 | Delayed acknowledgement of notice of death (13 days) |
| IA 17 | AA0574577 | Delayed acknowledgement of notice of death (11 days) |
| IA 18 | AA0583203 | Delayed acknowledgement of notice of death (19 days) |
| IA 20 | AA0598429 | Delayed acknowledgement of notice of death (16 days) |
| IA 21 | AA0631890 | Delayed acknowledgement of notice of death (12 days) |
| DA 8 | LP1032529 | No follow-up to inquiry regarding claim forms. No follow-up to correspondence regarding Letters Testamentary. |

WAC 284-30-330(5): The Company must affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed.

| OIC ID # | Policy/ Contract # | Comments |
|----------|-----------------------|---|
| DA 22 | LP1084209 | Delayed processing after receipt of forms (33 days) |
| DA 26 | 2A8903214 | Delayed processing after receipt of forms (87 days) |
| DA 36 | AN0862350 | Delayed processing after receipt of forms (44 days) |
| DA 43 | LP1092572 | Delayed processing after receipt of forms (18 days) |
| DA 50 | 1A8803388 | Delayed processing after receipt of forms (23 days) |
| IA 3 | 1A8905044 | Delayed processing after receipt of forms (23 days) |
| IA 4 | 1A9001353 | Delayed processing after receipt of forms (98 days) |
| IA 5 | 1A9103401 | Delayed processing after receipt of forms (23 days) |
| IA 8 | 1A9405216 | Delayed processing after receipt of forms (26 days) |
| IA 11 | 1A9700036 | Delayed processing after receipt of forms (29 days) |
| IA 12 | 1A9702018 | Delayed processing after receipt of forms (25 days) |
| IA 17 | AA0574577 | Delayed processing after receipt of forms (160 days) |
| IA 21 | AA0631890 | Delayed processing after receipt of forms (35 days) |
| IA 23 | AA0647196 | Delayed processing after receipt of forms (22 days) |
| IA 24 | AA0647362 | Delayed processing after receipt of forms from both beneficiaries (59 days and 55 days, respectively) |
| IA 26 | B10110127 | Delayed processing after receipt of forms (16 days) |
| IA 27 | B10110541 | Delayed processing after receipt of forms (28 days) |
| WP 4 | AA0629760 | Delayed processing after receipt of forms (21 days) |

APPENDIX 7

Claims Standard #8: The company acknowledges receipt of notification of a claim within 10 working days. Reference: WAC 284-30-360(1).

Claims Standard #11: The company provides necessary claim forms, instructions, and reasonable assistance within 10 days of receipt of notice of claim. Reference: WAC 284-30-360(4).

Claims Standard #12: The company completes investigation of the claim within 30 days of notice of claim, unless such investigation cannot reasonably be completed within such time. Reference: WAC 284-30-370.

| OIC ID # | Policy/ Contract # | Standard #8 | Standard #11 | Standard #12 |
|----------|-----------------------|-------------|----------------|--------------|
| DA 5 | LP1019351 | 15 days | 15 days | |
| DA 20 | AN1057810 | | 13 days | |
| DA 22 | LP1084209 | | | 53 days |
| DA 26 | 2A8903214 | | | 118 days |
| DA 28 | AN0835178 | | | 4 years |
| DA 33 | AN0859005 | 35 days | 35 days | |
| DA 36 | AN0862350 | | | 43 days |
| DA 39 | LP1085514 | 13 days | 13 days | |
| DA 43 | LP1092572 | 11 days | 11 days | |
| DA 48 | 1A8801528 | 16 days | 16 days | |
| DA 50 | 1A8803388 | | 15 days | |
| IA 2 | 1A8900893 | | 13 days | |
| IA 3 | 1A8905044 | | | 33 days |
| IA 4 | 1A9001353 | | | 73 days |
| IA 5 | 1A9103401 | | | 37 days |
| IA 8 | 1A9405216 | | | 33 days |
| IA 11 | 1A9700036 | | | 44 days |
| IA 12 | 1A9702018 | | | 63 days |
| IA 17 | AA0574577 | 11 days | 11 days | 225 days |
| IA 18 | AA0583203 | | 19 days | |
| IA 20 | AA0598429 | | 16 days | |
| IA 21 | AA0631890 | | 15 days | |
| IA 24 | AA0647362 | | | 71 days |
| IA 27 | 1B10110541 | | | 41 days |
| WP 2 | AA0440557 | | | 68 days |
| WP 3 | AA0520879 | | Forms not sent | |

APPENDIX 8

Claims Standard #13: The company advises of the acceptance or denial of a claim within 15 working days of receipt of properly executed proof of loss. If denied for a specific policy provision, condition, or exclusion, it must be given to the claimant in writing. Reference: WAC 284-30-380(1).

Claims Standard #15: If the company needs more time to determine if the claim should be accepted or denied, it must notify the claimant within 15 working days of receipt of proof of death. If the investigation remains incomplete, the company sends a letter with the reason for the delay within 45 days of the initial notice and every 30 days thereafter. Reference: WAC 284-30-380(3).

| OIC ID # | Policy/ Contract # | Standard #13 | Standard #15 |
|----------|-----------------------|--------------|--------------|
| DA 22 | LP1084209 | 33 days | 53 days |
| DA 26 | 2A8903214 | | 86 days |
| DA 30 | AN0835708 | | 146 days |
| DA 36 | AN0862350 | 31 days | 43 days |
| DA 43 | LP1092572 | | 55 days |
| DA 49 | 1A8803325 | 16 days | |
| DA 50 | 1A8803388 | 23 days | 31 days |
| IA 3 | 1A8905044 | 23 days | 34 days |
| IA 4 | 1A9001353 | 36 days | 98 days |
| IA 5 | 1A9103401 | 23 days | 37 days |
| IA 8 | 1A9405216 | 16 days | 94 days |
| IA 11 | 1A9700036 | 29 days | 67 days |
| IA 12 | 1A9702018 | | 77 days |
| IA 17 | AA0574577 | 160 days | 225 days |
| IA 18 | AA0583203 | | 65 days |
| IA 21 | AA0631890 | 35 days | 75 days |
| IA 24 | AA0647362 | 44 days | 71 days |
| IA 26 | B10110127 | 16 days | |
| IA 27 | B10110541 | 28 days | 55 days |
| WP 2 | AA0440557 | 22 days | |
| WP 4 | AA0629760 | 21 days | |

APPENDIX 9

Underwriting and Policy Issue Standard #3: No alterations are made to the application except by the applicant or with the consent of the applicant. Reference: RCW 48.18.070(1).

Underwriting and Policy Issue Standard #10: If a policy form is filed to be marked without an illustration, an illustration may not be used until after the first policy anniversary. Reference: RCW 48.23A.020(2).

Underwriting and Policy Issue Standard #11: A copy of the illustration is used in the sale of the life insurance policy, or acknowledgement of no illustration used in the sale, is retained by the company. Reference: RCW 48.23A.060.

| OIC # | Policy/ Contract # | Underwriting Standard #3 | Underwriting Standard #10 | Underwriting Standard #11 |
|-----------|-----------------------|-----------------------------|------------------------------|------------------------------|
| SLC NB 1 | AA3069311 | | | X |
| SLC NB 2 | AA3069023 | | | X |
| SLC NB 6 | AA3069376 | | | X |
| SLC NB 9 | AA3076483 | X | | |
| SLC NB 11 | AA3068724 | | | X |
| SLC NB 12 | AA3074648 | | | X |
| SLC NB 23 | AA3070057 | | X | |
| SLC NB 31 | AA3077392 | | X | |
| SLC NB 35 | AA3061962 | | X | |
| SLC NB 36 | AA3061331 | | X | |
| SLC NB 50 | AA3066318 | | X | |
| SLC NB 54 | AA3064138 | | X | |
| SLC NB 60 | AA3075609 | | X | |
| SLC NB 65 | AA3063771 | X | X | |
| SLC NB 67 | AA3802788 | | X | |
| SLC NB 71 | AA3902022 | | X | |
| ASL NB 9 | 0100909594 | | | X |
| ASL NB 16 | 0100903572 | | | X |
| ASL NB 19 | 0100904410 | X | | |
| DA 21 | LP1111162 | X | | |
| DA 22 | LP1111475 | X | | |
| IA 27 | AA0775297 | X | | |

APPENDIX 10

Policy Replacement Standard #3: The company requires a statement signed by the agent indicating whether or not replacement is involved. Reference: WAC 284-23-455(1).

Policy Replacement Standard #4: The insurer requires that the agent include a listing of all existing insurance to be replaced and a copy of the replacement notice provided to the applicant. Reference: WAC 284-23-455(2)(a).

Policy Replacement Standard #5: The company sends the required notice of replacement and policy summary to the existing insurer within 3 days. Reference: WAC 284-23-455(2)(b).

Policy Replacement Standard #7: The insurer notifies the applicant in its policy or by separate written notice that the applicant has the right to an unconditional refund of all premiums paid if exercised within 20 days from the date of delivery of the policy. Reference: WAC 284-23-455(4).

| OIC # | Policy/ Contract # | PR Std #3 | PR Std #4 | PR Std #5 | PR Std #7 |
|----------|-----------------------|-----------|-----------|---------------------------|-----------|
| SLC R 2 | AA3077022 | | | 19 days | |
| SLC R 4 | AA3900978 | X | | | |
| SLC R 7 | AA3110143 | | | 4 days | |
| SLC R 12 | AA3802569 | X | | | |
| SLC R 13 | AA3904212 | X | | | |
| SLC R 14 | AA3905787 | X | | | |
| SLC R 21 | AA3801494 | X | | 4 days | |
| SLC R 22 | AA3802574 | X | | 10 days | |
| SLC R 23 | AA3076475 | | | 4 days | |
| SLC R 26 | AA3069001 | | | 4 days | |
| SLC R 28 | AA3904531 | X | | 47 days | |
| SLC R 29 | AA3804248 | X | | No receipt date on app | |
| SLC R 43 | AA3903314 | X | | 6 days | |
| SLC R 45 | AA3801705 | X | | | |
| SLC R 46 | AA3900268 | X | | | |
| SLC R 47 | AA3905186 | X | | | |
| SLC R 49 | AA3904629 | X | | | |
| SLC R 50 | AA3113712 | | | 5 days | |
| VA R 1 | LP1110645 | X | | | X |
| VA R 2 | V000025494 | | | 5 days | |
| VA R 3 | LP1110655 | | | | X |
| VA R 6 | LP1092336 | | | | X |
| VA R 7 | LP1022918 | | | | X |

| OIC # | Policy/ Contract # | PR Std #3 | PR Std #4 | PR Std #5 | PR Std #7 |
|--------|-----------------------|-----------|-----------|-----------|-----------|
| VAR 9 | LP1098423 | | | | X |
| VAR 11 | LP1110731 | X | | | X |
| VAR 12 | LP1108116 | | | 5 days | |
| VAR 17 | LP1109685 | | | | X |
| VAR 18 | LP1110537 | X | | | X |
| VAR 38 | LP1110342 | | X | | |
| VAR 50 | LP1101684 | X | | | X |

SYMETRA
FINANCIAL

December 10, 2004

James T. Odiorne, CPA, JD
State of Washington, Office of Insurance Commissioner
5000 Capitol Blvd.
Tumwater, WA 98501

RECEIVED
DEC 14 2004
INSURANCE COMMISSIONER
COMPANY SUPERVISION

Dear Jim:

Thank you again Jim, for allowing me to respond to the draft report by email, and then place a written response in the mail today, as well.

I talked with Leslie about the format I planned to use, and she said whatever was easiest for me would work fine for all of you. Therefore, I am including a spreadsheet with responses to any items classified as "Passed with Comment" or "Failed". I identified the product department involved, as that is how we are structured and how we provided the exam documentation to your examiners. I am hoping that will help facilitate their review of our comments. I am not including responses to Instructions and Recommendations at this time. We plan to respond to those with our Compliance Plan. I understand it will be due within 90 days after the formal adoption of the draft report. I am assuming the draft report will be formally adopted by January 10, 2005, so the Compliance Plan will be due around April 10, 2005. We had addressed many of the items identified in the draft report already, as we take your findings and suggestions very seriously.

Due to privacy laws, I am assuming all references to policyholder names, contract numbers or any personally identifiable information contained in our response will be blacked out or removed before it is made a public document.

If you have any questions regarding our response, please feel free to contact me through Friday, December 17, 2004 at judy.walter@symetra.com or 425-376-5464. After that date, please contact Michele Kemper, Vice President and Compliance Officer, Symetra Life Insurance Company, at michele.kemper@symetra.com or 425-376-6006.

Sincerely,



Judy Walter
Assistant Vice President
Symetra Life Insurance Company

Formerly Safeco Life & Investments

Washington State Market Conduct Exam Comments

| Standard | Page Reference | Standard # | Comment |
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| Claims: There were 11 American States files in which Safeco Life letterhead was used. | 8 | 3 | <p>Individual Life Department Response:</p> <p>Safeco Life letterhead was utilized in the 11 Individual Life Claims cited; however, correspondence within each claim has the American States Life Insurance name prominently noted in the claim examiner's signature block.</p> |
| Individual Life New Business: There were three (3) American States files in which the issuing Company is not identified on the application. | 8 | 3 | <p>Individual Life Department Response:</p> <p>Administrative error. All three files indicated amendments asked for in delivery letter. However, no amendments were processed.</p> |
| Life Declines: All 17 decline letters sent for American States policies identified the company declining coverage as Safeco Life in the body of the letter. | 9 | 3 | <p>Individual Life Department Response:</p> <p>Administrative error. Safeco Life is preprinted in letter. Safeco name not deleted and replaced with American States Company name at time of processing.</p> |
| Policy Replacements: There were two (2) Safeco Life files in which the issuing Company name is not checked on the application and one (1) Safeco Life file in which the replacement letter to the other carrier identified American States in the letter heading as the replacing company. See Appendix 1. | 9 | 3 | <p>Individual Life Department Response:</p> <p>AA3074371-Issuing company name not checked on application. File contains home office endorsement confirming company applied with. This was mailed with the policy.</p> <p>AA4100234-Administrative oversight.</p> <p>AA3076475-Administrative error. Wrong letterhead used.</p> |
| <p>Policy records are imaged into the document retrieval system by the Client Services Department. The examiners found scanning errors in three (3) Safeco Life new business files, one (1) American States new business file, one (1) Safeco Life decline file, one (1) declined annuity, three (3) deferred annuity claim files, one (1) waiver of premium claim file and 19 Safeco Life policy replacement files. Because of these errors, it was not possible to review complete and accurate company records. The examiners found the following types of errors:</p> <ul style="list-style-type: none"> • Misfiled originals were scanned into the wrong files. • Illegible documents. • Illegible date stamps on documents. • Missing pages from documents. <p>The Companies did not adequately prepare the files for scanning, and did not perform a quality check after scanning. See Appendix 2.</p> <p>It is also noted that applications taken on the internet were not date stamped; since the application process results in multiple applications for one file it is often impossible to trace the correct sequence of events.</p> | 9 | 4 | <p>Individual Life Department Response for all life policy references:</p> <p>Over the past 6 years we have been striving to improve our record storage and retrieval process. With the purchase of American States Life we acquired an imaging system. Up until that time we relied on paper storage and microfiche.</p> <p>We have also centralized the records department so it serves the entire Safeco Corporation and converted to a single image system, Panagon. The records management team has implemented service level agreements for all departments that they serve to insure a quality product is being produced. A section of the service level agreement is attached. The agreement provides for the quality of images on a go forward basis and quality control checks. We have images that may have had poor quality from prior medium and they are fine tuned whenever possible but sometimes these records are illegible. If there is a situation where a document is needed and the image is not readable, then we will revisit the customer for the information.</p> <p> Life EDM.doc</p> <p>Other steps we are taking to insure quality records and full file documentation is front-end imaging and workflow. We recently implemented Viewstar a front end imaging and workflow product for our Individual New Business area. This limits our exposure for missing and illegible records.</p> <p>Retirement Services Response:</p> <p>We have centralized the records department so it serves the entire Safeco Corporation and converted to a single image system, Panagon. The records management team has implemented service level agreements for all departments that they serve to insure a quality product is being produced. A section of the service level agreement is attached. The agreement provides for the quality of images on a go forward basis and quality control checks. We have images that may have had poor quality from prior medium and they are fine tuned whenever possible but sometimes these records are illegible. If there is a situation where a document is needed and the image is not readable, then we will revisit the customer for the information.</p> <p> Life EDM.doc</p> |

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| | | | Based on the number of files reviewed, we feel the error #'s were within a reasonable margin of error. |
| The Company was unable to produce one (1) Safeco Life decline file and one (1) American States decline file selected as part of the Underwriting and Policy Issue sample. See Appendix 2. | 9 | 4 | <p>Individual Life Department Response:</p> <p>At the time of the audit we were in a paper environment. Paper files were bar-coded and sent for imaging on the back end. In our current environment we work in a front-end imaging system and when a file is complete it is automatically forwarded to the final imaging repository.</p> |
| Fourteen (14) of the 44 items did not include the full Company name or the full home office address. See Appendix 3. | 12 | 2 | <p>11 of the 14 items are agent only pieces. WAC 284-23-020 defines "Advertisement" as follows: "Advertisement" shall be material designed to create public interest in life insurance or annuities or in an insurer, or to induce the public to purchase, increase, modify, reinsure, or retain a policy..." Agent only pieces are not designed to create public interest in life insurance or annuities. They are designed to be used in training and to provide information to Agents to do their job. As the agent only pieces are not "Advertisements" the name and address requirements of the advertising standard do not apply.</p> <p>3 of the 14 are consumer pieces.</p> <p>LS-6086 is a poster and intended to be used with other sales material pieces that would contain the required full name and location of the company.</p> <p>LS-6111 contains the full name of the company, SAFECO Life Insurance Company, and the city and state. We interpret the regulation to indicate city and state is adequate to meet the location requirement.</p> <p>LS-5950 contains the full name of the company, American States Life Insurance Company, and the city and state. It also contains the complete address of SAFECO Life Insurance Company, since policy administration is performed here. We interpret the regulation to indicate city and state is adequate to meet the location requirement.</p> |
| There were seven (7) of 97 individual life files in which the agent did not have a direct appointment with the Companies or did not have an affiliation with the agency listed on the application. | 13 | 2 | <p>Individual Life Department Response:</p> <p>See attached document for a detailed explanation, which was previously provided.</p> <p>It indicates 4 of the 7 were not properly appointed with the company when the application was taken. 3 were appointed.</p> <p>We have strengthened our audit standards for agent appointments and affiliations. 100% audit of our agency system file has been completed.</p> |
| There were 4 of 224 annuity files in which the agent did not have a direct appointment with the Companies or did not have an affiliation with the agency listed on the application. See Appendix #4. | 13 | 2 | <p>Our research indicates the four files cited in fact had appointed agents as indicated below:</p> <p>Retirement Services Department Response:</p> <ul style="list-style-type: none"> • AA0774844- Agent was appointed with us on 12/1/2001 and was affiliated with Agency listed on application. Case was quoted on 8/7/2002, when agent was appointed. • LP1104135 Michael Wong 21-02-8075-01; Safeflex app signed 4/18/02; appointed 2/25/99 • LP1110977 Jeff Holman 21-02-6604-01; SIMPLE IRA Spinnaker app signed 2/4/03; appointed 12/6/02, cancelled 4/2/04 • LP1112292 Steve Whittier 21-02-1496-01; NQ Spinnaker app signed 5/22/03; appointed 3/6/98 |
| One (1) deferred annuity claim (#DA9, Policy #LP1037396) was missing correspondence to verify the date of notification of death or the date forms were sent to the claimant. | 15 | 6 | <p>Retirement Services Department Response:</p> <p>We sent a condolence letter and the claim form to the primary beneficiary 7/25/01. Unable to determine when we actually received first notification of death. Contingent beneficiary notified us in letter 7/16/02 that primary beneficiary predeceased the policyholder (scanned document). We acknowledged his letter by processing a claim on 7/22/02 (5 days) and sending out a check.</p> |
| Two (2) deferred annuity claims (#DA17, Policy LP1066978, and #DA42, Policy LP1090911) were missing correspondence to verify acknowledgement of notification of death within 10 days. | 15 | 6 | <p>Retirement Services Department Response:</p> <p>LP1066978 (401(k) group case): Withdrawal requests are signed by employer/trustee and processed through the plan's third party administrator. Symetra has no direct contact with the plan participants. This finding likely refers to the death benefit (last 4 digits ssn are [REDACTED]). DSHS had placed a lien on Mr. [REDACTED] account for back child support. Full surrender request received and paid 5/22/03.</p> <p>LP1090911 -Notification of death from an agent documented on 2/7/03. Also, receipt of death claim documented on 04/11/03. We acknowledged it by processing a claim on 4/11/03, the same day we received proper paperwork.</p> |
| One (1) deferred annuity claim (#DA33, Policy # AN0859005) contained an illegible, partial copy of the death certificate with no documentation in the file to verify the date of death. | 15 | 6 | <p>Retirement Services Department Response:</p> <p>File notes indicate that we received an original death certificate for another policy (AN0859004). Therefore, we did not require another original copy of death certificate to be sent to verify the date of death. The original death certificate did not get scanned properly. However, our procedure is to verify the date of death when we process transactions. Assumption is that the coordinator who processed a claim for AN0859004 verified date of death from the original death certificate we received before sending it to scanning. Unable to determine if we documented that we received the original death certificate for AN0859004 or not.</p> |
| One (1) waiver of premium claim (#WP3, Policy | 15 | 6 | <p>Individual Life Department Response:</p> |

Any references to policy numbers, names, or any personally identifiable information will be removed from the document before it is made public.

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| <p>AA0520879) was missing correspondence to verify acknowledgement of notification of death within 10 days.</p> <p>There was one (1) deferred annuity claim (#DA8, Policy #LP1032529) in which the Companies failed to respond to an inquiry.</p> | | | <p>Regarding #WP3, Policy AA0520879. On 1/29/03 Individual Claims received a telephone call from the agent indicating the insured wished to file claims for Waiver of Premium and Accelerated Death Benefits. The claim record contains a facsimile confirmation page indicating that on 1/30/03 the claim examiner faxed an eight page claim packet to the agent. This claim packet could be used for filing both an ABR and Waiver claim simultaneously. The claims examiner noted on the top left hand corner of the Waiver/Disability Income Claim Worksheet that information for WMD (Waiver of Monthly Deduction) and ABR (Accelerated Death Benefits Rider) was included with the 1/29/03 claim acknowledgement letter. It appears claim acknowledgement was made within 10 days of notice and this claim was not in violation of the statute.</p> <p>Retirement Services Department Response:</p> <p>File notes indicate we sent out a condolence letter and a claim form to son [REDACTED] on 5/9/02 in response to his telephone inquiry on 5/9/02. Agent requested to have the claim forms sent to him on 6/10/02. We ordered a file to verify agent information. Before we can verify agent information, we got a signed claim form from the beneficiary. Thus, we processed a claim. This took some time because we were having difficulty verifying agent information.</p> |
| <p>There was one (1) deferred annuity claim (#DA9, Policy #LP1037396) in which it was impossible to determine if the Companies responded within the ten (10) working day requirement because the file was missing correspondence to verify the date of notification of death or the date forms were sent to the claimant.</p> | 15 | 10 | <p>Retirement Services Department Response:</p> <p>We sent a condolence letter and the claim form to the primary beneficiary 7/25/01. Unable to determine when we actually received first notification of death. Contingent beneficiary notified us in letter 7/16/02 that primary beneficiary predeceased the policyholder (scanned document). We acknowledged his letter by processing a claim on 7/22/02 (5 days) and sending out a check.</p> |
| <p>The interest paid on six (6) claims was not calculated correctly. The Companies' procedure was to pay interest based on the state of policy issue rather than the state of residence as required. See Appendix 5.</p> | 16 | 2 | <p>Individual Life Department Response:</p> <p>These six life policies were issued in states other than WA and the insured's died as WA residents. Interest on proceeds was originally paid based on policy issue state and not according to WA statute. We have revised our procedures and training for paying interest on proceeds where the decedent was a WA resident. We have also re-calculated the correct interest due for these policies and sent the claimants a letter of explanation and a supplemental check for interest due.</p> |
| <p>The Companies did not acknowledge the notification of death within a reasonable time on eight (8) deferred annuity claims and five (5) immediate annuities claims. There were three (3) deferred annuity claims and one (1) waiver of premium claim that were missing correspondence. The examiners were not able to verify that the Companies acknowledged the notification of death within a reasonable time. There was one (1) deferred annuity claim in which the Companies failed to respond to an inquiry from the son of the deceased within a reasonable time. These errors violate WAC 284-30-330(2). See Appendix 6.</p> | 17 | 5 | <p>Income Annuity Department Response:</p> <p>1A8900893-Benefits ceased upon death. No claim to process.</p> <p>AA0574577- Death notice acknowledged same day as received by telephone. Time frame was reasonable since annuity benefit was not due until 10 months after notice received. Benefit was paid on time on due date.</p> <p>AA0583203- Annuity benefits continued to be paid until notice was acknowledged. There was a dispute between 2 beneficiaries.</p> <p>AA0598429- Notice was reasonable since annuity benefit is not due until 2/21/2005. Will pay on time.</p> <p>AA0631890- Notice of death acknowledged same day as received by telephone.</p> <p>Individual Life Department Response:</p> <p>Regarding #WP3, Policy AA0520879. On 1/29/03 Individual Claims received a telephone call from the agent indicating the insured wished to file claims for Waiver of Premium and Accelerated Death Benefits. The claim record contains a facsimile confirmation page indicating that on 1/30/03 the claim examiner faxed an eight page claim packet to the agent. This claim packet could be used for filing both an ABR and Waiver claim simultaneously. The claims examiner noted on the top left hand corner of the Waiver/Disability Income Claim Worksheet that information for WMD (Waiver of Monthly Deduction) and ABR (Accelerated Death Benefits Rider) was included with the 1/29/03 claim acknowledgement letter.</p> <p>Retirement Services Department Response:</p> <p>LP1019351 –We received notification of death on 1/29/03. We responded 2/20/03 (16 days). We missed a standard by 1 day. The CSR who took the notification phone call mistakenly closed the case instead of dispatching it to a coordinator to send out a response.</p> <p>LP1037396 – We sent a condolence letter and the claim form to the primary beneficiary 7/25/01. Unable to determine when we actually received first notification.</p> <p>File notes show we received request from contingent beneficiary on 7/18/02. We acknowledged by processing a claim on 7/22/02 (3 days).</p> <p>LP1066978 (401(k) group case): Withdrawal requests are signed by employer/trustee and processed through the plan's third party administrator. Symetra has no direct contact with the plan participants. This finding likely refers to the [REDACTED] death benefit (last 4 digits ssn are [REDACTED]). DSHS had placed a lien on Mr. [REDACTED] account for back child support. Full surrender request received and paid 5/22/03.</p> <p>AN1057810 – We received notification of death on 8/20/02 via phone call. The client's son indicated that he will be sending a death certificate and letters of testamentary. Therefore, we chose to not send out an acknowledgement letter or a claim form. We received death certificate and letters of testamentary on</p> |

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| | | | <p>9/3/02. We sent out option letter to beneficiaries on 9/9/02 (6 days). We received signed option form on 10/3/02 and acknowledged it by processing a claim on 10/8/02 (5 days).</p> <p>AN0859005 – Clarify case notes indicate that we received an original death certificate for another policy (AN0859004). Unable to determine if and when we documented that we received the original death certificate for AN0859004 or not. It looks like, per telephone call, we sent out a condolence letter and an option form on 6/13/02. We received a claim form, durable POA and Annuity contract on 7/5/04. We acknowledged it by processing a claim on 7/8/04 (3 days).</p> <p>AN0861057 – Agree with criticism.</p> <p>LP1085514 –Agree with criticism.</p> <p>LP1090911 – Agent called on 2/7/03 to notify that owner passed away. Since the trust is the beneficiary, the agent advised he will have the trustee call us so we know who and where to send death claim paperwork. Therefore, we did not need to send out acknowledgement letter or a claim form. We received a death claim request, copy of trust agreement, and death certificate on 4/11/03. We acknowledged it by processing a claim on the same day (1 day) and sending out a check.</p> <p>LP1092572 – Client’s son in law called to notify us of death. He indicated that he would mail in original death certificate with address to both beneficiaries on the account. Therefore, we did not send out an acknowledgement letter at that point. We received the death certificate on 2/11/03. We sent out condolence letter with claim forms on 2/27/03 (12 days, not 22 days – However, we still did not meet the standard)</p> <p>1A8801528 –Notification of death documented on 6/7/02, but we did not send out condolence letter & claim form until 7/2/02. CSR closed the case instead of dispatching it to the coordinator to respond.</p> <p>1A8803388 – Agree with criticism.</p> <p>LP1032529 – Notification of death received 5/9/02 via phone. We sent out claim form on 5/13/02 (3 days). We received death claim request on 6/6/02. We sent out missing requirements letter on 11/6/02 for Letter of Testamentary and Federal Income Tax withholding. Between 6/6/02 and 11/6/02, file documentation indicates we’ve been in touch with a beneficiary, but the documentation is sketchy.</p> |
| <p>There were nine (9) deferred annuity claims, 13 immediate annuities claims and two (2) waiver of premium claims in which the Companies did not advise of the acceptance or denial of the claim within a reasonable time after receipt of proof of loss. These violated WAC 284-30-330(5). See Appendix 6.</p> | <p>17</p> | <p>5</p> | <p>Income Annuity Department Response:</p> <ul style="list-style-type: none"> • With immediate annuities, there is no question of affirming or denying “coverage; • When an annuitant dies, beneficiaries do not submit a claim. They simply notify the company of the death, and the company follows the terms of the contract; • The annuity contract does not provide any death benefits; • The contract provides that guaranteed annuity benefits will continue to be paid as scheduled to the designated beneficiary, and that life contingent benefits cease; • In some cases, the company learns of the annuitant’s death before anyone has notified us. We take steps to notify interested parties and to terminate or re-direct annuity payments according to the terms of the contract. <p>Individual Life Department Response:</p> <p>AA0440557 (WP2)</p> <p>Notice of Claim was received 12/9/02 and an acknowledgement letter was mailed to the claimant 12/10/02. Waiver of premium claim forms and other required documents were received 12/18/02. The waiver claim was approved 1/9/03 and the policy was placed on waiver status retroactive to 1/7/02. Our 1/9/03 approval letter and premium refund check were inadvertently mailed to the incorrect address. A stop payment was placed on the refund check and a second approval letter and refund were sent to the claimant 2/6/03. The Individual Claims quality assurance program includes a time service goal of paying all approved claims in 5 days or less after receipt of all needed documents. We will continue to stress this time service goal during training sessions and department meetings. We feel the timing on this one meets the reasonableness standard.</p> <p>AA0629760 (WP4)</p> <p>Waiver of premium claim forms and other required documents were received 12/3/02. The claim was approved and placed on waiver status retroactive to 12/15/01. Our approval letter and premium refund check were mailed to the claimant 1/6/03. Our quality assurance program includes a time service goal of paying all approved claims in 5 days or less after receipt of all needed documents. We will continue to stress this time service goal during training sessions and department meetings.</p> <p>Retirement Services Department Response:</p> |

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| | | | <p>LP1084209 – We received paperwork but did not log them timely. Therefore, it did not get processed on time.</p> <p>2A8903214</p> <ul style="list-style-type: none"> • We received a claim form on 12/6/02. On 12/19/02 (9 days), CSR advised beneficiary of his benefit amount. • The beneficiary indicated on 12/27/02 (5 days after we advised beneficiary of his benefit amount – excluding holiday) that he would like to have something in writing. • We ran the 5 year illustration and sent to the beneficiary on 1/3/03 (4 days after beneficiary advised us that he would like his benefit amount in writing – excluding holidays). • There was a miscommunication between beneficiary and us. We processed 5 year illustration because we thought that the beneficiary wanted to find out how much his benefit amount will be first before processing. Beneficiary actually wanted to go ahead with 5 year option in addition to getting the benefit amount in writing. • When we found out the misunderstanding on 3/31/03, we contacted a client on the same day and started processing on the same day. The process was completed on 4/4/03 (4 days after 3/31/03). <p>AN0835708 – We received a claim form and the death certificate on 1/3/03. Beneficiary elected to receive payments over 5 years; therefore, we set the payment up on 1/10/03 (5 days – manual method). We met the standard. Sometime during 2003 (Around May), business decision was made to automate these types of policies, so we processed port on 6/4/03.</p> <p>AN0862350 -Claim form received on 2/25/03. We processed 3/11/03 (10 days). Account build completed on 4/9/03.</p> <p>AN0862502 – We received a claim form on 1/30/03. We processed the claim for two of the beneficiaries on 2/6/03 (3 days). However, the last of the beneficiary [REDACTED] elected to defer. Processing this claim took a while as it involved porting a contract, adjusting cost basis, and building a new policy.</p> <p>LP1066978 (401(k) group case): Withdrawal requests are signed by employer/trustee and processed through the plan's third party administrator. Symetra has no direct contact with the plan participants. This finding likely refers to the [REDACTED] death benefit (last 4 digits ssn are [REDACTED] DSHS had placed a lien on Mr. [REDACTED] account for back child support. Full surrender request received and paid 5/22/03.</p> <p>LP1092572 – We received death claim request on 6/6/02. We did send out missing requirements letter on 11/6/02 for Letter of Testamentary and Federal Income Tax withholding. Between 6/6/02 and 11/6/02, the file indicates we've been in touch with a beneficiary, but the documentation is sketchy.</p> <p>1A8803325 – We received proper paperwork on 4/4/03. On 4/21/03 (11 days), we advised the client that he would receive check. This meets the standard. We processed a claim on 4/25/03. This is 15 days, not 16 days.</p> <p>1A8803388 – There are two beneficiaries on this contract. The claim form from [REDACTED] received on 2/13/03 and processed on 2/17/03 (2 days). The claim form from [REDACTED] received on 2/10/03. Processing this claim took a while as it involved porting a contract, adjusting cost basis, and building a new policy.</p> |
| <p>There were eight (8) deferred annuity claims and five (5) immediate annuities claims in which the Companies did not acknowledge the notification of death within the required ten (10) working days. There were three (3) deferred annuity claims and one (1) waiver of premium claim that were missing correspondence. The examiners were not able to verify that the Companies acknowledged the notification of death within the ten (10) working days. See Appendix 7.</p> | <p>17</p> | <p>8</p> | <p>Income Annuity Department Response:</p> <p>1A8900893- Benefits ceased upon death. No claim to process.</p> <p>AA0574577)-Death notice acknowledged same day as received by telephone. Time frame was reasonable since annuity benefit was not due until 10 months after notice received. Benefit was paid on time on due date.</p> <p>AA0583203-Annuity benefits continued to be paid until notice was acknowledged. There was a dispute between 2 beneficiaries.</p> <p>AA0598429- Notice was reasonable since annuity benefit is not due until 2/21/2005. Will pay on time.</p> <p>AA0631890- Notice of death acknowledged same day as received by telephone.</p> <p>Individual Life Department Response:</p> <p>Regarding #WP3, Policy AA0520879. On 1/29/03 Individual Claims received a telephone call from the agent indicating the insured wished to file claims for Waiver of Premium and Accelerated Death Benefits. The claim record contains a facsimile confirmation page indicating that on 1/30/03 the claim examiner faxed an eight page claim packet to the agent. This claim packet could be used for filing both an ABR and Waiver claim simultaneously. The claims examiner noted on the top left hand corner of the Waiver/Disability Income Claim Worksheet that information for WMD (Waiver of Monthly Deduction) and ABR (Accelerated Death Benefits Rider) was included with the 1/29/03 claim acknowledgement letter. It appears acknowledgement of the Waiver and ABR claims were made within 10 days of notice and were not in violation of the statute.</p> |

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| | | | <p>Retirement Services Department Response:</p> <p>LP1019351 – Agree with criticism.</p> <p>LP1037396 – We sent a condolence letter and the claim form to the primary beneficiary 7/25/01. Unable to determine when we actually received first notification. Contingent beneficiary notified us in letter 7/16/02 that primary beneficiary predeceased the policyholder (scanned document). We acknowledged his letter by processing a claim on 7/22/02 (2 days)</p> <p>LP1066978 (401(k) group case): Withdrawal requests are signed by employer/trustee and processed through the plan's third party administrator. Symetra has no direct contact with the plan participants. This finding likely refers to the death benefit (last 4 digits ssn are). DSHS had placed a lien on Mr. account for back child support. Full surrender request received and paid 5/22/03.</p> <p>AN1057810 – We received notification of death on 8/20/02 via phone call. The client's son indicated that he would be sending a death certificate and letters of testamentary. Therefore, we did not need to send out acknowledgement letter or process a claim at that point. We received death certificate and letters of testamentary on 9/3/02. We sent out option letter to beneficiaries on 9/9/02 (6 days). We received signed option form on 10/3/02 and acknowledged by processing a claim on 10/8/02 (5 days) and sending out checks.</p> <p>AN0859005 – File notes indicate that we received an original death certificate for another policy (AN0859004). Unable to determine if and when we documented that we received the original death certificate for AN0859004 or not. It looks like, per telephone call, we sent out a condolence letter and an option form on 6/13/02. We received a claim form, durable POA and Annuity contract on 7/5/04. We acknowledged it by processing a claim on 7/8/04 (3 days).</p> <p>LP1090911 - Agent called on 2/7/03 to notify that owner passed away. Since the trust is the beneficiary, the agent advised he will have the trustee call us so we know who and where to send death claim paperwork. Therefore, we did not need to send out acknowledgement letter or a claim form. We received a death claim request, copy of trust agreement, and death certificate on 4/11/03. We acknowledged it by processing a claim on the same day (1 day).</p> <p>LP1092572 – We received death claim request on 6/6/02. We did send out missing requirements letter on 11/6/02 for Letter of Testamentary and Federal Income Tax withholding. Between 6/6/02 and 11/6/02, file indicates we've been in touch with a beneficiary, but the documentation is sketchy. We processed a claim on 12/10/02.</p> <p>1A8801528 –Notification of death documented on 6/7/02. CSR closed a case instead of displaying it to the coordinator to send response. We sent out condolence letter & claim form on 7/2/02.</p> <p>1A8803388 – The claim form from received on 2/13/03 and processed on 2/17/03 (2 days). We met the standard #13 for . The claim form from with original death certificate received on 2/10/03. We built a new policy on 3/18/03 (26 days. Late, but not 116 days). Building a new policy took a while because we had to adjust cost basis, port out, and finally build a policy. Setting up a SWIP was not completed until 5/10/03. However, we got following phone calls (been in touch with from)</p> <ul style="list-style-type: none"> • 3/26/03 – advised us to hold off on setting up SWIP as she is still deciding if she wants to start RMD in 2004 or 2005. Confirmation of new policy # sent at this point. • 5/7/03 – advised us that she would like the payment to start in 2004. |
| <p>There were eight (8) deferred annuity claims and five (5) immediate annuities claims in which the Companies did not send forms to the claimants within the required ten (10) working days. There were three (3) deferred annuity claims and one (1) waiver of premium claim, which were missing correspondence. The examiners were not able to verify that the Companies sent forms to the claimants within the ten (10) working days. See Appendix 7.</p> | <p>17</p> | <p>11</p> | <p>Income Annuity Department Response:</p> <p>1A8900893- Benefits ceased upon death. No claim to process. No forms needed to be sent.</p> <p>AA0574577- No claim form was required. Annuity benefit was not due until 10 months after notice received. Benefit was paid on time on due date.</p> <p>AA0583203- Annuity benefits continued to be paid until notice was acknowledged. There was a dispute between 2 beneficiaries.</p> <p>AA0598429- No claim forms required. Annuity benefit is not due until 2/21/2005, and will pay on time.</p> <p>AA0631890- Notice of death acknowledged same day as received by telephone.</p> <p>Individual Life Department Response:</p> <p>Regarding #WP3, Policy AA0520879. On 1/29/03 Individual Claims received a telephone call from the agent indicating the insured wished to file claims for Waiver of Premium and Accelerated Death Benefits. The claim record contains a facsimile confirmation page indicating that on 1/30/03 the claim examiner faxed an eight page claim packet to the agent. This claim packet could be used for filing both an ABR and Waiver claim simultaneously. The claims examiner noted on the top left hand corner of the Waiver/Disability Income Claim Worksheet that information for WMD (Waiver of Monthly Deduction) and ABR (Accelerated Death Benefits Rider) was included with the 1/29/03 claim acknowledgement letter. It appears acknowledgement of the Waiver and ABR claims were made within 10 days of notice and were not in violation of the statute.</p> |

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- In some cases, the company learns of the annuitant's death before anyone has notified us. We take steps to notify interested parties and to terminate or re-direct annuity payments according to the terms of the contract.

Individual Life Department Response:

AA0440557 (WP2)

Notice of Claim was received 12/9/02 and an acknowledgement letter was mailed to the claimant 12/10/02. Waiver of premium claim forms and other required documents were received 12/18/02. The claim record reflects that the waiver claim was approved 1/9/03 and the policy was placed on waiver status with a retroactive effective date of 1/7/02.

Our 1/9/03 approval letter and premium refund check were inadvertently mailed to the incorrect address. A stop payment was placed on the refund check and a second approval letter and refund were sent to the claimant 2/6/03. The Individual Claims quality assurance program includes a time service goal of paying all approved claims in 5 days or less after receipt of all needed documents. We will continue to stress this time service goal during training sessions and department meetings.

Retirement Services Department Response:

LP1084209 – We received notification of death on 8/16/02. We sent out condolence letter and claim forms on 8/21/02 (3 days). We received death certificate on 10/25/02.

We received claim form from [REDACTED] on 10/31/02; however, it wasn't notarized. We sent out missing information letter on 11/8/02 (6 days). Three days after that (11/13/02), an attorney called to inquire on a claim. CSR advised him that we needed notarized signature. We found out on 1/6/03 that we received paperwork on 11/16/02 but did not log them on time in error. Therefore, it did not get processed on time. We processed this claim on 1/7/03. The request was not all in order until 11/16/02.

We received claim form from another beneficiary ([REDACTED]) on 10/29/02. We processed a claim on 11/6/02 (6 days). The request was not all in order until 10/29/02.

LP1066978 (401(k) group case): Withdrawal requests are signed by employer/trustee and processed through the plan's third party administrator. Symetra has no direct contact with the plan participants. This finding likely refers to the [REDACTED] death benefit (last 4 digits ssn are [REDACTED]). DSHS had placed a lien on Mr. [REDACTED] account for back child support. Full surrender request received and paid 5/22/03.

A8903214

- We received a claim form on 12/6/02. On 12/19/02 (9 days), CSR advised beneficiary of his benefit amount.
- The beneficiary indicated on 12/27/02 (5 days after we advised beneficiary of his benefit amount – excluding holiday) that he would like to have something in writing.
- We ran the 5 year illustration and sent to the beneficiary on 1/3/03 (4 days after beneficiary advised us that he would like his benefit amount in writing – excluding holidays).
- There was a miscommunication between beneficiary and us. We processed 5 year illustration because we thought that the beneficiary wanted to find out how much his benefit amount will be first before processing. Beneficiary actually wanted to go ahead with 5 year option in addition to getting the benefit amount in writing.
- When we found out the misunderstanding on 3/31/03, we contacted a client on the same day and started a port process on the same day. The process was completed on 4/4/03 (4 days after 3/31/03).

AN0835178 –Beneficiary wanted us to hold the funds. We sent the letter to the beneficiary advising him of the fact that the funds must be depleted within 5 years, we failed to follow-up.

AN0835708 – We received a claim form and the death certificate on 1/3/03. Beneficiary elected to receive payments over 5 years; therefore, we set the payment up on 1/10/03 (5 days – manual method). We met the standard. Sometime during 2003 (Around May), business decision was made to automate these types of policies, so we processed on 6/4/03

AN0862350 –Claim form received on 2/25/03. We processed port on 3/11/03 (10 days). Account build completed on 4/9/03.

AN0862502 – We received a claim form on 1/30/03. We processed the claim for two of the beneficiaries on 2/6/03 (3 days). However, the last of the beneficiary ([REDACTED]) elected to defer. Processing this claim took a while as it involved porting a contract, adjusting cost basis, and building a new policy.

Washington State Market Conduct Exam Comments

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| | | | <p>LP1092572 – We received death claim request on 6/6/02. We did send out missing requirements letter on 11/6/02 for Letter of Testamentary and Federal Income Tax withholding. Between 6/6/02 and 11/6/02, file indicates we've been in touch with a beneficiary, but the documentation is sketchy. We processed a claim on 12/10/02</p> <p>1A8801528 - Notification of death documented on 6/7/02. We sent out condolence letter & claim form on 7/2/02 (17 days). We received a claim form on 9/20/02. Sent out missing requirement letter (needed notarized or certified death certificate). Received original death certificate on 10/16/02 and we processed a claim on the same day.</p> <p>1A8803325 – Notification of death received on 3/24/03. Condolence letter & claim form mailed on 3/24/03. We received proper paperwork on 4/4/03. On 4/21/03 (11 days), we advised the client that he would receive check. This meets the standard. We processed a claim on 4/25/03 (15 days).</p> <p>1A8803388 - The claim form from [REDACTED] received on 2/13/03 and processed on 2/17/03 (2 days). We met the standard #13 for [REDACTED]. The claim form from [REDACTED] with original death certificate received on 2/10/03. We built a new policy on 3/18/03 (26 days. Late, but not 116 days). Building a new policy took a while because we had to adjust cost basis, port out, and finally build a policy. Setting up a SWIP was not completed until 5/10/03. However, we got following phone calls (been in touch with [REDACTED]) from [REDACTED]</p> <ul style="list-style-type: none"> • 3/26/03 – [REDACTED] advised us to hold off on setting up SWIP as she is still deciding if she wants to start RMD in 2004 or 2005. Confirmation of new policy # sent at this point. • 5/7/03 – [REDACTED] advised us that she would like the payment to start in 2004. |
| <p>There were nine (9) deferred annuity claims, 13 immediate annuities claims and two (2) waiver of premium claims in which the Companies did not advise of the acceptance or denial of the claim with the required 15 working days of receipt of proof of loss. See Appendix 8.</p> | <p>17</p> | <p>13</p> | <p>Income Annuity Department Response:</p> <p>1A9103401- No claim was filed. We discovered the death via automated search. Benefits ceased upon death.</p> <p>AA0647196- There was no claim. Benefits were life contingent & ceased upon death. We received Death Cert on June 12, and sent letter requesting reimbursement of overpaid benefits on June 24. We received reimbursement on July 3.</p> <p>B10110127- There was no claim. Benefits were life contingent & ceased upon death.</p> <p>AA0574577- Notice of death received 1/29/03. Call back to customer same day. Only remaining annuity benefit was due 12/15/03. Paperwork received from beneficiaries on 4/30/03. All beneficiaries were paid on time.</p> <ul style="list-style-type: none"> • With immediate annuities, there is no question of affirming or denying "coverage; • When an annuitant dies, beneficiaries do not submit a claim. They simply notify the company of the death, and the company follows the terms of the contract; • The annuity contract does not provide any death benefits; • The contract provides that guaranteed annuity benefits will continue to be paid as scheduled to the designated beneficiary, and that life contingent benefits cease; • In some cases, the company learns of the annuitant's death before anyone has notified us. We take steps to notify interested parties and to terminate or re-direct annuity payments according to the terms of the contract. <p>Individual Life Department Response:</p> <p>AA0440557 (WP2)</p> <p>Notice of Claim was received 12/9/02 and an acknowledgement letter was mailed to the claimant 12/10/02. Waiver of premium claim forms and other required documents were received 12/18/02. The waiver claim was approved 1/9/03 and the policy was placed on waiver status retroactive to 1/7/02. Our 1/9/03 approval letter and premium refund check were inadvertently mailed to the incorrect address. A stop payment was placed on the refund check and a second approval letter and refund were sent to the claimant 2/6/03. The Individual Claims quality assurance program includes a time service goal of paying all approved claims in 5 days or less after receipt of all needed documents. We will continue to stress this time service goal during training sessions and department meetings.</p> <p>AA0629760 (WP4)</p> <p>Waiver of premium claim forms and other required documents were received 12/3/02. The claim was approved and placed on waiver status retroactive to 12/15/01. Our approval letter and premium refund check were mailed to the claimant 1/6/03. Our quality assurance program includes a time service goal of paying all approved claims in 5 days or less after receipt of all needed documents. We will continue to stress this time service goal during training sessions and department meetings.</p> |

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| | | | <p>Retirement Services Department Response:</p> <p>LP1084209 - We received notification of death on 8/16/02. We sent out condolence letter and claim forms on 8/21/02 (3 days). We received death certificate on 10/25/02.</p> <p>We received claim form from [REDACTED] on 10/31/02; however, it wasn't notarized. We sent out missing information letter on 11/8/02 (6 days). Three days after that (11/13/02), an attorney called to inquire on a claim. CSR advised him that we needed notarized signature. We found out on 1/6/03 that we received paperwork on 11/16/02 but did not log them into Clarify on time in error. Therefore, it did not get processed on time. We processed this claim on 1/7/03. The request was not all in order until 11/16/02.</p> <p>We received claim form from another beneficiary [REDACTED] on 10/29/02. We processed a claim on 11/6/02 (6 days). The request was not all in order until 10/29/02.</p> <p>LP1066978 (401(k) group case): Withdrawal requests are signed by employer/trustee and processed through the plan's third party administrator. Symetra has no direct contact with the plan participants. This finding likely refers to the [REDACTED] death benefit (last 4 digits ssn are [REDACTED]). DSHS had placed a lien on Mr. [REDACTED] account for back child support. Full surrender request received and paid 5/22/03.</p> <p>2A8903214 - We received notification of death on 11/13/02. We sent out condolence letter and claim forms on 11/25/02 (8 days). We received a claim form on 12/6/02. On 12/19/02, CSR advised beneficiary of his benefit amount. At this point we met the standard #13.</p> <p>AN0835708 - We received a claim form and the death certificate on 1/3/03. Beneficiary elected to receive payments over 5 years; therefore, we set the payment up on 1/10/03 (5 days – manual method). We met the standard. Sometime during 2003 (Around May), business decision was made to automate these types of policies, so we processed port on 6/4/03</p> <p>AN0862350 –Notification of death received 1/22/03. Sent out condolence letter with death claim form on 1/29/03 (5 days). Claim form received on 2/25/03. We processed port on 3/11/03 (10 days). Completed on 4/9/03</p> <p>AN0862502 – We received a claim form on 1/30/03. We processed the claim for two of the beneficiaries on 2/6/03 (3 days). However, the last of the beneficiary [REDACTED] elected to defer. Processing this claim took a while as it involved porting a contract, adjusting cost basis, and building a new policy</p> <p>LP1092572 – We received death claim request on 6/6/02. We did send out missing requirements letter on 11/6/02 for Letter of Testamentary and Federal Income Tax withholding. Between 6/6/02 and 11/6/02, it looks like we've been in touch with a beneficiary, but the documentation is sketchy. We processed a claim on 12/10/02</p> <p>1A8803325 – We received a proper document on 4/4/03. We processed a claim on 4/25/03 (15 days). Therefore we met the standard #13.</p> <p>1A8803388 - The claim form from [REDACTED] received on 2/13/03 and processed on 2/17/03 (2 days). We met the standard #13 ([REDACTED]). The claim form from [REDACTED] with original death certificate received on 2/10/03. We built a new policy on 3/18/03 (26 days). Late, but not 116 days). Building a new policy took a while because we had to adjust cost basis, port but, and finally build a policy. Setting up a SWIP was not completed until 5/10/03. However, we got following phone calls (been in touch with [REDACTED] from [REDACTED])</p> <ul style="list-style-type: none"> • 3/26/03 [REDACTED] advised us to hold off on setting up SWIP as she is still deciding if she wants to start RMD in 2004 or 2005. Confirmation of new policy # sent at this point. • 5/7/03 [REDACTED] advised us that she would like the payment to start in 2004. |
| <p>There were nine (9) deferred annuity claims, 13 immediate annuities claims and one (1) waiver of premium claims in which the Companies did not advise the claimants in writing of the need for additional processing time within 45 days of the initial notice of loss. See Appendix 8.</p> | <p>17</p> | <p>15</p> | <p>Income Annuity Department Response:</p> <p>1A9103401- No claim was filed. We discovered the death via automated search. Benefits ceased upon death.</p> <p>AA0647196- There was no claim. Benefits were life contingent & ceased upon death. We received Death Cert on June 12, and sent letter requesting reimbursement of overpaid benefits on June 24. We received reimbursement on July 3.</p> <p>B10110127-There was no claim. Benefits were life contingent & ceased upon death.</p> <p>AA0574577-Notice of death received 1/29/03. Call back to customer same day. Only remaining annuity benefit was due 12/15/03. Paperwork received from beneficiaries on 4/30/03. All beneficiaries were paid on time.</p> <p>See general comment for standard 13 above. Once all paperwork is received, the actual payment of the annuity benefit may be months or even years away, because it is paid only upon its due date.</p> <p>Individual Life Department Response:</p> |

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AA0440557 (WP2)

Notice of Claim was received 12/9/02 and an acknowledgement letter was mailed to the claimant 12/10/02. Waiver of premium claim forms and other required documents were received 12/18/02. The waiver claim was approved 1/9/03 and the policy was placed on waiver status retroactive to 1/7/02. Our 1/9/03 approval letter and premium refund check were inadvertently mailed to the incorrect address. A stop payment was placed on the refund check and a second approval letter and refund were sent to the claimant 2/6/03.

Thirty-one days elapsed from date of notice on 12/9/02 to date of approval on 1/9/03 and 59 days elapsed from the 12/9/02 date of notice to the 2/6/03 date of payment. Because the claim was approved within 45 days of first notice of claim, no 45 day delay letter was required. Appendix 8, Standard #15 indicates that 77 days elapsed and I am not sure how that number derived.

Retirement Services Department Response:

LP1084209 - We received notification of death on 8/16/02. We sent out condolence letter and claim forms on 8/21/02 (3 days). We received death certificate on 10/25/02.

We received claim form from [REDACTED] on 10/31/02; however, it wasn't notarized. We sent out missing information letter on 11/8/02 (6 days). Three days after that (11/13/02), an attorney called to inquire on a claim. CSR advised him that we needed notarized signature. We found out on 1/6/03 that we received paperwork on 11/16/02 but did not log them into Clarify on time in error. Therefore, it did not get processed on time. We processed this claim on 1/7/03. The request was not all in order until 11/16/02.

We received claim form from another beneficiary [REDACTED] on 10/29/02. We processed a claim on 11/6/02 (6 days). The request was not all in order until 10/29/02.

LP1066978 (401(k) group case): Withdrawal requests are signed by employer/trustee and processed through the plan's third party administrator. Symetra has no direct contact with the plan participants. This finding likely refers to the [REDACTED] death benefit (last 4 digits ssn are [REDACTED]). DSHS had placed a lien on Mr. [REDACTED] account for back child support. Full surrender request received and paid 5/22/03.

2A8903214 - We received a claim form on 12/6/02. On 12/19/02 (9 days), CSR advised beneficiary of his benefit amount.

- The beneficiary indicated on 12/27/02 (5 days after we advised beneficiary of his benefit amount – excluding holiday) that he would like to have something in writing.
- We ran the 5 year illustration and sent to the beneficiary on 1/3/03 (4 days after beneficiary advised us that he would like his benefit amount in writing – excluding holidays).
- There was a miscommunication between beneficiary and us. We processed 5 year illustration because we thought that the beneficiary wanted to find out how much his benefit amount will be first before processing. Beneficiary actually wanted to go ahead with 5 year option in addition to getting the benefit amount in writing.
- When we found out the misunderstanding on 3/31/03, we contacted a client on the same day and started a port process on the same day. The process was completed on 4/4/03 (4 days after 3/31/03).

AN0835708 – Notification of death documented on 11/1/02. We sent condolence letter and claim forms on 11/6/02 (5 days). We received a claim form and the death certificate on 1/3/03. Beneficiary elected to receive payments over 5 years; therefore, we set it up on 1/10/03 (5 days – manual method). Sometime during 2003 (Around May), the decision was made to automate these types of policies, so we processed port on 6/4/03.

AN0862350 – Claim form received on 2/25/03. We processed port on 3/11/03 (10 days). Completed on 4/9/03. Processing a port sometimes takes longer.

AN0862502 - Notification of death received 1/27/03. We received a claim form on 1/30/03 (3 days). We processed the claim for two of the beneficiaries on 2/6/03 (3 days). We met the standard on these two beneficiaries. Last of the beneficiary [REDACTED] elected to defer. Processing this claim took a while as it involved porting a contract, adjusting cost basis, and building a new policy.

LP1092572 – We received death claim request on 6/6/02. We did send out missing requirements letter on 11/6/02 for Letter of Testamentary and Federal Income Tax withholding. Between 6/6/02 and 11/6/02, file indicates we've been in touch with a beneficiary, but the documentation is sketchy. We processed a claim on 12/10/02

1A8803325 – We received death certificate on 4/4/03. We processed a claim on 4/24/03 (14 days) and sent out check on 4/25/04 (15 days). We met the standard #15.

1A8803388 - The claim form from [REDACTED] received on 2/13/03 and processed on 2/17/03 (2 days). We met the standard #15 for [REDACTED]. The claim form from [REDACTED] with original death certificate received on 2/10/03. We built a new policy on 3/18/03 (26 days). Late, but not 116 days). Building a new policy took a while because we had to adjust cost basis, port out, and finally build a policy. Setting up a SWIP was not completed until

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| | | | <p>5/10/03. However, we got following phone calls (been in touch with [REDACTED] [REDACTED])</p> <ul style="list-style-type: none"> • 3/26/03 – [REDACTED] advised us to hold off on setting up SWIP as she is still deciding if she wants to start RMD in 2004 or 2005. Confirmation of new policy # sent at this point. • 5/7/03 – [REDACTED] advised us that she would like the payment to start in 2004. |
| There was one (1) declined annuity of 94 individual deferred and immediate annuity files (#DA2, Policy #Not Assigned) which did not include a copy of the application in the file | 22 | 2 | <p>Retirement Services Department Response: No policy # issued; change procedure to issue a policy number and retain a copy of the application, reason for declination and all related correspondence. We are adding this to the New Business procedures. Based on the number of files reviewed, we feel the error #'s were within a reasonable margin of error.</p> |
| Three (3) of 73 Safeco Life and one (1) of 27 American States new business files, and two (2) of 41 individual deferred and one (1) of 50 immediate annuities files contained alterations to the application that were not initialed by the applicant. See Appendix 9. | 22 | 3 | <p>Income Annuity Department Response: AA0775297-Direct rollover from multiple sources often takes longer than anticipated to receive incoming funds. A new staff member erred in not using H.O. space to document agreed change to annuity start date. Manager notes that employee was subsequently reminded of correct procedure.</p> <p>Individual Life Department Response: We did miss material change policy # AA3063771 in reference to product type. Our process is to amend material changes to the applications and have the amendment signed on policy delivery. Material changes would include: product, underwriting information, beneficiary, amount of coverage, etc. Our practice is to not amend information such as phone number or address. Typically, other sources will verify this information for us. AA3076483, AA3073135 and 0100904410 contained missing or altered information which we were able to obtain from other sources.</p> <p>Retirement Services Department Response: Changing procedure to require applicant initials on all changes. We are changing our procedure to either confirm the client change via our recorded line with the client or request them to initial any changes. Based on the number of files reviewed, we feel the error #'s were within a reasonable margin of error.</p> |
| There were 55 Safeco Life and six (6) American States files for policies that were identified as ones to be marketed without an illustration. Ten (10) of these Safeco Life files contained forms labeled as illustrations even though the forms do not meet the OIC definition of illustrations as outlined under RCW 48.23A.040(1). This use of the term illustration is misleading. See Appendix 9. | 22 | 10 | <p>Individual Life Department Response: These are term illustrations showing term rates that are guaranteed. They show no non-guarantee values and do not meet the OIC's definition of an illustration.</p> |
| Five (5) of 18 Safeco Life and two (2) of 21 American States New Business files contained incomplete illustrations. See Appendix 9. | 23 | 11 | <p>Individual Life Department Response: Our training requires the entire illustration to be obtained for products that are illustrated. We have strengthened both our audit and training process.</p> |
| One (1) of 50 life replacement files (SLC# 47, Policy #AA3905186) contained a completed replacement statement that was not signed by the applicant. One (1) of 19 annuity replacement files (SLC# 50, Policy #LP 1101684) shows a "No" answer to the replacement question with no amendment in the file showing the correction. | 24 | 2 | <p>Individual Life Department Response: AA3905186 – Replacement form has 2 pages. Applicant signed on page 2 where signature line appears. Auditor may not have seen page 2.</p> <p>Retirement Services Department Response: LP1101684- Our procedures have been updated to ensure this is completed on the application. We have also included this on our checklist for the Service Representatives to confirm whether this was completed by the agent or not. Based on the number of files reviewed, we feel the error #'s were within a reasonable margin of error.</p> |
| One (1) of 38 life external replacement files (OIC 48, Policy #AA3074562) did not contain a copy of the required replacement form. | 24 | 10 | <p>Individual Life Department Response: Letter faxed by agent indicating applicant decided was not going to replace. Received signed amendment stating "no replacement". Based on the number of files reviewed, we feel the error #'s were within a reasonable margin of error.</p> |
| The Companies do not require a replacement statement signed by the agent when processing replacements submitted on the Virtual Producer web application tool. The earliest version of this tool allowed printing of the web application but did not show the replacement | 25 | 3 | <p>Individual Life Department Response: In the on-line application process, the agent fills out the application while the applicant provides the answers. In the process the questions of whether replacement of an existing policy is part of the transaction is asked. The agent selects the appropriate answer. If the answer is yes, the process is to print out the application and move forward with a paper application. If the answer is no, the electronic process continues. At the end of the process the agent fills out a section entitled "Producer Information" that asks information required for verifying the producer. Following obtaining this information the agent checks a</p> |

Any references to policy numbers, names, or any personally identifiable information will be removed from the document before it is made public.

Washington State Market Conduct Exam Comments

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| question as having been completed. The most current version does show the replacement question as answered but without a signature by the agent. The Companies determine whether the replacement question is answered by reviewing the Web Application Report on-line, however this document does not allow for an agent signature. Thirteen (13) of 50 life replacement files were done on the Virtual Producer with no signatures. | | | <p>"Yes (submit)" button.</p> <p>President William J. Clinton signed the Electronic Signatures in Global and National Commerce Act on June 30, 2000. This law pre-empts state e-signature law to the extent that it conflicts with it.</p> <p>The definition of "Electronic Signature" in the Federal act is as follows "The term 'electronic signature' means [a] process, attached to or logically associated with a contract or other record and ...adopted by a person with the intent to sign the record."</p> <p>The clicking on the "Yes (Submit)" button described above is "logically associated" with the questions regarding replacement and the agents information.</p> |
| Four (4) of 19 annuity replacement files did not have the agent's signature on the agent replacement question. See Appendix 10. | 25 | 3 | <p>Retirement Services Department Response: LP1110645, LP1110731, LP1110537 & LP11101684</p> <p>The replacement forms were completed and signed by the agent but the question on the application was not answered.</p> <p>Our procedures have been updated to ensure this is completed on the application. We have also included this on our checklist for the Service Representatives to confirm whether this was completed by the agent or not.</p> |
| There were 13 of 38 external life replacement files reviewed in which the replacement statement did not identify all existing life insurance by insurer, insured and contract number. | 25 | 4 | <p>Individual Life Department Response:</p> <p>All in force coverage was identified and proper notification was given.</p> |
| There was one (1) of 18 external annuity replacement files that involved the transfer of funds from two (2) carriers but only listed one (1) on the replacement notice. See Appendix 10. | 25 | 4 | <p>Retirement Services Department Response: LP1110342</p> <p>We have added to our procedures to ensure that replacement forms list all providers that are being replaced. This has also been added to our checklist for review.</p> <p>Based on the number of files reviewed, we feel the error #'s were within a reasonable margin of error.</p> |
| There were nine (9) of 37 external life replacement files reviewed in which the replacement notice was not sent within three (3) days. One (1) file did not have a receipt date on the application, and the time requirements could not be determined. One (1) file did not contain a notice of replacement. | 25 | 5 | <p>Individual Life Department Response:</p> <p>We continually review our replacement process and tighten it to be sure we meet replacement standards. All applications are date stamped.</p> <p>The file that did not contain a notice of replacement was not a replacement. There was a signed amendment in the file indicating no replacement.</p> |
| There were two (2) of six (6) external annuity replacements in which the replacement notice was not sent to the existing carrier within three (3) days. See Appendix 10. | 26 | 5 | <p>Retirement Services Department Response: V000025494, LP1108116</p> <p>We have added additional language to our procedures to ensure that replacement forms are mailed within 3 business days of receipt.</p> |
| Two (2) of 12 variable annuity replacements involved replacement of a variable annuity with a fixed annuity. Ten (10) variable annuity replacements did not include the 20 day free look provision. See Appendix 10. | 26 | 7 | <p>Retirement Services Department Response:</p> <p>The free look provision must be printed on or affixed to the contract cover.</p> <p>We have updated our procedures to ensure that the contracts have the 20 day right to examine sticker placed on them before they are sent to scanning. We also have a Quality Analyst who is reviewing the contracts to ensure they are correct before they are mailed out.</p> |
| One (1) of 31 deferred annuity forms reviewed (OIC #22, Contract #LP1111475) used Application form LPC 1161 3/00 which was not filed with the OIC. The Companies indicated that this is a form for another state that was used in error. The Companies did not request that the agent resubmit the application with an approved form. | 27 | 1 | <p>Retirement Services Department Response:</p> <p>Clarify procedure to require rejection of any application form not approved by the state of issue. Must require agents to use approved forms.</p> <p>We have updated procedures to ensure that the correct application is used during the sale and if not we will either collect the correct application or reject the business.</p> |

American States

| Ref # | Policy Number | Agency | Agent | Current Agency Stat # | Agency Appointment Date |
|-------------|---------------|--------------------------------|----------------------|-----------------------|-------------------------|
| 1 (OIC 19) | 0100909594 | Arthur Strand Insurance | Kenneth L. Osborne | 2102505701 | 07/01/1978 |
| 2 (OIC 14) | 0100908456 | Sloan Leavitt Insurance Agency | Robert M. Ashton | 2611225402 | 07/15/1995 |
| 3 (OIC 16) | 0100903572 | The Unity Group Inc | Susan Satterthwaite | 2102035734 | 11/15/1994 |
| 4 (OIC 18) | 0100903673 | American Mutual Ins Svcs LLC | William R. Smallwood | 2102018101 | 02/01/1999 |

Safeco Life

| Ref # | Policy Number | Agency | Agent | Current Agency Stat # | Agency Appointment Date |
|-------------|---------------|------------------------------|----------------|-----------------------|-------------------------|
| 1(OIC 32) | AA3073358 | Michael Wong Insurance Agy | Keene Ung | 2101604201 | 07/01/2002 |
| 2(OIC 59) & | AA4100023 | US Bancorp Insurance Service | Max Benson | 2102804211 | 04/23/2003 |
| (OIC 60) | AA4100020 | US Bancorp Insurance Service | Max Benson | 2102804211 | 04/23/2003 |
| 3 (OIC 63) | AA3061331 | Duda-Hodges Ins Agy | Martha Hoover | 2611465706 | 05/30/2001 |
| 4 (OIC 66) | AA3070061 | | Ernest Clouse | 2611041601 | 04/28/2003 |
| 5 (OIC 79) | AA3903750 | James T. Borello & Co | John B. Wilson | 2428749407 | 05/01/1998 |

6 (OIC 90) AA4100049

US Bancorp Insurance Service

Kerry Steele

2102804271

04/23/2003

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Salina T. Anderson

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06/21/2002