



Illinois Department of Insurance

Bruce Rauner
Governor

Anne Melissa Dowling
Acting Director

July 15, 2016

Vickie R. Bulger, MPA, FLMI, AIRC, CCP
Senior Vice President
Primerica Life Insurance Company
1 Primerica Parkway
Duluth, GA 30099

**Re: Primerica Life Insurance Company and National Benefit Life Insurance Company
*Market Conduct Examination Closing Letter***

Dear Ms. Bulger:

The Department has completed the market conduct examination of Primerica Life Insurance Company and National Benefit Life Insurance Company and is closing its file on the exam. Please find enclosed a final version of the report issued to the companies on June 30, 2016 which the companies accepted.

I intend to ask the Acting Director to make the examination report available for public inspection as authorized by 215 ILCS 5/132. At the Department's discretion, specific content of the report may be subject to redaction for private, personal, or trade secret information prior to making the report public. However, any redacted information will be made available to other regulators upon request.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael P. Rohan".

Michael P. Rohan
Deputy Director
Consumer Education and Protection
Illinois Department of Insurance
122 S. Michigan Avenue, 19th Floor
Chicago, IL 60603
Phone: 312-814-8206
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MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: December 12, 2012 through April 20, 2016

EXAMINATION OF: Primerica Life Insurance Company
NAIC # 65919

National Benefit Life Insurance Company
NAIC # 61409

COMPANY ADDRESS: One Primerica Parkway
Duluth, GA 30099

PERIOD COVERED
BY EXAMINATION: December 31, 2001 through December 10, 2015

EXAMINER: Caroline Marshall, Examiner-in-Charge
Ed Hall, CIE, FLMI
Charles Hellman
Kathleen Ugalde
Lindsay Butler
Dennis Curnyn
Dora Larson
Christine Lee
Nerissa Coker
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I. Scope of Examination

The scope of the examination was to evaluate whether Primerica Life Insurance Company's ("Primerica Life") and National Benefit Life Insurance Company's ("National Benefit Life") (collectively "Companies") individual life insurance, annuity, and retained asset account procedures related to death claims handling practices, and use of the Social Security Death Master File ("DMF") conformed with the standards reflected in the National Association of Insurance Commissioners ("NAIC") Unfair Trade Practices Act, NAIC Unfair Claims Settlement Practices Model Act, N.H. RSA Chapter 417; Cal. Ins. Code §§ 790 *et seq.*; Fla Stat. Ann. §§ 626.951 *et seq.*; 215 Ill. Comp. Stat. 5/154.6 and 5/421 *et seq.*; Mass. Gen. Laws. c. 176D; N.D. Cent Code Chapter 26.1-04; and Pa. Const. Stat. Ann. §§ 1171.1 *et seq.* and other statutes of the various states concerning the proper administration of insurance claims and prompt payment of benefits. A general review of the Companies' unclaimed property handling practices was also conducted in conjunction with and under the authority of the NAIC multistate examinations related to unclaimed life benefits practices. This review, however, was not a review for compliance with the Illinois Uniform Disposition of Unclaimed Property Act (765 ILCS 1025 *et seq.*) and no conclusions as to compliance or noncompliance with this Act are contained herein.

On December 12, 2012, the Illinois Department of Insurance issued a call letter to the Companies advising that a multistate targeted market conduct examination ("Examination") had been called to evaluate the Companies' policies and procedures for its life insurance business, annuities business, and retained asset accounts practices. The Examination covered the time period beginning with December 31, 2001 and continuing through December 10, 2015. The Examination was conducted pursuant to Illinois Department of Insurance policies and procedures

and the National Association of Insurance Commissioners' Market Regulation Handbook. This report on the Examination is confined to comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

II. Background

Primerica Life (NAIC # 65919), a Massachusetts corporation and a subsidiary of Primerica Inc., and National Benefit Life (NAIC # 61409), a New York corporation and a wholly owned subsidiary of Primerica Life, were both involved in the Examination.

Primerica Life was founded in 1903 as the Fraternal Protective Association of Boston, and incorporated in 1927 as the Fraternal Protective Insurance Company. The company changed its name to Primerica Life Insurance Company in 1992. In 1998, Travelers Group, an indirect parent of Primerica Insurance Holdings, Inc. merged with Citicorp to form Citigroup Inc. In 2010, Citigroup restructured its ownership of several subsidiaries through a series of transactions and Primerica Life's direct and ultimate parent became Primerica, Inc., a newly formed Delaware corporation. Primerica, Inc. went public in April 2010.

Primerica Life products include term life insurance policies and annuities, while National Benefit Life products include term life plans, universal plans, whole life products and annuities. As of 2015, Primerica Life was licensed to do business in all states and the District of Columbia, except New York. National Benefit Life was licensed to do business in all 50 states including the District of Columbia.

On the basis of the reported Schedule T data as of December 31, 2011, the Companies combined reported \$1.95 billion in life premiums and \$1.80 million in annuity considerations.

III. Methodology

The following method was used to obtain the findings and itemized details provided in this report, which encompassed any available administrative data of the Companies as well as a review of sample life policies. This Examination placed an emphasis on the insurers' claims handling policies and procedures, particularly for life insurance and annuities, retained asset account (RAA) operations, and historical usage of the DMF. The Examination was conducted on a description and verification basis whereby the examiners submitted questions to the Companies, then sought to validate the Companies' representations. The process began on March 20, 2013, when the examiners sent to the Companies their first set of interrogatories together with a number of document requests. On May 8, 2013, the Companies produced responsive documents.

To validate the Companies' representations regarding their past and present procedures for claims handling practices and DMF usage, the examiners requested and reviewed contemporaneous records including manuals, guidelines, databases, audit reports, sample policies, and project descriptions. The examiners reviewed the Companies' description of their past and present DMF use and requested that they provide confirmation, correction, and clarification as appropriate. The Companies provided minor clarifications in a February 14, 2014 letter.

IV. Analysis

The examiners reviewed the Companies' documented policies and procedures, as well as narrative descriptions written by the Companies describing their general practices. The documents that were analyzed dated back as early as 2001, while the most recent procedures were dated May 8, 2013. During the Examination, the examiners performed a detailed analysis of life insurance, annuity, and retained asset accounts operations in order to validate the Companies' processes from notification of death through settlement in accordance with relevant state laws related to unfair claims settlement practices and unfair trade practices. The Companies' unclaimed property practices were also reviewed. The review included a comprehensive analysis of the Companies' procedures for information related to these areas, such as the Companies' use of the DMF for both annuities and life insurance policies, their death claim procedures and requirements from notice to payment, annuity procedures, RAA dormancy monitoring, unclaimed property procedures, and the Companies' overall returned mail procedures. Further, the examiners reviewed sample life insurance policies which were associated with reported unclaimed death benefits.

V. Findings

DMF Comparisons

Upon review of the Companies' documentation, the examiners found that the Companies under examination began performing internal DMF searches for all in-force life insurance, annuity, and RAA products since they first purchased the full DMF file directly from the National Technical Information Service in 2011, before the examination was started. The first comparisons were performed in the fourth quarter of 2011 and then formally implemented on a quarterly basis as of June, 2012. These comparisons included all life insurance and annuity products offered by the Companies, including Primerica Life comparisons of all in-force policies as of 2011 and National Benefit Life comparisons of all in-force policies and lapsed policies as early as 1986. As these comparisons were implemented for both annuity and life insurance products simultaneously, the examiners found no evidence of historic asymmetric DMF use.

Primerica Life and National Benefit Life run DMF searches independently and each entity follows separate selection and match procedures. Primerica Life performs searches based on SSN, last name, first name and date of birth. National Benefit Life comparisons require both a first and last name and include contracts that have lapsed within the last two years from the date of the comparison run. Both National Benefit Life and Primerica Life will then review the potential match's spreadsheet to determine whether the deceased was eligible for coverage on the date of death.

Examiners recommended that the Companies modify their existing DMF comparison procedure to standardize their DMF matching criteria across all entities and product lines, and to ensure that all in-force and terminated products have been included in comparisons. National

Benefit Life currently applies the matching criteria required by the New York Unclaimed Benefits Act [N.Y. Insurance Law § 3240 (McKinney June 15, 2013)] (“New York Matching Criteria”) to all its DMF searches. Primerica Life agreed to standardize its match criteria by applying the New York Matching Criteria to all of its DMF searches beginning in January 2017. The Companies also agreed to search all policies in-force at the time of a DMF search and also policies that have lapsed within two years prior of each search date.

Cross-Product Searches

According to the Companies’ May 2013 policy documents, both Primerica Life and National Benefit Life have performed cross-product searches across all product lines for at least the past fifteen years. Starting as early as January 1992, Primerica Life began cross-product searches upon the notification of death of the insured and prior to closing the claim. National Benefit Life initiates a cross-product search once a claim is received across all product lines. Beyond differing as to the timing of the search, these searches are limited to other products issued by that particular subsidiary with the exception of a policy started in 2001, under which Primerica Life provides notice to National Benefit Life of any Massachusetts-related death claims of \$15,000 or less, and a policy which was implemented in the third quarter of 2013, under which National Benefit Life provides Primerica Life notification of all deaths on policies not administered by Primerica Life.

Upon recommendation by the Examiners, the Companies agreed to modify their cross-product notification procedures to ensure that notification of a death is communicated across all entities and product lines, regardless of the state of issuance.

Returned Mail Procedures

Since 2010, Primerica Life has used Accurint to locate a current address or contact information when returned mail is received related to a life or annuity product and no forwarding address is provided. In 2010, National Benefit Life started using Accurint in the same manner and the Companies started using Accurint results to update their mailing address records. In addition, since at least 2012 the Companies have used third-party vendors to run addresses through the National Change of Address database (NCOA) prior to sending mail. If it is determined through returned mail research processes that the individual is deceased, the Companies will attempt to verify the death and contact beneficiaries.

Unclaimed Property Procedures

Following notification of death, if a beneficiary cannot be located through its outreach process, the Companies stated that the property will be transferred to the states according to the applicable state unclaimed property law. The Companies stated they began evaluating the need to transfer death benefits following notification of death in 2014. Upon review by the examiners, there are no clear written processes requiring or outlining the criteria for such transfer. However, the examiners' review of sample policy files did not indicate that unreported unclaimed property represented a significant issue.

Both Companies request a certified copy of the death certificate prior to transfer to the states, but will also accept alternate documentation as proof of death if a death certificate cannot be obtained. Documentation provided by the Companies fails to clearly specify what might qualify as alternate documentation. In the written procedures provided, there was no clear indication that transfer to the appropriate state is required when a beneficiary cannot be found or is not able to complete the claims process.

Upon recommendation by the Examiners, the Companies agreed that by January 1, 2017, the Companies will begin to consider an insured's date of death as the dormancy trigger for all in-force policies and policies that have lapsed within two years prior of each search date, unless otherwise required by state law. The Companies also explained that since the Companies began performing quarterly DMF searches, they changed their policy to no longer require a death certificate as a pre-requisite for a claim subject to escheatment. In every state, if a potential DMF match's death can be confirmed by a secondary source (*e.g.* another database, obituary, etc.), the Companies consider unclaimed property to be escheatable at the end of the applicable dormancy period.

STATE OF NEW YORK)
) ss
COUNTY OF NEW YORK)

Caroline Marshall, being first duly sworn upon his/her oath, deposes and says:

That she was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of Primerica Life Insurance Company (NAIC # 65919) and National Benefit Life Insurance Company (NAIC # 61409)(collectively, the "Company").

That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Company's business and affairs and the manner in which the Company conducts its business;

That neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as a policyholder or claimant under a policy or as an owner of shares in a regulated diversified investment company, and that neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

That she/he was the Examiner-In-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the Company.


Examiner-In-Charge

Subscribed and sworn to before me

this 12th day of July, 2016


Notary Public

Christine Ann Jardine
Notary Public of the State of New York, Qualified in Kings County
Commission No. 02JAL6333714, My Commission Expires Nov. 30, 2019