



STATE OF NEW YORK  
INSURANCE DEPARTMENT  
25 BEAVER STREET  
NEW YORK, NEW YORK 10004

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In the Matter of

**CITICORP INSURANCE AGENCY, INC.,  
CITICORP INVESTMENT SERVICES  
and SBHU LIFE AGENCY, INC.,**

**STIPULATION  
No. 2010-0329-S**

Respondents.

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WHEREAS, Respondent SBHU Life Agency, Inc. is licensed as an insurance agent pursuant to Section 2103(a) of the New York Insurance Law ("Insurance Law"), and Respondents Citicorp Insurance Agency, Inc. ("CIAI") and Citicorp Investment Services ("CIS") were previously licensed but are no longer operating as insurance agents pursuant to Section 2103(a) of the Insurance Law; and

WHEREAS, insurance business formerly processed through CIS and CIAI is currently processed through Citigroup Life Agency LLC ("CLA"), which is licensed as an insurance agent pursuant to Section 2103(a) of the Insurance Law and has the authority to implement the terms and conditions of this stipulation set forth in paragraphs 4 through 7 as to CIS, CIAI, and CLA; and

WHEREAS, a market conduct examination ("Examination") of Respondents conducted by the New York State Insurance Department ("Department") for the period January 1, 2003 through December 31, 2007 (the "Examination Period") pertaining to life insurance policies and annuity contracts has revealed certain violations of the Insurance Law and/or Department Regulations and certain other issues with respect to sales practices and complaint handling as set forth below; and

WHEREAS, Respondents have been advised and are aware of their right to notice and a hearing on any such violations; and

WHEREAS, Respondents wish to resolve any such violations and other Examination issues by entering into a stipulation with the Department on the terms and conditions hereinafter set forth in lieu of proceeding with a formal hearing in this matter;  
NOW THEREFORE,

IT IS HEREBY STIPULATED AND AGREED, by and between Respondents and the Department, subject to the approval of the Superintendent of Insurance, as follows:

1. Respondents waive their right to further notice and a hearing in this matter and, in connection with the Examination of Respondents, admit, solely for purposes of resolving this proceeding, the following:

(a) When a transaction involving the replacement of an existing life insurance policy or annuity contract is likely to occur, Section 2123(a)(3) of the Insurance Law and Section 51.5(c) of Department Regulation 60 [11 NYCRR 51.5(c)] ("Regulation 60") require the agent or broker to present to the applicant, not later than at the time the applicant signs the application for replacement of an existing life insurance policy or annuity contract, the "IMPORTANT Notice Regarding Replacement or Change of Life Insurance Policies or Annuity Contracts" form and a completed "Disclosure Statement," which must include specific information concerning the primary reason(s) for recommending the new life insurance policy or annuity contract and why the existing policy or contract does not meet the applicant's objectives. In addition, the agent or broker must have the applicant acknowledge that both forms have been received and read.

During the Examination Period, on certain occasions involving replacement transactions, Respondents did not present complete, accurate and/or timely Disclosure Statements to applicants as required under Section 51.5(c) of Regulation 60. Deficiencies in the Disclosure Statements included one or more of the following:

- (i) Policy and contract values or surrender charges were incomplete or inaccurate;
- (ii) Disclosure Statements contained blank responses in the agent's statement section or erroneous responses of "not applicable" or "none;"
- (iii) Information in the illustration for the replaced policy did not match the information provided on the Disclosure Statement; and
- (iv) Replacements involving multiple policies did not contain a composite comparison for all of the replaced policies as required.

(b) During the Examination Period, on certain occasions, Respondents did not adequately process and resolve client complaints pertaining to the sale of life insurance policies or annuity contracts as follows:

(i) Respondents did not, in certain instances, report or timely report insurance related complaints to the insurers that issued the life insurance policies or annuity contracts that were the subject of the complaints;

(ii) Respondents did not, in certain instances, provide their clients with detailed reasons in writing for the denial of complaints;

(iii) Respondents, in certain instances, permitted individuals whose responsibilities included overseeing agents and approving sales transactions to review and determine whether to deny or settle complaints with respect to policies in which the reviewer had a financial interest in the outcome of the complaint, thereby potentially compromising the fairness and impartiality of the complaint handling process; and

(iv) Respondents, in certain instances, did not maintain documentation and records in complaint files sufficient to enable a meaningful review of the complaint handling.

(c) During the Examination Period, Respondents had in place their own internal rules, policies and procedures to ensure that a life insurance policy or annuity contract recommended to a client was suitable for that individual ("suitability standards"). In certain instances, product sales of life insurance policies or annuity contracts during the Examination Period were inconsistent with Respondents' suitability standards.

2. Respondents state in mitigation that the above violations of Section 51.5(c) of Regulation 60 were not the result of any deliberate attempt to evade the requirements of the Insurance Law and Department Regulations.

3. In consequence of the foregoing violations of Section 51.5(c) of Regulation 60, Respondents consent to the payment of a civil penalty in the sum of Two Million Dollars (\$2,000,000.00), receipt of which is hereby acknowledged.

4. Respondents agree to take the following remedial actions:

(a) Respondents shall continue to review their practices and procedures regarding replacement transactions governed by Regulation 60 and, within 90 days of the date of approval of this Stipulation, Respondents shall report to the Department, in writing, the policies and procedures that Respondents have implemented to address the Regulation 60 deficiency issues raised in this Stipulation.

(b) Within 90 days of the date of approval of this Stipulation, Respondents shall report to the Department, in writing, the policies and procedures that Respondents have implemented to ensure that in connection with all New York consumer complaints received by Respondents pertaining to the sale of life insurance policies or annuity contracts:

(i) The complaint is promptly reported to the insurer that issued the product, and cooperation is provided to the insurer in connection with the Respondents' and the insurer's investigation of the complaint;

(ii) The complaint is handled fairly and objectively and the final determination of the complaint is not made solely by any individuals who have a direct financial interest in the outcome of the complaint;

(iii) Respondents inform the complainant in writing, or alternatively by the same means the complaint was communicated to Respondents if not in writing, of the reason(s) for Respondents' determination of the complaint or of any settlement;

(iv) Respondents shall maintain (1) a complaint log of each complaint received, (2) a copy of each complaint or a written description thereof for oral complaints, (3) any external correspondence relating to or regarding the complaint, and (4) documentation of any action taken by Respondents in response to the complaint sufficient for the Department to readily review the complaint and reconstruct its disposition; and

(v) Clients are advised through website disclosure of Respondents' complaint procedures, which shall include prominent notice that complaints may also be filed directly with the insurer or with the appropriate state insurance department.

(c) Respondents shall, within 90 days of the date of approval of this Stipulation, (1) prepare a list of all New York consumer complaints pertaining to the sale of life insurance policies or annuity contracts that Respondents received, whether written or oral, during the period January 1, 2003 to present, and (2) advise the insurer that issued the product of each such complaint and provide the insurer with a summary of the complaint and the manner in which it was resolved by Respondents. Respondents shall cooperate with the insurer in connection with any investigation and remediation of such complaints.

5. Respondents shall, within 90 days after the date of approval of this Stipulation, submit a written report to the Department setting forth in detail all actions that have been taken in compliance with the foregoing paragraph 4(c) of this Stipulation. Follow-up reports shall be submitted to the Department every 120 days thereafter until Respondents are advised by the Department in writing that such reports are no longer required.

6. In connection with the sale of life insurance and annuity contracts in this State, Respondents shall, within 90 days of the date of approval of this Stipulation, submit to the Department their current policies and procedures designed to comply with all applicable suitability standards.

7. Respondents agree to take any additional steps necessary to prevent reoccurrence of the violations that are the subject of this Stipulation.

Dated: New York, New York  
12/20/2010

NEW YORK STATE INSURANCE DEPARTMENT

By:   
Jon G. Rothblatt  
Assistant Deputy Superintendent and Counsel

SBHU LIFE AGENCY, INC.

By: \_\_\_\_\_  
Name:  
Title: \_\_\_\_\_ and Sublicensee

CITIGROUP LIFE AGENCY LLC

By:  12/14/10  
Name: FRANK P DRAGO

5. Respondents shall, within 90 days after the date of approval of this Stipulation, submit a written report to the Department setting forth in detail all actions that have been taken in compliance with the foregoing paragraph 4(c) of this Stipulation. Follow-up reports shall be submitted to the Department every 120 days thereafter until Respondents are advised by the Department in writing that such reports are no longer required.

6. In connection with the sale of life insurance and annuity contracts in this State, Respondents shall, within 90 days of the date of approval of this Stipulation, submit to the Department their current policies and procedures designed to comply with all applicable suitability standards.

7. Respondents agree to take any additional steps necessary to prevent reoccurrence of the violations that are the subject of this Stipulation.

Dated: New York, New York  
2010

NEW YORK STATE INSURANCE DEPARTMENT

By: \_\_\_\_\_  
Jon G. Rothblatt  
Assistant Deputy Superintendent and Counsel

SBHU LIFE AGENCY, INC.

By:   
Name: Stephen T. Marynowski  
Title: President and Sublicensee

CITIGROUP LIFE AGENCY LLC

By: \_\_\_\_\_  
Name:  
Title: and Sublicensee

STATE OF New York )  
 )ss.:  
COUNTY OF Westchester

On this 30th day of November, 2010, before me personally came Stephen T. Marynowski, to me known to be the individual who executed the foregoing Stipulation on behalf of SBHU Life Agency, Inc. and acknowledged that he/she so did.

CHRISTINE A. DIPIETRO  
NOTARY PUBLIC-STATE OF NEW YORK  
No. 01DI6107507  
Qualified in Westchester County  
My Commission Expires April 06, 2012

  
\_\_\_\_\_  
Notary Public

STATE OF )  
 )ss.:  
COUNTY OF )

On this \_\_\_\_\_ day of November, 2010, before me personally came \_\_\_\_\_, to me known to be the individual who executed the foregoing Stipulation on behalf of Citigroup Life Agency LLC and acknowledged that he/she so did.

\_\_\_\_\_  
Notary Public

THE FOREGOING STIPULATION IS HEREBY APPROVED.

Dated: New York, New York  
2010

JAMES J. WRYNN  
Superintendent of Insurance

By: \_\_\_\_\_  
Martha A. Lees  
Deputy Superintendent and General Counsel

STATE OF )  
 )ss.:  
COUNTY OF )

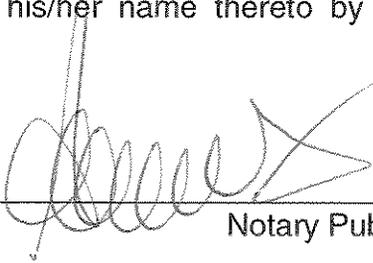
On this \_\_\_\_\_ day of November, 2010, before me personally came \_\_\_\_\_, to me known to be the individual who executed the foregoing Stipulation on behalf of SBHU Life Agency, Inc. and acknowledged that he/she so did.

\_\_\_\_\_  
Notary Public

STATE OF NY )  
 )ss.:  
COUNTY OF NY )

On this 16<sup>th</sup> day of December, 2010, before me personally came FRANK P DRAGO, to me known, who, being by me duly sworn, did depose and say that he/she resides at Pleasantville, NY; that he/she is a senior vice-president, wealth management and the authorized signatory of Citigroup Life Agency LLC, the corporation described in and which executed the above instrument; and that he/she signed his/her name thereto by order of the board of directors of said corporation.

SETH D. MARCUS  
Notary Public, State of New York  
No. 01MA5056530  
Qualified in New York County  
Commission Expires March 4, 2014

  
\_\_\_\_\_  
Notary Public

THE FOREGOING STIPULATION IS HEREBY APPROVED.

Dated: New York, New York  
December 20, 2010

JAMES J. WRYNN  
Superintendent of Insurance

By: Martha A. Lees  
Martha A. Lees  
Deputy Superintendent and General Counsel