



STATE OF NEW YORK INSURANCE DEPARTMENT
REPORT ON MARKET CONDUCT EXAMINATION
OF THE
HARTFORD LIFE INSURANCE COMPANY

CONDITION:

DECEMBER 31, 2006

DATE OF REPORT:

MARCH 18, 2008

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EXAMINER:

MARC A. TSE

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

Andrew M. Cuomo
Governor

James J. Wrynn
Superintendent

September 12, 2011

Honorable James J. Wrynn
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22550, dated October 30, 2006 and annexed hereto, an examination has been made into the condition and affairs of the Hartford Life Insurance Company, hereinafter referred to as "the Company," at its home office located at 200 Hopmeadow Street, Simsbury, Connecticut, 06089.

Wherever "Department" appears in this report, it refers to the State of New York Insurance Department.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The material findings, comments, violations and recommendations contained in this report are summarized below:

- The Company violated Section 4226(b) of the New York Insurance Law and certain sections of Department Regulation No. 60. The Company failed to: use comparisons that conform to all the requirements established by the Superintendent by Regulation; reduce the surrender values and death benefit values for the hypothetical rates of return on the Appendix 10B Disclosure Statement by investment fund level changes; provide revised Disclosure Statements where the annuity contract issued differed from the contract applied for; and correct deficiencies involving Disclosure Statements or reject the application within the ten day timeframe allowed by Department Regulation No. 60. (See item 4A of this report)
- The examiner recommends that the Company develop and implement an audit plan designed to review, test and monitor compliance with Department Regulation No. 60. Such plan should be approved by the Company's board of directors and its audit committee. Also, the results of audits performed should be reviewed by the board of directors and the audit committee. (See item 4A of this report)
- The Company violated Section 3201(b)(1) of the New York Insurance Law by using policy forms that were not filed with and approved by the Superintendent and by using policy forms that had been modified from the version filed with and approved by the Department. (See item 4B of this report)
- The Company violated Section 3220(a)(2) of the New York Insurance Law by failing to include standard provisions protecting the rights of policyholder from provisions not contained in the policy. The Company also violated Section 3220(a)(2) of the New York Insurance Law by including a provision in the policy that allows the Company to make changes to the policy without the policyholder's signature. (See item 4B of this report)
- The Company violated Section 3220(a)(6) of the New York Insurance Law by failing to include standard provisions entitling the policyholder to a conversion life policy should they be terminated due to a permanent disability. (See item 4B of this report)

- The Company violated Section 3204(a)(3) of the New York Insurance Law by unilaterally modifying life insurance policies such that policyholders could be adversely affected. (See item 4B of this report)
- The Company violated Section 403(d) of the New York Insurance Law by utilizing unapproved fraud warning statements on its claim forms. (See item 4C of this report)

2. SCOPE OF EXAMINATION

This examination covers the period from January 1, 2004 through December 31, 2006. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2006 but prior to the date of this report (i.e., the completion date of the examination).

The examination was limited to a review of: corporate structure, underwriting, policy forms, replacements, agent licensing and compensation filings, treatment of policyholders and advertising. The examiner utilized the National Association of Insurance Commissioners' Market Regulation Handbook or such other examination procedures, as deemed appropriate, in such review.

This report on examination is confined to comments on matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF COMPANY

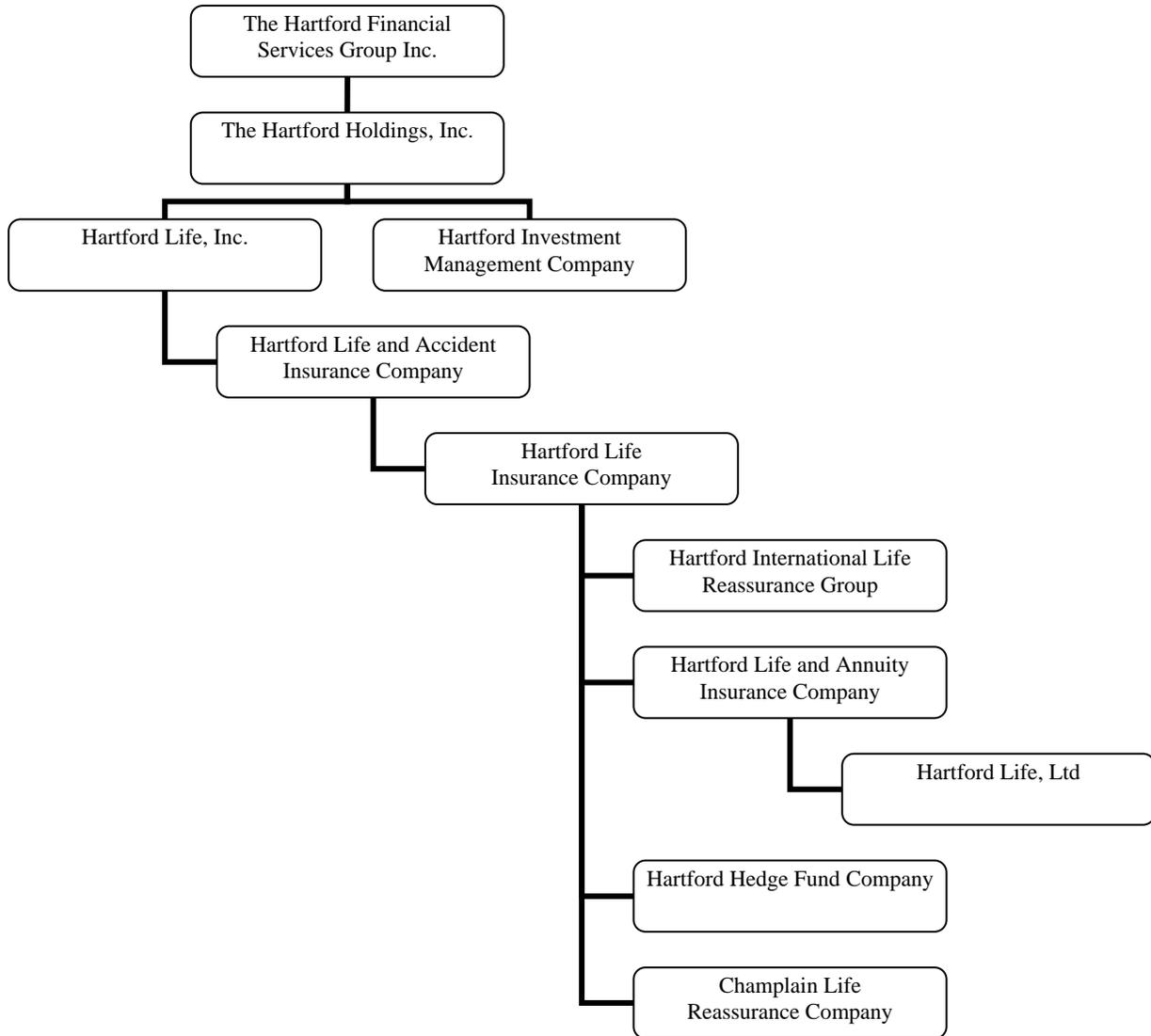
A. History

The Company was originally incorporated as a stock life insurance company named Columbian National Life Insurance Company of Boston (“Columbian”), under the laws of the Commonwealth of Massachusetts in 1902. In 1959, Columbian was acquired by Hartford Fire Insurance Company and in 1960 the name of the Company was changed to Hartford Life Insurance Company. In 1978, the Company was incorporated under the laws of the State of Connecticut.

B. Holding Company

The Company is a wholly owned subsidiary of Hartford Life and Accident Insurance Company, a Connecticut insurer. Hartford Life and Accident Insurance Company is a subsidiary of Hartford Life, Inc., which is a Delaware insurance company. The Company’s ultimate parent is The Hartford Financial Services Group, Inc., which is a Delaware holding company. The Company is the immediate parent of Hartford International Life Reassurance Group, Hartford Life and Annuity Insurance Company, Hartford Hedge Fund Company and Champlain Life Reassurance Company. On March 2, 2006, the Company completed the sale of Servus Life Insurance Company to XL Life and Annuity Holding Company and received \$14.6 million for the sale.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2006 follows:



C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than three and not more than twenty directors. Directors are chosen by ballot at each annual meeting of the shareholders. As of December 31, 2006, the board of directors consisted of six members. Meetings of the board may be called by the Chairman of the board, the president or any three directors.

The six board members and their principal business affiliation, as of December 31, 2006, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Michael L. Kalen Avon, CT	Executive Vice President Hartford Life Insurance Company	2004
Glenn D. Lammey Simsbury, CT	Executive Vice President and Chief Financial Officer Hartford Life Insurance Company	2006
Thomas M. Marra Simsbury, CT	President, Chief Financial Officer and Chairman of the Board Hartford Life Insurance Company	1999
John C. Walters Avon, CT	Executive Vice President Hartford Life Insurance Company	2000
Lizabeth H. Zlatkus Glastonbury, CT	Executive Vice President Hartford Life Insurance Company	1999
David M. Znamierowski Harpwell, ME	Executive Vice President and Chief Investment Officer Hartford Life Insurance Company	1999

In January of 2007, Michael L. Kalen left the board and was replaced by Stephen T. Joyce. In June of 2007, Thomas M. Marra left the board.

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 2006:

<u>Name</u>	<u>Title</u>
Thomas M. Marra	President, Chief Financial Officer and Chairman of the Board
Richard G. Costello	Vice President and Secretary
Ernest M. McNeill, Jr.	Vice President and Chief Accounting Officer
Thomas A. Campbell	Vice President and Actuary
Michael L. Kalen	Executive Vice President
Richard L. Mucci	Executive Vice President
John C. Walters	Executive Vice President
Glenn D. Lammey	Executive Vice President and Chief Financial Officer
David M. Znamierowski	Executive Vice President and Chief Investment Officer
Neal S. Wolin	Executive Vice President and General Counsel
Lizabeth H. Zlatkus	Executive Vice President
Pat DeFrancesco *	Director of Customer Relations

* Designated consumer services officer per Section 216.4(c) of Department Regulation No. 64

D. Territory and Plan of Operation

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in 50 states and the District of Columbia. In 2006, 12.2% of all premiums (life insurance, accident and health premiums, annuity considerations and deposit type funds) were received from the State of New York.

For life premiums, 52.3% was received from Pennsylvania (15.8), New York (12.2%), Massachusetts (9.1%), North Carolina (7.6%) and Florida (7.6%). For annuity considerations, 80.2% percent was received from Connecticut (42.3%), Texas (16.4%), Illinois (7.2%), California (5.2%), Wisconsin (4.9%) and New York (4.2%). For deposit-type funds, 78.2% percent was received from Delaware (50.4%), California (11.6%), New York (9.1%) and Connecticut (7.1%). For disability income premiums (group and individual), 51.5% percent was received from New York (36.0%), Delaware (5.4%), California (4.1%), New Jersey (3.1%) and Connecticut (2.9%).

The Company offers individual annuities, group annuities, institutional annuities, deferred compensation products, variable life, universal life, traditional life, corporate life, group life, structured settlements and group disability insurance as well as other health coverage. The Company is organized into three divisions. The Company's group policies are issued and administered through the Group Benefits Division, individual life policies are issued and administered by the Individual Life Division and The Investment Products Division issues and administers the annuity business.

The Company's agency operations are conducted through independent broker dealers and financial intermediaries.

4. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Company's market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of the Company.

A. Advertising and Sales Activities

The examiner reviewed a sample of the Company's advertising files and the sales activities of the agency force including trade practices, solicitation and the replacement of insurance policies.

Section 4226 of the New York Insurance Law states, in part:

“(a) No insurer authorized to do in this state the business of life, or accident and health insurance, or to make annuity contracts shall . . .

(5) make or deliver to any person or persons any incomplete comparison of any such policies or contracts for the purpose of inducing, or tending to induce, such person or persons to lapse, forfeit or surrender any insurance policy or contract

(6) replace the individual life insurance policies or individual annuity contracts of an insurer by the same or different insurer without conforming to the standards promulgated by regulation by the superintendent....

(b) Any comparison of the policies or contracts of any such insurer or insurers shall be deemed to be an incomplete comparison if it does not conform to all the requirements for comparisons established by the superintendent by regulation.”

Section 51.6(b) of Department Regulation No. 60 states, in part:

“Where a replacement has occurred or is likely to occur, the insurer replacing the life insurance policy or annuity contract shall . . .

(2) Require with or as part of each application a copy of any proposal, including the sales material used in the sale of the proposed life insurance policy or annuity contract, and proof of receipt by the applicant of the “IMPORTANT Notice Regarding Replacement or Change of Life Insurance Policies or Annuity Contracts” and the completed “Disclosure Statement;”

(3) Examine any proposal used, including the sales material used in the sale of the proposed life insurance policy or annuity contract, and the “Disclosure Statement,” and ascertain that they are accurate and meet the requirements of the Insurance Law and this Part . . .

(5) Submit quarterly reports within thirty days of the end of each quarter, beginning at the end of the first full calendar quarter after the effective date of this Part, to the Superintendent of Insurance, indicating which insurers, if any, have failed to provide the information as required in Section 51.6 (c)(2) herein . . .

(7) Where the required forms are not received with the application, or if the forms do not meet the requirements of this Part or are not accurate, within ten days from the date of receipt of the application either have any deficiencies corrected or reject the application and so notify the applicant of such rejection and the reason therefor. In such cases, the insurer shall maintain any material used in the proposed sale, in accordance with the guidelines of Section 51.6(b)(6) herein . . .

(9) In the event the life insurance policy or annuity contract issued differs from the life insurance policy or annuity contract applied for, ensure that the requirements of this Part are met with respect to the information relating to the life insurance policy or annuity contract as issued, including but not limited to the revised "Disclosure Statement," any revised or additional sales material used and acknowledgement by the applicant of receipt of such revised material."

Section 51.6(c) of Department Regulation No. 60 states, in part:

"Where a replacement has occurred or is likely to occur, the insurer whose life insurance policy or annuity contract is to be replaced shall . . .

(2) Within twenty days of receipt of a request from a licensee of the Department, for information necessary for completion of the "Disclosure Statement" with respect to the life insurance policy or annuity contract proposed to be replaced, together with proper authorization from the applicant, furnish the required information simultaneously to the agent or broker of record of the existing life insurance policy or annuity contract being replaced and the agent or broker and insurer replacing the life insurance policy or annuity contract. This information shall include the insurer's customer service telephone number, the current status of the existing life insurance policy or annuity contract and the currently illustrated dividends/interest and other non-guaranteed costs and benefits."

The Company issued 65,826 annuities, in the state of New York, during January 1, 2004 and December 31, 2006. Of this number, 35,273 were group annuities, structured settlements and terminal funding agreements, which generally do not involve replacements. The remaining 30,553 annuities issued were individual annuities, both fixed and variable. Of these individual annuities, 7075 (23.2%) were replacements.

The examiner selected a sample of 20 annuity replacements for review out of a population of 7,037 annuity replacements issued in the State of New York. This sample and population excluded single premium immediate annuities (“SPIA”). The SPIA replacements were reviewed as a separate sample. The review of the sample revealed that 13 of the 20 Disclosure Statements contained errors with regard to completeness and accuracy. Due to the high error rate of the initial sample, an additional sample of 20 annuity replacements was selected for review. The review of the combined sample of 40 annuity replacements revealed the following:

- 1.(a) In ten cases (25%), the Disclosure Statements were not fully completed; this includes one Disclosure Statement that was not signed, one Disclosure Statement where the agent’s statement was not completed and eight Disclosure Statements where the agent failed to indicate the surrender charge percentages of the new policy in the agent’s statement.
- (b) In ten cases (25%), the agent indicated “none” where the Disclosure Statement requires the advantages of retaining the existing coverage to be listed, despite the fact that in all 10 cases, the existing coverage had no surrender charge while the proposed coverage did have a surrender charge.
- (c) In five cases (12.5%), the Company could not verify the accuracy of certain statements made by the agent on the Disclosure Statement. In four of the five cases, the agent indicated that the reason for the replacement was because the proposed annuity had lower fees; the Company was not able to verify that this statement was accurate. In one case, the agent stated that the reason for the replacement was because of a “step up” in death benefit, however, the existing policy had a higher death benefit as of the date of the replacement; the Company asserted that the new policy had a higher guaranteed minimum death benefit, but could not verify that their assertion was correct.
- (d) In four cases (10%), the Disclosure Statement illustrated a contract which differed from the contract ultimately issued; a revised Disclosure Statement was never completed. Two of the four contracts were issued with an interest rate lower than the one illustrated on the Disclosure Statement. It is also noted that the Company had alerted the Department, prior to the examination, that the National Association of Securities Dealers had discovered that the Company was not issuing revised Disclosure Statements in certain cases where the interest rate had changed on its annuities.

Certain Disclosure Statements included more than one type of error listed above. Twenty-two (55%) of the 40 replacement files reviewed contained a Disclosure Statement with at least one error.

The Company violated Section 51.6(b)(2) of Department Regulation No. 60 by not obtaining fully completed Disclosure Statements.

The Company also violated Section 51.6(b)(3) of Department Regulation No. 60 by not ascertaining that statements made on the Disclosure Statement were accurate in the cases where the advantages of the existing policy were described as “none,” and in the cases where the Company could not verify that statements made on the Disclosure Statement were accurate.

The Company also violated Section 51.6(b)(9) of Department Regulation No. 60 by failing to provide a Revised Disclosure Statement in those cases where the annuity contract applied for differed from the annuity contract issued.

The Company also violated Section 51.6(b)(7) of Department Regulation No. 60, because where the required forms did not meet the requirements of the Regulation or were not accurate, the Company failed to, within ten days from the date of receipt of the application, either have any deficiencies corrected or reject the application and so notify the applicant of such rejection and the reason therefore.

2. The examiner’s review of the initial sample of 20 replacement policy files noted that 15 of the replacements files were for variable annuities with fund level fees. Fourteen (75%) of these 15 variable policies were sold using a Disclosure Statement that failed to deduct the fund level charges. With respect to annuity replacements, the Appendix 10B Disclosure Statement (Annuity to Annuity Replacements) requires that the surrender values and death benefit values for the hypothetical rates of return on annuity contracts be reduced by investment fund level charges.

For variable annuity replacements during the examination period, the Company failed to reduce the surrender values and death benefit values for the hypothetical rates of return on the Appendix 10B Disclosure Statement by investment fund level charges as required by Department Regulation No. 60.

It is noted that the Company had informed the Department prior to the examination that they had failed to include investment fund level charges in the Disclosure Statement.

The Company violated Section 4226(b) of the New York Insurance Law and Section 51.6(b)(3) of Department Regulation No. 60 by failing to use comparisons that conform to all the requirements established by the Superintendent by regulation, reduce the surrender values and death benefit values for the hypothetical rates of return on the Appendix 10B Disclosure Statements by investment fund level charges and examine Appendix 10B Disclosure Statements for the variable annuity replacements and ascertain that they were accurate and met the requirements of the New York Insurance Law and Department Regulation No. 60.

The examiner recommends that the Company develop and implement an audit plan designed to review, test and monitor compliance with Department Regulation No. 60. Such plan should be approved by the Company's board of directors and its audit committee. Also, the results of audits performed should be reviewed by the board of directors and the audit committee.

3. The examiner selected a sample of ten SPIA replacements for review from a population of 38 replacements. The review revealed two instances (20%) where the Company used approximations for the values of the existing annuity on the Disclosure Statement when the replaced company failed to provide the information necessary to complete the Disclosure Statement. The Company did not file with the Department, the quarterly report required by Section 51.6(b)(5) of Department Regulation No. 60, to notify the Department that an existing insurer failed to provide the information necessary to complete the Disclosure Statement.

The Company violated Section 51.6(b)(5) of Department Regulation No. 60 by failing to file the quarterly report required when an existing insurer failed to provide the information necessary to complete the Disclosure Statement.

B. Underwriting and Policy Forms

The examiner reviewed a sample of new underwriting files, both issued and declined, and the applicable policy forms.

1. Section 3201(b)(1) and (c)(2) of the New York Insurance Law states, in part:

“(b)(1) No policy form shall be delivered or issued for delivery in this state unless it has been filed with and approved by the superintendent as conforming to the requirements of this chapter and not inconsistent with law. . .

(c)(2) The superintendent may disapprove any life insurance policy form, or any form of annuity contract or group annuity certificate, or any form of funding agreement for delivery or issuance for delivery in this state, if its issuance would be prejudicial to the interests of policyholders or members or it contains provisions which are unjust, unfair or inequitable.”

The examiner selected a sample of 37 group policies issued during the examination period for review. The sample consisted of: 10 policies that included coverage for group life, group long term disability and group short term disability; 8 group accident policies; 13 group workman’s disability policies, and; 6 group accidental death and dismemberment policies. Each policy contained multiple policy forms.

The review revealed that 24 (64.9%) of the 37 policy files contained at least one policy form that was not approved by the Department. There were 26 different unapproved policy forms noted during the review. In total, there were 65 instances where the Company utilized an unapproved policy form. The unapproved policy forms and the number of occurrences noted in the sample are shown in the table below:

<u>Form Number</u>	<u>Form Type</u>	<u>Number of Instances</u>
1100A.1	Certificate	14
1200A.1	Certificate	2
7679H-35	Endorsement	2
Certificates for Life, STD and AD&D – No Form No.	Certificate	1
DBLGR-11989HL (A) 4/97	Certificate	4
Form 7679H56 Rev-1 - (not approved for use in NY)	Endorsement	1
GBD1100.A.1	Certificate	6
GBD Rider A	Rider	2
GBD RIDERA (852977)1.1 (FNC)	Rider	1
GBD RIDERA (852977)2.2 (FNC)	Rider	1
GR-11354-2	Application	1
GR-11354-3	Application	4
GR-11386-HL(1)-(8)	Master Policy	6
GR-11387-HL	Rider	1
GR-1146Rev.HL	Endorsement	1
GR-2025(496)A-H	Endorsement	1
GR-2025(496)A-HL	Endorsement	1
GR-2025(496)A-HLA	Endorsement	3
Group AD&D Certificate - No Form No.	Certificate	1
Group LTD Certificate - No Form No.	Certificate	3
Group STD, LTD, Life & AD&D Certificate(s) - No Form No.	Certificate	1
Group STD, Term and AD&D Certificates - No Form No.	Certificate	1
Group STD Certificate - No Form No.	Certificate	2
Group Term Certificate - No Form No.	Certificate	2

PA3721-1	Policy Schedule	2
PS-M-73	Certificate	<u>1</u>
Total		65

The review also revealed that 11 of the 37 policy files contained at least one policy form that was modified from the version approved by the Department. There were five different modified policy forms noted during the review. In total, there were 18 instances where the Company utilized forms that were modified from the version filed with and approved by the Department. The modified forms and the number of occurrences noted in the sample are shown in the table below:

<u>Form Number</u>	<u>Form Type</u>	<u>Number of Instances</u>
GBD1000	Master Policy	7
GBD1200A.1	Certificate	5
GBD-1200A.1 (LTD, Life, Supp Life, AD&D Certificate)	Certificate	1
GBD-1200A.1 (STD Certificate)	Certificate	1
GBD-1000A (Contract)	Master Policy	<u>4</u>
Total		18

In total, the review of 37 group policies revealed 30 (81.1%) policies that contained at least one instance where the Company either utilized an unapproved form or modified an approved form. Most of the files contained multiple instances of unapproved and/or modified forms.

In addition, the Company informed the examiner of another policy form issue. The Company filed policy form PA-9199(Rev 3/07), a group term life application with a statement of variable language which contains both life and health provisions and therefore requires the approval of both the life and health bureaus, with the Department's Health Bureau on January 12, 2007 and with the Department's Life Bureau, under Circular Letter No. 6 (2004), on May 3, 2007. The Company began using the form in June of 2007. The form was disapproved by the Department on July 2, 2007, and again on November 1, 2007, after the Company re-filed the form on August 31, 2007. Despite the Department's disapproval of the form, the Company continued to use the form through March 17, 2008. The Company estimates that the form was used in the issuance of approximately 4,059 group term life policies.

On September 22, 2006, the Company entered into a stipulation with the Department regarding its violation of Section 3201(b)(1) of the New York Insurance Law arising from its use of an unapproved application form in connection with a group life insurance policy issued to the Public Employees Federation. Specifically, the Company violated 3201(b)(1) by utilizing an unapproved application form during the period November 1, 2001 to August 9, 2005. According to the terms of the stipulation, the Company agreed “to take all steps necessary to prevent the recurrence of similar violations in the future.”

In the autumn of 2009, the Company mailed approximately 55,000 group term life enrollment cards to the membership of the Public Employee Federation. The Company received a response from 6,022 members and provided insurance coverage in as a result thereof.

The enrollment cards required the signature of the members as a condition for obtaining the coverage. The enrollment cards also solicited personal information about the applicant and the beneficiary. The Company did not have approval to use the enrollment form. This is a repeat violation of Section 3201(b)(1) of the New York Insurance Law and the terms of the stipulation dated September 22, 2006.

The Company violated Section 3201(b)(1) of the New York Insurance Law by using policy forms that were not filed with and approved by the Superintendent and by using policy forms that had been modified from the version filed with and approved by the Department.

The Department has raised concerns during policy form filings about the company's process for reconstructing group policy forms for issue. While certain policy forms are approved as a whole, it is the Department's understanding that the company internally breaks down the policy form into separate provisions, each of which is assigned its own code number. When a group policy form is prepared for issue it is reconstructed using those internal codes. The Department has concerns about the potential for error in such a process.

The examiner recommends that the Company review this process to determine what, if any, role it may have played in the violations of Section 3201(b)(1) and make any necessary changes to the process to prevent future violations.

In addition, the certificate for life, short term disability and accidental death and dismemberment as issued with form GR-11386-HL contained the following provision:

“Who interprets policy terms and conditions?”

We have full discretion and authority to determine eligibility for benefits and to construe and interpret all terms and provisions of the Group Insurance Policy.”

The above discretionary clause is unfair, unjust and contrary to the provisions of Section 3201(c)(2) of the New York Insurance Law.

The Company violated Section 3201(c)(2) of the New York Insurance Law by including a discretionary clause in the policy provisions that gives the Company full discretion and authority to determine eligibility for benefits and to construe and interpret all terms and provisions of the Group Insurance Policy.

2. Section 3220(a)(2) and (6) of the New York Insurance Law states, in part:

“(a) No policy of group life insurance shall be delivered or issued for delivery in this state unless it contains in substance the following provisions or provisions which in the opinion of the superintendent are more favorable to certificate holders or not less favorable to certificate holders and more favorable to policyholders:

(2) That the rights of the policyholder or of any insured or beneficiary thereunder shall not be affected by any provision other than one contained in the policy or the riders or endorsements thereon or in the amendments thereto signed by the policyholder and the insurer, or in the copy of the policyholder's application attached to the policy or in the individual statements, if any, submitted in connection therewith.

(6) . . . the group policy shall contain a provision that if the coverage of an employee or member ceases because of termination of employment due to the employee's total and permanent disability or termination of membership due to the member's total and permanent disability, the employee or member, at the option of such employee or member, shall be entitled to have issued to him, a policy of life insurance only, in any one of such forms, preceded by term insurance for a period of one year with the premium payable, at the option of the employee or member, in any mode customarily offered by the insurer, in the amount of such employee's or member's life insurance protection in effect immediately before termination, less the amount of any life insurance which is replaced with the same or another insurer within forty-five days after cessation of the group life insurance protection . . . ”

The examiner's review of forms GR-11386-HL and GBD-1000 as issued by the Company revealed that these forms fail to include provisions required by Section 3220(a)(2) of the New York Insurance Law stating that the rights of any policyholder, insured, or beneficiary shall not be affected by any provision not contained in the policy, riders, endorsements, or

amendments signed by the policyholder and the insurer; in the policyholder's application attached to the policy; and in any individual statement submitted with the application.

Policy forms GR-11386-HL and GBD-1000 contain the following provision:

Notwithstanding the above, after the policy has been in force for 12 months, Hartford Life may change any or all of the provisions of this contract by notifying the Policyholder. Hartford Life must give the Policyholder at least 31 days advance written notice of any change.

The above provision violates Section 3220(a)(2) of the New York Insurance Law by allowing the Company to make changes to the policy without the policyholder's signature.

The Company violated Section 3220(a)(2) of the New York Insurance Law by failing to include standard provisions protecting the rights of policyholder from provisions not contained in the policy. The Company also violated Section 3220(a)(2) of the New York Insurance Law by including a provision in the policy that allows the Company to make changes to the policy without the policyholder's signature.

The certificate for life, short term disability and accidental death and dismemberment as issued with form GR-11386-HL did not contain the provisions that allows the policyholder to obtain a life conversion policy if they should be terminated due to permanent disability as required by 3220(a)(6).

The Company violated Section 3220(a)(6) of the New York Insurance Law by failing to include standard provisions entitling the policyholder to a conversion life policy should they be terminated due to a permanent disability.

3. Section 3204(a)(3) of the New York Insurance Law states, in part:

“(a)(3) Such policy or contract cannot be modified, nor can any rights or requirements be waived, except in a writing signed by a person specified by the insurer in such policy or contract. . . .”

On January 22, 2007, the Company issued 1,917 unilateral contract amendments, policy form number HL-19212(05), to in-force policy owners of life insurance policies bearing the policy form numbers HL-15908(04)NY and HL-15925(05)NY. The Company had certified compliance with applicable New York Insurance Law and received approval for the amendment on February 21, 2006, under the Circular Letter No. 6 (2004) process. The amendment allowed the Company to unilaterally change a policy provision concerning how a tax charge deduction, based on premium tax rates, would be calculated. It was determined that the amendment would be a disadvantage to any policy owner who moves to a state with a lower premium tax rate or whose state of residency reduces its premium tax rate. During the course of the Department's post approval review, the Company agreed to issue a corrective endorsement that will provide policy owners with a “better of” premium tax rate provision so that policy owners will not be adversely affected by the change. A total of 1,877 such policies remain in-force; the endorsement will be sent to all existing policy owners.

The Company violated Section 3204(a)(3) of the New York Insurance Law by unilaterally modifying life insurance policies such that policyholders could be adversely affected.

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims, surrenders, changes and lapses. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

Section 403(d) of the New York Insurance Law states:

“All applications for commercial insurance, individual, group or blanket accident and health insurance and all claim forms . . . shall contain a notice in a form approved by the superintendent that clearly states in substance the following:

‘Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading,

information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation.”

Pursuant to Section 403(d) of the New York Insurance Law, the Superintendent promulgated Section 86.4 of Department Regulation No. 95, which states, in part:

“(a) . . . all claim forms for insurance, and all applications for commercial insurance and accident and health insurance, provided to any person residing or located in this State in connection with insurance policies for issuance or issuance for delivery in this State, shall contain the following statement:

‘Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation.’ . . .

(e) . . . insurers may use substantially similar warning statements provided such warning statements are submitted to the Insurance Frauds Bureau for prior approval.”

A review of 21 group disability paid claim files revealed 13 instances where the frauds warning statement on the claim form was different from the language required under Section 403(d) of the New York Insurance Law and Section 86.4 of Department Regulation No. 95; the disparate language was not submitted to the New York State Insurance Frauds Bureau for prior approval.

The Company violated Section 403(d) of the New York Insurance Law and Section 86.4 of Department Regulation No. 95 by utilizing unapproved fraud warning statements on its claim forms.

5. SUMMARY AND CONCLUSIONS

Following are the violations and recommendation contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company violated Section 51.6(b)(2) of Department Regulation No. 60 by not obtaining fully completed Disclosure Statements.	13
B	The Company violated Section 51.6(b)(3) of Department Regulation No. 60 by not ascertaining that statements made on the Disclosure Statement were accurate in the cases where the advantages of the existing policy were described as “none,” and in the cases where the Company could not verify that statements made on the Disclosure Statement were accurate.	13
C	The Company violated Section 51.6(b)(9) of Department Regulation No. 60 by failing to provide a Revised Disclosure Statement in those cases where the annuity contract applied for differed from the annuity contract issued.	13
D	The Company violated Section 51.6(b)(7) of Department Regulation No. 60, because where the required forms did not meet the requirements of the Regulation or were not accurate, the Company failed to, within ten days from the date of receipt of the application, either have any deficiencies corrected or reject the application and so notify the applicant of such rejection and the reason therefore.	13
E	The Company violated Section 4226(b) of the New York Insurance Law and Section 51.6(b)(3) of Department Regulation No. 60 by failing to use comparisons that conform to all the requirements established by the Superintendent by regulation, reduce the surrender values and death benefit values for the hypothetical rates of return on the Appendix 10B Disclosure Statements by investment fund level charges and examine Appendix 10B Disclosure Statements for the variable annuity replacements and ascertain that they were accurate and met the requirements of the New York Insurance Law and Department Regulation No. 60.	14

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
F	The examiner recommends that the Company develop and implement an audit plan designed to review, test and monitor compliance with Department Regulation No. 60. Such plan should be approved by the Company's board of directors and its audit committee. Also, the results of audits performed should be reviewed by the board of directors and the audit committee.	14
G	The Company violated Section 51.6(b)(5) of Department Regulation No. 60 by failing to file the quarterly report required when an existing insurer failed to provide the information necessary to complete the Disclosure Statement.	14
H	The Company violated Section 3201(b)(1) of the New York Insurance Law by using policy forms that were not filed with and approved by the Superintendent and by using policy forms that had been modified from the version filed with and approved by the Department.	17
I	The examiner recommends that the Company review the process for reconstructing group policy forms for issue to determine what, if any, role it may have played in the violations of Section 3201(b)(1) and make any necessary changes to the process to prevent future violations.	17
J	The Company violated Section 3201(c)(2) of the New York Insurance Law by including a discretionary clause in the policy provisions that gives the Company full discretion and authority to determine eligibility for benefits and to construe and interpret all terms and provisions of the Group Insurance Policy.	18
K	The Company violated Section 3220(a)(2) of the New York Insurance Law by failing to include standard provisions protecting the rights of policyholder from provisions not contained in the policy. The Company also violated Section 3220(a)(2) of the New York Insurance Law by including a provision in the policy that allows the Company to make changes to the policy without the policyholder's signature.	19
L	The Company violated Section 3220(a)(6) of the New York Insurance Law by failing to include standard provisions entitling the policyholder to a conversion life policy should they be terminated due to a permanent disability.	19

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
M	The Company violated Section 3204(a)(3) of the New York Insurance Law by unilaterally modifying life insurance policies such that policyholders could be adversely affected.	20
N	The Company violated Section 403(d) of the New York Insurance Law and Section 86.4 of Department Regulation No. 95 by utilizing unapproved fraud warning statements on its claim forms.	21

Respectfully submitted,

_____/s/_____
Marc A. Tse
Associate Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

MARC A. TSE, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

_____/s/_____
Marc A. Tse

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 22550

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, HOWARD MILLS, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

MARC TSE

as a proper person to examine into the affairs of the

HARTFORD LIFE INSURANCE COMPANY

and to make a report to me in writing of the condition of the said

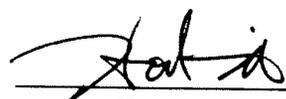
COMPANY

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York

this 30th day of October, 2006

HOWARD MILLS
Superintendent of Insurance



Superintendent

