



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON MARKET CONDUCT EXAMINATION
OF THE
NATIONAL BENEFIT LIFE INSURANCE COMPANY

CONDITION:

DECEMBER 31, 2014

DATE OF REPORT:

MAY 19, 2016

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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EXAMINER:

PABLO RAMOS

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

April 10, 2017

Honorable Maria T. Vullo
Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31289, dated June 3, 2015, and annexed hereto, an examination has been made into the condition and affairs of the National Benefit Life Insurance Company, hereinafter referred to as “the Company,” at its home office located at One Court Square, 44th floor, Long Island City, NY 11120.

Wherever “Department” appears in this report, it refers to the New York State Department of Financial Services.

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

1. EXECUTIVE SUMMARY

The material violations contained in this report are summarized below.

- The Company violated Insurance Regulation No. 60, 11 NYCRR Section 51.6(b)(9) by failing to prepare a revised disclosure statement in certain circumstances, when the policy was issued in a manner that differs from the life insurance applied for. (See item 4A of this report)
- The Company violated Insurance Regulation No. 64, 11 NYCRR Section 216.6(c) by failing to advise the claimant in writing of the acceptance or rejection of a claim within 15 business days of a properly executed proof of loss or notify the claimant in writing that the Company needs more time to determine whether the claim should be accepted or rejected within 15 business days after receipt of the proof of loss, or requested information. (See item 4C of this report)
- The Company violated Insurance Regulation No. 74, 11 NYCRR Section 53-3.7(f) by failing to have a responsible officer, other than the illustration actuary, certify annually that the illustration formats meet the requirements of Insurance Regulation No. 74 and that the scales used in insurer authorized illustrations are those scales certified by the illustration actuary; and that the Company has provided its agents or brokers with information about the expense allocation method used by the Company in its illustrations and disclosure as required in Insurance Regulation No. 74. (See item 5 of this report)
- The Company violated Insurance Regulation No. 74, 11 NYCRR Section 53-3.7(g) by failing to provide the Superintendent the annual certification completed by a responsible officer of the insurer, other than the illustration actuary. (See item 5 of this report)
- The Company violated Section 4228(f)(1)(A) of the New York Insurance Law by paying agent compensation during the examination period according to schedules of agent compensation that were filed with and approved by the Department following the initial use of the schedules. (See item 6 of this report)

2. SCOPE OF EXAMINATION

This examination covers the period from January 1, 2011, through December 31, 2014. As necessary, the examiner reviewed matters occurring subsequent to December 31, 2014, but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a review of market conduct activities and utilized the *National Association of Insurance Commissioners' Market Regulations Handbook* or such other examination procedures, as deemed appropriate, in such review.

The examiner reviewed the prior report on examination which did not contain any violations, recommendations or comments.

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 incorporated as a stock life insurance company under the laws of New York on June 18, 1962, as Constitution National Life Insurance Company. The Company's name was changed to Beneficial Standard Life Insurance Company of New York on January 2, 1963 and was licensed and commenced business on May 15, 1963. On June 28, 1963, the Company's name was changed to Beneficial National Life Insurance Company. The Company's present name, National Benefit Life Insurance Company was adopted on December 31, 1980.

The Company was originally controlled by Beneficial Standard Life Insurance Company ("BSLIC"). Benefit National Corporation ("BNC"), a holding company owned by BSLIC, acquired a majority interest of the outstanding stock of the Company and assumed control of the Company on April 22, 1970. Associated Madison Companies, Inc. ("AMAD") acquired all of the shares of BNC on June 7, 1979, and became the Company's immediate parent, controlling 97.7% of the outstanding stock of the Company.

Primerica Corporation acquired control of AMAD and its subsidiaries on April 8, 1982. On December 15, 1982, pursuant to Section 481-a (now Section 7118) of the New York Insurance Law, the Company acquired the minority interest of their outstanding common shares. The Company retired the acquired common stock shares resulting in a reduction in paid in capital of \$1,801,370 (1,801,370 shares at \$1.00 a share), and the Company became a wholly owned subsidiary of AMAD.

Primerica Corporation purchased Travelers, Inc. and changed its name to Travelers Group on December 31, 1993. On October 8, 1998, Travelers Group merged with Citicorp to form Citigroup Inc. ("Citigroup"), which became the Company's ultimate parent.

On June 30, 2005, Citigroup sold its domestic life insurance and annuity business, primarily The Travelers Insurance Company ("TIC"), exclusive of Primerica Life Insurance Company ("PLIC") and the Company, and substantially all of its international insurance subsidiaries to MetLife. Following the sale, the Company and its immediate parent, PLIC became subsidiaries of Citigroup Insurance Holding Corporation ("CIHC"), a subsidiary of Citigroup.

On March 31, 2010 and April 1, 2010, Citigroup, the Company's then ultimate parent, entered into a series of transactions the intent of which was to restructure ownership in specified

subsidiaries, including the Company. As part of the various restructuring transactions, an initial public offering (“IPO”) of the stock in Primerica, Inc., a newly formed Delaware corporation and indirect subsidiary of Citigroup, was made. Ownership of the Company and certain other subsidiaries of Citigroup, were transferred to Primerica, Inc., which became the ultimate parent of the Company.

On April 15, 2010, in connection with the initial public offering of the stock of Primerica, Inc., and pursuant to a securities purchase agreement dated February 8, 2010, CIHC sold 22.40% of the common stock of Primerica, Inc. to Warburg Pincus Equity X, L.P. and Warburg Pincus X Partnership, L.P. (together, “Warburg Pincus”). At December 31, 2010, CIHC continues to own 39.58% of the common stock of Primerica, Inc. CIHC and “Warburg Pincus” sold their common stock ownership interests during 2011 and 2013, respectively.

B. 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, the District of Columbia and the U.S. Virgin Islands. In 2014, 78.1% of direct life premiums, 19.9% of accident and health premiums, 100% of annuity considerations, and 98.7% of deposit type funds were received from the State of New York. Policies are written on a non-participating basis.

The following table shows the percentage of direct premiums received, by state, and by major lines of business for the year 2014:

<u>Life Insurance Premium</u>		<u>Accident and Health Insurance Premium</u>	
New York	78.1%	New York	19.9%
New Jersey	2.4	Texas	8.6
Florida	2.4	California	8.5
Pennsylvania	1.5	New Jersey	5.1
Texas	<u>1.3</u>	North Carolina	<u>4.6</u>
Subtotal	85.7%	Subtotal	46.6%
All others	<u>14.3</u>	All others	<u>53.4</u>
Total	<u>100.0%</u>	Total	<u>100.0%</u>

The Company's agency operations are conducted on a general agency basis for its Student Life products and Term Life insurance products.

As of March 31, 2014, the Company is only currently marketing its New Term Life product. The Company previously marketed its Student Life term product, group credit life and disability insurance, and group statutory short term disability benefits.

The New Term Life line accounts for approximately 100% of the Company's new business by premium written. The Company's New Term Life product is exclusively marketed by an affiliated agency, Primerica Financial Services of New York, Inc. ("PFSNY"), in New York only under a general agent agreement approved by the Department.

The Company previously marketed Student Life term product via direct mail. The Student Life product is a guaranteed premium term life policy with automatic conversion to permanent coverage at age 25, and optional early conversion at age 21. The automatic conversion policy is a whole life policy to age 95 in face amounts up to 2.5 times the face amount of the term policy at conversion. The Company discontinued marketing Student Life term product in January 2014.

Prior to July 2012, the Company marketed group credit life and credit disability coverage that is administered by its affiliate, American Health & Life Insurance Company, pursuant to an administrative services agreement filed with the Department. The Company's credit life and credit disability insurance products are purchased in conjunction with loan or other credit transactions made by the Company's affiliate, CitiFinancial Corporation. The Company's credit business was only issued in the State of New York. The Company discontinued writing group credit life and credit disability coverage as of July 2012.

Prior to March 31, 2014, the Company offered group statutory short-term Disability Benefits Law ("DBL") coverage through independent agents and brokers. This statutory coverage was written pursuant to Article 9 of the New York Workers Compensation Law. The Company also marketed a similar short-term disability product in New Jersey. On March 31, 2014, the Company discontinued marketing its DBL coverage in New York and New Jersey. Further, the DBL book of business has been assumed as of March 31, 2014, by Wesco Insurance Company pursuant to an assumption reinsurance agreement approved by the New York Department of Financial Services and the New Jersey Department of Insurance.

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.

Insurance Regulation No. 60, 11 NYCRR Section 51.6(b) states, in part:

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

(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.”

The examiner reviewed a sample of 60 life replacement transactions (external) that were processed by the Company during the exam period. The examiner noted that 29 of the 60 replacement transactions involved policies that were issued other than as applied for.

In 3 out of 29 (10.3%) policies that were issued other than as applied for, the Company failed to provide a revised Disclosure Statement to the applicant when the policy was issued.

The Company violated Insurance Regulation No. 60, 11 NYCRR Section 51.6(b)(9) by failing to prepare a revised disclosure statement in certain circumstances, when the policy was issued in a manner that differs from the life insurance applied for.

B. Underwriting and Policy Forms

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

Based upon the sample reviewed, no significant findings were noted.

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.

Insurance Regulation No. 95, 11 NYCRR Section 86.4(d) states:

“Location of warning statements and type size.

The warning statements required by subdivisions (a), (b) and (e) of this section shall be placed immediately above the space provided for the signature of the person executing the application or claim form and shall be printed in type which will produce a warning statement of conspicuous size. On claim forms which require execution by a person other than the claimant, or in addition to the claimant, the warning statements required by subdivisions (a), (b) and (e) of this section shall be placed at the top of the first page of the claim form or in the page containing instructions, either in print, by stamp or by attachment and shall be in type size which will produce a warning statement of conspicuous size.”

The examiner’s review of claims revealed that in 56 out of 178 (31.5%) claims reviewed, the Company used claim forms that included a listing of fraud warning statements that are required by several states, including New York. The New York fraud warning statement meets the requirement of Insurance Regulation 95, 11 NYCRR Section 86.4(a); however, the fraud warning statement is not located above the signature of the person executing the claim as required by Insurance Regulation No. 95, 11 NYCRR Section 86.4(d).

Prior to June 2014, the Company used a consolidated multi-state claim form that did not contain the required New York fraud warning statement in the section immediately above the signature section of the claim form. In June 2014, the Company changed its claim form back to a New York form with the New York fraud warning statement appearing above the signature section of the claim form. The life insurance claim form is denoted as form number “DCL10 06/14 NY.”

The Company violated Insurance Regulation No. 95, 11 NYCRR Section 86.4(d) by failing to place the required fraud warning statement immediately above the space provided for the signature of the person executing the claim.

Insurance Regulation No. 64, 11 NYCRR Section 216.6(c) states, in part:

“Within 15 business days after receipt by the insurer of a properly executed proof of loss and receipt of all items, statements and forms which the insurer requested from the claimant, the claimant, or the claimant's authorized representative, shall be advised in writing of the acceptance or rejection of the claim by the insurer . . . If the insurer needs more time to determine whether the claim should be accepted or rejected, it shall so notify the claimant, or the claimant's authorized representative, within 15 business days after receipt of such proof of loss, or requested information. Such notification shall include the reasons additional time is needed for investigation . . . ”

The examiner reviewed a sample of 64 paid individual life and group life claims (40 individual life and 24 group life) that were processed during the examination period. In nine out of 64 (14.1%) paid individual life and group life claims reviewed (four out of 40 individual life paid claims and five out of 24 group life paid claims), the Company failed to advise the claimant in writing of the acceptance or rejection of the claim within 15 business days of receipt of a properly executed proof of loss or notify the claimant in writing that the Company needs more time to determine whether the claim should be accepted or rejected within 15 business days after receipt of the proof of loss, or requested information. For individual life insurance claims, the Company took an average of 28 business days to advise the claimant in writing of the acceptance or rejection of the claim. For group life insurance claims, the Company took an average of 38 business days to advise the claimant in writing of the acceptance or rejection of the claim.

The Company violated Regulation No. 64, 11 NYCRR Section 216.6(c) by failing to advise the claimant in writing of the acceptance or rejection of a claim within 15 business days of a properly executed proof of loss or notify the claimant in writing that the Company needs more time to determine whether the claim should be accepted or rejected within 15 business days after receipt of the proof of loss, or requested information.

5. STATUTORY COMPLIANCE

Insurance Regulation No. 74, 11 NYCRR Section 53-3.7 states, in part:

“ . . . (d) The illustration actuary shall file a certification with the board and with the Superintendent annually for all policy forms for which illustrations are used and before a new policy form is illustrated . . .

(f) A responsible officer of the insurer, other than the illustration actuary, shall certify annually:

(1) that the illustration formats meet the requirements of this Subpart and that the scales used in insurer authorized illustrations are those scales certified by the illustration actuary; and

(2) that the company has provided its agents or brokers with information about the expense allocation method used by the company in its illustrations and disclosed as required in paragraph (c)(6) of this section. . . .

(g) The annual certifications shall be provided to the Superintendent each year by a date determined by the insurer. . . .”

In response to an examination request the Company was unable to produce copies of the annual illustration certifications completed by a responsible officer of the Company other than the illustration actuary, for all years during the examination period. Moreover, the Company failed to provide the Superintendent the annual certification completed by a responsible officer of the insurer, other than the illustration actuary, for each year during the examination period. The Company subsequently filed with the Department the annual certifications completed for all years during the examination period in September 2015.

The Company violated Insurance Regulation No. 74, 11 NYCRR Section 53-3.7(f) by failing to have a responsible officer, other than the illustration actuary, certify annually that the illustration formats meet the requirements of Insurance Regulation No. 74 and that the scales used in insurer authorized illustrations are those scales certified by the illustration actuary; and that the Company has provided its agents or brokers with information about the expense allocation method used by the Company in its illustrations and disclosure as required by Regulation No. 74.

The Company violated Insurance Regulation No. 74, 11 NYCRR Section 53-3.7(g) by failing to provide the Superintendent the annual certification completed by a responsible officer of the insurer, other than the illustration actuary.

6. AGENT COMPENSATION

Section 4228(f)(1)(A) of the New York Insurance Law states, in part:

“A company shall make annual information filings with respect to any newly-introduced plans or changes under which the company makes payments to agents if such plans are commission plans for which the commission percentages are, in all policy or contract years, no greater than the commission percentages set forth in paragraphs one, two, three and four of subsection (d) of this section, expense allowance plans other than those meeting the definition of a compensation arrangement, plans subject to the provisions of paragraph one of subsection (e) of this section under which compensation is not in excess of two percent of the fund annually in any of the first four policy or contract years, or plans subject to the provisions of paragraph four of subsection (e) of this section. . . .”

A review of the Company’s compensation payments made during the examination period revealed that the agent compensation paid on the Children’s Term Insurance Rider Form NBF13CR0, beginning with the May 21, 2013 date when the form was approved by the Department, was not included in the Company’s 2013 Section 4228(f)(1)(A) filing that was due on February 28, 2014.

The Company violated Section 4228(f)(1)(A) of the New York Insurance Law by paying agent compensation during the examination period according to schedules of agent compensation that were filed with and approved by the Department following the initial use of the schedules.

7. SUMMARY AND CONCLUSIONS

Following are the violations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company violated Insurance Regulation No. 60, 11 NYCRR Section 51.6(b)(9) by failing to prepare a revised disclosure statement in certain circumstances, when the policy was issued in a manner that differs from the life insurance applied for.	7
B	The Company violated Insurance Regulation No. 95, 11 NYCRR Section 86.4(d) by failing to place the required fraud warning statement immediately above the space provided for the signature of the person executing the claim.	8
C	The Company violated Insurance Regulation No. 64, 11 NYCRR Section 216.6(c) by failing to advise the claimant in writing of the acceptance or rejection of a claim within 15 business days of a properly executed proof of loss or notify the claimant in writing that the Company needs more time to determine whether the claim should be accepted or rejected within 15 business days after receipt of the proof of loss, or requested information.	9
D	The Company violated Insurance Regulation No. 74, 11 NYCRR Section 53-3.7(f) by failing to have a responsible officer, other than the illustration actuary, certify annually that the illustration formats meet the requirements of Insurance Regulation No. 74 and that the scales used in insurer authorized illustrations are those scales certified by the illustration actuary; and that the Company has provided its agents or brokers with information about the expense allocation method used by the Company in its illustrations and disclosure as required by Regulation No. 74.	10
E	The Company violated Insurance Regulation No. 74, 11 NYCRR Section 53-3.7(g) by failing to provide the Superintendent the annual certification completed by a responsible officer of the insurer, other than the illustration actuary.	10
F	The Company violated Section 4228(f)(1)(A) of the New York Insurance Law by paying agent compensation during the examination period according to schedules of agent compensation that were filed with and approved by the Department following the initial use of the schedules.	11

Respectfully submitted,

_____/s/
Pablo Ramos
Senior Insurance Examiner

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

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

_____/s/
Pablo Ramos

Subscribed and sworn to before me
this _____ day of _____

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, BENJAMIN M. LAWSKY, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

PABLO RAMOS

as a proper person to examine the affairs of the
NATIONAL BENEFIT LIFE INSURANCE COMPANY
and to make a report to me in writing of the condition of said

COMPANY

with such other information as he shall deem requisite.

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

this 3rd day of June, 2015

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

Mark McLeod

MARK MCLEOD
ASSISTANT CHIEF - LIFE BUREAU

