



MARKET CONDUCT REPORT ON EXAMINATION

OF THE

HARTFORD LIFE AND ACCIDENT INSURANCE COMPANY

AS OF DECEMBER 31, 2019

EXAMINER:

FLORA EGBUCHULAM

DATE OF REPORT:

OCTOBER 2, 2020

TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE NO.</u>
1. Executive summary	2
2. Scope of examination	3
3. Description of Company	4
A. History	4
B. Territory and plan of operation	5
4. Market conduct activities	7
A. Advertising and sales activities	7
B. Underwriting and policy forms	7
C. Treatment of policyholders	10
5. Summary and conclusions	12

KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

February 2, 2023

Honorable Adrienne A. Harris
Superintendent of Financial Services
New York, New York 10004

Dear Adrienne A. Harris:

In accordance with instructions contained in Appointment No. 32071, dated March 27, 2020, and annexed hereto, an examination has been made into the condition and affairs of Hartford Life and Accident Insurance Company, hereinafter referred to as “the Company”. The Company’s home office is located at One Hartford Plaza, Hartford, CT 06155. The examination was conducted remotely because of the COVID-19 pandemic.

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 findings and violations contained in this report are summarized below.

- The Company violated Section 3201(b)(1) of the New York Insurance Law by using unapproved forms to issue individual term life policies, and short-term and long-term disability income insurance coverages under group plans. (See item 4B of this report.)
- The Company violated Section 4224(c) of the New York Insurance Law by offering inducements in the form of non-insurance services in connection with group insurance policies issued to New York policyholders it used in New York without these inducements being specified in such group policies and group certificates. (See item 4B of this report.)

2. SCOPE OF EXAMINATION

This examination covers the period from January 1, 2013, to December 31, 2019. As necessary, the examiner reviewed matters occurring subsequent to December 31, 2019, 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.

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 the State of Connecticut, licensed and commenced business on February 14, 1967; the Company was licensed and commenced business in the State of New York on October 1, 2013.

The Company is a wholly-owned subsidiary of Hartford Holdings, Inc. (“HHI”), which is directly owned by The Hartford Financial Services Group, Inc. (“The Hartford”).

The Company was incorporated on February 14, 1967 under the name of Hartford Life Insurance Company of Connecticut with 100,000 shares of authorized and issued common stock at the par value of \$2.50 for a total authorized capital of \$250,000. On March 29, 1967, it changed its name to Hartford Life and Accident Insurance Company.

On August 3, 1984, the Company amended the par value of its shares of common stock to \$250 and reduced the number of authorized common stock to 80,000 for a total authorized capital of \$20,000,000.

On June 17, 2003, the Company changed 100% stockholder to Hartford Life, Inc (“HLI”) with the issuance of 10,000 shares of common stock at a par value of \$250.

On October 20, 2006, the Company became the surviving corporation from merger with Hartford Life Group Insurance Company.

On December 3, 2017, HHI’s issued and outstanding equity was sold to a group of investors that subsequently formed a limited partnership that acquired HLI and its subsidiaries, Hartford Life Insurance Company and Hartford Life and Annuity Insurance Company.

On May 31, 2018, 100% stockholder ownership of the Company was transferred to Hartford Holdings, Inc. with the issuance of 10,000 shares of common stock at a par value of \$250.

Effective December 18, 2019, Hartford Life Ltd., a direct wholly-owned insurance affiliate of Hartford Group Benefits Holdings Company (“HGBHC”), was dissolved; and effective December 23, 2019, HGBHC, a direct wholly-owned affiliate of the Company, was also dissolved.

B. Territory and Plan of Operation

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

The Company is licensed to transact business in all 50 states, and the District of Columbia. In 2019, 4.73% of life premiums and 8.64% of accident and health premiums were received from New York. Policies are written on non-participating basis.

The following tables show the percentage of direct premiums received, by state, and by major lines of business for the year 2019:

<u>Life Insurance Premiums</u>		<u>Accident and Health Insurance Premiums</u>	
California	8.4%	New York	8.7%
Texas	6.3	California	7.8
Massachusetts	5.3	Texas	7.3
New York	4.8	Florida	<u>5.2</u>
Illinois	<u>4.8</u>		
Subtotal	29.6%	Subtotal	29.0%
All others	<u>70.4</u>	All others	<u>71.0</u>
Total	<u>100.0%</u>	Total	<u>100.0%</u>

The principal lines of business sold during the examination period were traditional group life and disability coverage. The products offered included retiree health insurance, critical illness, accident, hospital indemnity, and participant accident coverages. In addition, the Company offered a single-company leave management solution, which integrated work absence data from the insurer's short-term and long-term group disability and workers' compensation insurance business with its leave management administration services. The Company generated most of its premium income (60%) from accident and health products, which accounted for approximately 81% of the Company's total policy benefit reserves as of December 31, 2019.

The Company's agency operations are conducted on a general agency and branch office basis. The Company's distribution system consists of 4,286 appointed and subagent producers as of December 31, 2019. Group life, group long-term disability, group short-term disability, statutory disability and paid family leave products are sold primarily through independent

producers and consultants, who are appointed by the Company and utilized by affiliated companies. A limited amount of business is done with independent general agents. The Company also has an online platform for producers to generate small business quotes and plan information, and for employers to purchase master policies and maintain their employee eligibility data online. Statutory disability and paid family leave products are offered by direct sales. In addition, a producer self-service tool is used for the sale of cases under 50 lives. The Company's primary markets include all employer groups.

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.

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

B. Underwriting and Policy Forms

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

Section 3201 of the New York Insurance Law states, in part:

“(a) In this article, ‘policy form’ means any policy, contract, certificate, or evidence of insurance and any application therefor, or rider or endorsement thereto, affording benefits of the kinds of insurance specified in paragraph one, two, three or twenty-four of subsection (a) of section one thousand one hundred thirteen of this chapter, . . .

(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. . . .”

When reviewing the Company's underwriting and rating practices, the examiners discovered that during the examination period, the Company allowed employers and policyholders to use unapproved proprietary forms as evidence of insurance, instead of enrollment or insurance application forms for individuals that applied for supplemental contributory coverage under group plans.

The examiner reviewed samples of group policy files and noted that the Company required enrollees to complete and sign group insurance enrollment forms in order to enroll for contributory coverage. However, in response to the examiners' requests for completed enrollment forms or applications for individual insurance coverages for sampled enrollees and individual claim files,

the Company provided copies of proprietary, employers' and policyholders' systems-generated screen prints, and informed examiners that when individual underwriting is required, the applicant must complete a Personal Health Application ("PHA") form as evidence of insurability that is used to determine acceptance or rejection of insurance application for supplemental coverage under a group plan. However, the sampled individual enrollees underwriting and claim files revealed that even the PHA forms were generally not completed in several of the files; this includes underwriting and claims files for supplemental coverages (short-term disability, long-term disability, supplemental life or dependent life coverage) in which the premium is paid fully or partially by the individual applicant. The Company allowed the use of employers' system-generated proprietary forms to capture selection of benefits in 70 individual insurance coverages summarized below:

- In 11 of 182 long-term disability underwriting, and claim policy files reviewed (6.0%)
- In 40 of 227 short-term-disability underwriting, and claim policy files reviewed (17.6%) and
- In 19 of 153 life paid, denied, and litigated claims files reviewed (12.4%).

In addition, enrollment form PA 9604(NY) was filed with and approved by the Department for the Company's use when an employee is not automatically enrolled for optional coverage but is instead required to apply for supplemental and dependent coverage under a group contributory plan. The Company has not required individual enrollees to complete and sign this approved enrollment form.

The Company did not seek or obtain the superintendent's approval to use proprietary or employer-generated screen prints in place of an insurance application, or an enrollment form that was approved to be used when an enrollee is required to complete a form for supplemental insurance coverage under a group plan.

The Company violated Section 3201(b)(1) of the New York Insurance Law by using unapproved forms to issue individual term life policies, and short-term and long-term disability income insurance coverages under group plans.

The examiner recommends that the Company submit a corrective action plan to the Department, for review and approval, to show how it will submit enrollment forms and get the enrollment forms completed and signed by future enrollees for contributory coverage.

Section 4224(c) of the New York Insurance Law states, in part:

“Except as permitted by section three thousand two hundred thirty-nine of this chapter or subsection (f) of this section, no such life insurance company . . . and no officer, agent, solicitor or representative thereof and no such insurer doing in this state the business of accident and health insurance and no officer, agent, solicitor or representative thereof, and no licensed insurance broker and no employee or other representative of any such insurer, agent or broker, shall pay, allow or give, or offer to pay, allow or give, directly or indirectly, as an inducement to any person to insure, or shall give, sell or purchase, or offer to give, sell or purchase, as such inducement, or interdependent with any policy of life insurance or annuity contract or policy of accident and health insurance, any stocks, bonds, or other securities, or any dividends or profits accruing or to accrue thereon, or any valuable consideration or inducement whatever not specified in such policy or contract other than any valuable consideration, including but not limited to merchandise or periodical subscriptions, not exceeding twenty-five dollars in value; nor shall any person in this state knowingly receive as such inducement, any rebate of premium or policy fee or any special favor or advantage in the dividends or other benefits to accrue on any such policy or contract, or knowingly receive any paid employment or contract for services of any kind, or any valuable consideration or inducement whatever which is not specified in such policy or contract.”

The Department’s Policy Forms Unit, Albany office, reviewed the Company’s filed forms and discovered that the Company offered inducements in the form of non-insurance services in connection with group insurance policies issued to New York policyholders it used in New York without these inducements being specified in such group policies and certificates. These services include Beneficiary Assist, Estate Guidance, Funeral Concierge, and Travel Assistance & ID Theft Protection.

The Company violated Section 4224(c) of the New York Insurance Law by offering inducements in the form of non-insurance services in connection with group insurance policies issued to New York policyholders it used in New York without these inducements being specified in such group policies and group certificates.

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims, and policy cancellations and reinstatements. 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 243.2 of 11 NYCRR 243 (Insurance Regulation 152) states, in part:

“Records required for examination purposes and retention period

(a) In addition to any other requirement contained in Insurance Law Section 325, any other Section of the Insurance Law or other law, or any other provision of this Title, every insurer shall maintain its claims, rating, underwriting, . . . and producer licensing records, and such other records subject to examination by the superintendent, in accordance with the provisions of this Part. . . .

b) Except as otherwise required by law or regulation, an insurer shall maintain:

(1) A policy record for each insurance contract or policy for six calendar years after the date the policy is no longer in force or until after the filing of the report on examination in which the record was subject to review, whichever is longer. . . . A separate copy need not be maintained in an individual policy record, provided that any data relating to a specific contract or policy can be retrieved pursuant to Section 243.3(a) of this Part. A policy record shall include: . . .

(4) A claim file for six calendar years after all elements of the claim are resolved and the file is closed or until after the filing of the report on examination in which the claim file was subject to review, whichever is longer. A claim file shall show clearly the inception, handling and disposition of the claim, including the dates that forms and other documents were received.

(5) A licensing record for six calendar years after the relationship is terminated for each Insurance Law licensee with which the insurer establishes a relationship. . . .”

The examiner’s review of samples of 153 life insurance and 164 short-term disability claim files revealed that in 18 instances, the Company failed to retain or reproduce file records, as described below.

- 1) In 3 of 31 life paid claim files reviewed (9.7%), a copy of the Living Benefit Option (“LBO”) decision letter was not maintained. The LBO is the Company’s version of the benefit payment explanatory letter that normally accompanies a claim payment and shows, among other details, information concerning interest paid on the claims and how the total paid amount was calculated.

The Company violated Section 243.2(b)(4) of 11 NYCRR 243 (Insurance Regulation 152) by failing to retain letters that explained the payment of life insurance benefits for three life claims.

- 2) In 15 of 30 inactive or terminated producer files reviewed (50.0%), copies of the signed pages of the General Insurance Producer Agreement (“GIPA”) were not maintained or provided to the examiners for review. The signed GIPA page is a key part of a producer’s agreement because, as explained by the Company, signatures on a declarations page of the GIPA reflects a confirmation of the agreement to the GIPA at the time of the agency’s appointment of the producers, and consent to the terms of the GIPA is also effectuated upon acceptance of commissions paid pursuant thereto.

The Company violated Section 243.2(b)(5) of 11 NYCRR 243 (Insurance Regulation 152) by failing to retain copies of signed key pages of GIPA producer agreements for 15 inactive and terminated producers.

The examiner recommends that all claims and active, inactive or terminated producers records be retained in accordance with the requirements of Sections 243.2(b)(4) and 243.2(b)(5), or be reproduced for examinations pursuant to Section 243.2(a) of 11 NYCRR 243 (Insurance Regulation 152).

5. SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company violated Section 3201(b)(1) of the New York Insurance Law by using unapproved forms to issue individual term life policies, and short-term and long-term disability income insurance coverages under group plans.	8
B	The examiner recommends that the Company submit a corrective action plan to the Department, for review and approval, to show how it will submit enrollment forms and get the enrollment forms completed and signed by future enrollees for contributory coverage.	9
C	The Company violated Section 4224(c) of the New York Insurance Law by offering inducements in the form of non-insurance services in connection with group insurance policies issued to New York policyholders it used in New York without these inducements being specified in such group policies and group certificates.	9
D	The Company violated Section 243.2(b)(4) of 11 NYCRR 243 (Insurance Regulation 152) by failing to retain letters that explained the payment of life insurance benefits for three life claims.	11
E	The Company violated Section 243.2(b)(5) of 11 NYCRR 243 (Insurance Regulation 152) by failing to retain copies of signed key pages of GIPA producer agreements for 15 inactive and terminated producers.	11
F	The examiner recommends that all claims and active, inactive or terminated producers records be retained in accordance with the requirements of Sections 243.2(b)(4) and 243.2(b)(5), or be reproduced for examinations pursuant to Section 243.2(a) of 11 NYCRR 243 (Insurance Regulation 152).	11

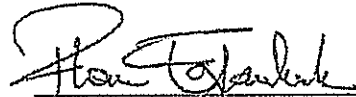
Respectfully submitted,



Flora Egbuchulam
Associate Insurance Examiner

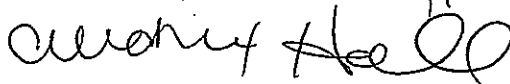
STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Flora Egbuchulam, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.


Flora Egbuchulam

Subscribed and sworn to before me

this 2nd day of February, 2023



AUDREY HALL
Notary Public, State of New York
No. 01HA6274900
Qualified in Kings County
Commission Expires January 28, 2025

Respectfully submitted,

_____/s/
Courtney Williams
Principal Insurance Examiner

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

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

_____/s/
Courtney Williams

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 32071

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, **LINDA A. LACEWELL**, 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:

FLORA EGBUCHULAM

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

with such other information as she 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 27th day of March 2020

LINDA A. LACEWELL
Superintendent of Financial Services

By: *Mark McLeod*

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU

