

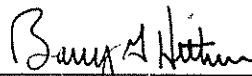
**STATE OF RHODE ISLAND
DEPARTMENT OF BUSINESS REGULATION
INSURANCE DIVISION**

The attached Report of Examination as of December 31, 1993, of the condition and affairs of the New England Mutual Life Insurance Company and New England Variable Life Insurance Company was recently completed by duly qualified examiners, pursuant to the provision of the Rhode Island Insurance Code.

Due consideration has been given to the comments of the examiners regarding the operation of the Companies and their market conduct condition, as reflected from the report.

It is therefore ORDERED that said Report be, and it is hereby, adopted and filed and made an official record of this department as of this date.

DEPARTMENT OF BUSINESS REGULATION



Barry G. Hittner
Director/Insurance Commissioner

ORDER NO. 96-005

DATED: 2/26/96

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
DIVISION OF INSURANCE
233 RICHMOND STREET
PROVIDENCE, RHODE ISLAND 02903-4233**

CONSENT ORDER

IN RE

New England Mutual Life Insurance Company and
New England Variable Life Insurance Company

It is hereby stipulated and agreed by Barry G. Hittner, Director of the Rhode Island Department of Business Regulation (the "Department"), and New England Mutual Life Insurance Company and New England Variable Life Insurance Company, hereinafter together referred to as "The New England," as follows:

WHEREAS, Barry G. Hittner is the Director of the Department (the "Director") which is charged with administering and enforcing all laws in relation to insurance and insurance companies doing business in the State of Rhode Island; and

WHEREAS, The New England has been granted certificates of authority (together the "Certificate of Authority") to transact the business of insurance in the State of Rhode Island, and

WHEREAS, The New England is subject to the jurisdiction of the Department by virtue of its licenses to conduct insurance in the State of Rhode Island, and by the actual transaction of insurance business in the State of Rhode Island, and

WHEREAS, the Director conducted a market conduct examination of The New England; and

WHEREAS, the report of the market conduct examination has revealed that.

1) Twenty-five (25) violations of Rhode Island Insurance Regulation XXIX (Replacement of Life Insurance) occurred between January 1, 1991, and December 31, 1993, due to The New England's failure to complete all forms and make all of the notifications required by Regulation XXIX. "Replacement" is defined in Regulation XXIX as any transaction in which new life insurance is to be purchased, and it is known or should be known to the proposing agent that by reason of such transaction, existing life insurance has been or is to be lapsed, forfeited, surrendered, or otherwise terminated, converted to reduced paid-up insurance, continued as extended term insurance, or otherwise reduced in value by the use of nonforfeiture benefits or other policy values, amended so as to effect either a reduction in benefits or in the term for which coverage would otherwise remain in force or for which benefits would be paid, reissued with any reduction in cash value, or pledged as collateral or subjected to borrowing, whether in a single loan or under a schedule of borrowing over a period of time for amounts in the aggregate exceeding twenty-five percent (25%) of the loan value set forth in the policy.

2) Sixteen (16) violations of title 27, chapter 4, section 5 (Misrepresentations) and chapter 29, section 3 (General Prohibition) of the Rhode Island General Laws occurred between January 1, 1989, and June 30, 1994. The violations were found during a review of consumer complaint files.

3) Forty-five (45) claim payments between January 1, 1991, and December 31, 1993, were in violation of title 27, chapter 4, section 26 (Interest on Life Insurance Proceeds) of the Rhode Island General Laws.

WHEREAS, The New England hereby agrees to take remedial action to assure future compliance with the statutes and regulations of the State of Rhode Island, and agrees to maintain those corrective actions at all times, and

WHEREAS, The New England does hereby voluntarily and knowingly waive any and all of its rights to certain procedural requirements, including notice and opportunity for a hearing, which may have otherwise applied to the above referenced market conduct examination, and

WHEREAS, The New England, after being advised by legal counsel, agrees to the **ORDER OF DIRECTOR** set forth below and as a result of the market conduct examination further agrees voluntarily and knowingly to surrender and forfeit the sum of twenty-five thousand dollars (\$25,000.00) as an administrative penalty.

NOW, THEREFORE, in lieu of the institution by the Director of any action for the suspension or revocation of the Certificate of Authority of The New England to transact the business of insurance in the State of Rhode Island or the imposition of other sanctions, The New England does hereby voluntarily and knowingly waive all rights to any hearing, consents to the **ORDER OF DIRECTOR** set forth below and surrenders and forfeits the sum of twenty-five thousand dollars (\$25,000.00) to the Department.

CONSENT AS TO FORM AND SUBSTANCE

I hereby consent to the form and substance of this Consent Order and certify that I have authority to do so on behalf of The New England

New England Mutual Life Insurance Company

Edwin R. Miller

Elizabeth A. n'Alto

Witness

New England Variable Life Insurance Company

Edwin R. Miller

Elizabeth A. n'Alto

Witness

ORDER OF DIRECTOR
DEPARTMENT OF BUSINESS REGULATION
INSURANCE DIVISION

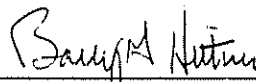
Pursuant to authority vested in me by the general laws of the State of Rhode Island, I do hereby **ORDER** New England Mutual Life Insurance Company and New England Variable Life Insurance Company to implement procedures to place them in full compliance with those statutes and regulations found to have been violated by New England Mutual Life Insurance Company and New England Variable Life Insurance Company as stated above in the **CONSENT ORDER**.

Furthermore, I accept and agree to the **CONSENT ORDER** and accept the voluntary forfeiture of an administrative penalty of twenty-five thousand dollars (\$25,000.00) as a sufficient means to ensure the compliance by such parties with the statutes and regulations of the State of Rhode Island.

IT IS SO ORDERED

IN WITNESS WHEREOF, I have hereunto set my hand in Providence, Rhode Island, this 4th
day of ~~December~~, 1995.

JANUARY, 1996



Barry G. Hittner, Director
Department of Business Regulation
State of Rhode Island

96-006

Order Number

REPORT ON MARKET CONDUCT EXAMINATION

OF THE

NEW ENGLAND MUTUAL LIFE INSURANCE COMPANY

AND

NEW ENGLAND VARIABLE LIFE INSURANCE COMPANY

**501 BOYLSTON STREET
BOSTON, MASSACHUSETTS 02117
TELEPHONE (617) 578-2000**

N.A.I.C. GROUP CODE 396

AS OF

DECEMBER 31, 1993

**DEPARTMENT OF BUSINESS REGULATION
INSURANCE DIVISION
STATE OF RHODE ISLAND**

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PROVIDENCE, RHODE ISLAND

June 28, 1995

Honorable Barry G. Hittner
Insurance Commissioner
State of Rhode Island
Providence, Rhode Island

Dear Sir:

In accordance with your instructions and pursuant to Title 27 Chapters 13 and 13.1 of the General Laws of Rhode Island, a Market Conduct Examination has been performed on the Rhode Island business of:

**New England Mutual Life Insurance Company
and
New England Variable Life Insurance Company
501 Boylston Street
Boston, Massachusetts 02117**

hereinafter referred to as the "Companies." Our report is submitted as follows:

FOREWORD

Our Market Conduct Examination Report is in general, a report by exception. Practices, procedures, and/or files subject to review during the examination may have been omitted from the report if errors and/or improprieties were not evidenced.

SCOPE OF EXAMINATION

We conducted our examination in accordance with Title 27 Chapters 13 and 13.1 of the General Laws of Rhode Island. The examination commenced on April 12, 1994, and covered the period from January 1, 1991, through December 31, 1993, (with the exception of Consumer or Other Related Complaints which were examined for the period January 1, 1989, to June 30, 1994, for the purpose of ascertaining the conduct of a particular agent as his activities related to our examination period) for the following companies:

**New England Mutual Life Insurance Company
New England Variable Life Insurance Company**

**NAIC Code 66893
NAIC Code 91626**

Performance of the examination was in accordance with procedures established by the National Association of Insurance Commissioners and standards established by the Rhode Island Department of Business Regulation, Insurance Division.

Areas examined included, but were not limited to, the following segments: (1) Certificates of Authority, (2) Consumer or Other Related Complaints, (3) Sales and Advertising, (4) Underwriting and Rating, (5) Policy Forms, Filings, and Approvals, (6) Replacement of Life Insurance, (7) Rejected/Denied Applications (Individual Life Insurance), (8) Claims Practices, and (9) Resisted/Denied Claims (Individual and Group Life Insurance).

The examination was limited to the individual life, group life and annuity lines of business. The annuities were reviewed in the claims practices area to determine whether proper interest was paid on the death claims processed. Agent and Broker licensing was tested as part of the Underwriting and Rating and Replacement of Life Insurance segments.

The purpose of the examination was to review and evaluate the Companies' compliance with Rhode Island Insurance Laws, Regulations and Related Laws and policy provisions relative to the Companies' insurance activities within the State of Rhode Island, and to determine whether Rhode Island policyholders and claimants are being treated fairly and equitably.

The test work performed during the examination satisfied this purpose, and forms the basis for the findings and recommendations presented in this report.

COMPANY OVERVIEW

History

The New England Mutual Life Insurance Company was incorporated under the laws of the Commonwealth of Massachusetts on April 1, 1835, and commenced business operations on December 1, 1843.

New England Mutual Life Insurance Company issued its first life insurance policy in February 1844, and is licensed to operate in all 50 states, the District of Columbia and Puerto Rico, and uses both general agencies and managing general agencies to produce business.

Individual whole life and term contracts, individual annuities, disability income insurance, group annuities, and group life, accident and health coverages are marketed by The New England Mutual Life Insurance Company.

In 1968, The New England diversified into insurance related financial services, which allowed the Company to offer such products and services as investment management, mutual funds, discount brokerage and securities distribution.

On September 12, 1980, New England Variable Life Insurance Company was incorporated under the laws of the State of Delaware. The Company's original name was New England Pension and Annuity Insurance Company. The Company's present name was adopted in 1983.

New England Variable Life Insurance Company was formed and is wholly owned by New England Mutual Life Insurance Company. The Company is currently licensed to conduct business in 49 states, the District of Columbia and Puerto Rico.

The products offered by the Company are variable life insurance contracts, which are marketed by the agents of the New England Mutual Life Insurance Company.

Company Operations and Management

The 1993 direct written premiums of the New England Mutual Life Insurance Company were \$1,178,019,877. Rhode Island direct written premiums were \$9,969,622, which represents less than one percent of the Company's total direct written premiums.

The 1993 direct written premiums of the New England Variable Life Insurance Company were \$153,693,557. Rhode Island direct written premiums were \$849,630, which represent less than one percent of the Company's total direct written premiums.

At December 31, 1993, the Companies' officers were as follows:

New England Mutual Life Insurance Company

Chairman of the Board, President and C.E.O.	Robert Austin Shafto
Executive Vice Presidents	Kernan Francis King Robert Edward Schneider Harold James Wilson Frederick Karl Zimmermann Edward Childs Hall Daniel James Toran James William Zilinski
Senior Vice President	Gregory Anthony Ross

Vice Presidents

James Alden Gallaher
Chester Thomas Lewandowski
James Patrick Bossert

Second Vice President and Treasurer

Newton Howard Thompson III

New England Variable Life Insurance Company

Chairman of the Board, President and C.E.O.

Robert Austin Shafto

Vice Presidents

Chester Robert Frost
John Grant Small, Jr.
Philip Gerard Sullivan, M.D.
Newton Howard Thompson III
John Francis Guthrie
Edward Childs Hall
Francis Joseph Malone
Frederick Karl Zimmermann

General Counsel and Secretary

Harold James Wilson

Chief Actuary

Rodney James Chandler

CERTIFICATES OF AUTHORITY

A review of the Companies' Rhode Island Certificates of Authority and the Companies' Rhode Island operations was performed to determine whether the Companies were in compliance with Section 27-2-11 of the General Laws of Rhode Island, License, for the period under examination.

An analysis of the Companies' Rhode Island direct premiums written by lines of business, as reported in their 1991, 1992, and 1993 annual statements indicated that the Companies' writings are in conformance with their Certificates of Authority and in compliance with Section 27-2-11 of the General Laws of Rhode Island, License.

CONSUMER OR OTHER RELATED COMPLAINTS

The Companies' procedures for handling consumer or other related complaints were examined to determine whether the Companies were in compliance with Section 27-4-5,

Misrepresentations, Section 27-29-3, General Prohibition and Section 27-29-4, Unfair and Deceptive Acts, of the General Laws of Rhode Island.

A total of thirty-seven (37) complaints were received by the Companies for the period under examination, all of which were reviewed. Complaints regarding questions of misrepresentation by the agent of record accounted for sixty-two percent (62%) of the total complaints received. Due to the trend developed in this area, a full review of the complaints related to questions of misrepresentation was performed.

Based upon the results of the examination work performed in this area, we noted sixteen (16) violations of Section 27-4-5, Misrepresentations, and Section 27-29-3, General Prohibition, of the General Laws of Rhode Island.

Sixteen (16) of the complaint files that were examined demonstrated improper and illegal actions by a former agent of the Companies. The breakdown of these findings are as follows: three (3) complaint files contained evidence of misrepresentation and deceptive sales practices by this agent, twelve (12) complaint files revealed that no policy was ever delivered to the proposed insured, one (1) complaint file demonstrated that this former agent had forged an application of insurance on a proposed insured without that person's knowledge, in order to obtain coverage that was not the coverage requested by the proposed insured. It should be noted that in the twelve (12) non-delivery exceptions noted above that continued allegations of misrepresentation and deceptive sales practices by this former agent of the New England were evidenced.

In addition, the New England Mutual Life Insurance Company did not provide the Rhode Island Department of Business Regulation Insurance Division with correct and complete information when representatives of the Rhode Island Department of Business Regulation, Insurance Division, conducted an investigation into the business of this former agent prior to the commencement of this market conduct examination.

The Insurance Division had requested a listing of all policyholders solicited by this former agent. The Company provided the Rhode Island Insurance Division with a list of twenty-seven (27) policyholders. While reviewing the complaints relating to misrepresentation during our market conduct examination, a listing of one hundred and seventeen (117) policyholders' names was obtained, which was identified as individuals solicited by this former agent. The explanation provided by the Companies regarding this discrepancy was that the listing sent to the Insurance Division represented only those policies that were still on the Companies' computer system at the time of the request.

The request by the Insurance Division was originally made to assess the extent of the potential damages which may have been caused by a New England agent with a history of alleged improper/illegal acts in the solicitation of insurance business, and to make decisions about what should be done to rectify the damages caused by this agent. Since the Insurance Division did not receive a complete listing, it was not able to assess the magnitude of improper/illegal actions undertaken by this agent.

The Companies did not consider the magnitude of the problem and the circumstances surrounding the complaints lodged against their former agent when resolving new complaints lodged against this same agent. The Company had knowledge at the time additional complaints were received, that their agent had used misrepresentation, forgery, deceptive sales practices, non-delivery of policies, and had submitted applications for policies that produced the highest commissions, regardless of what the policyholder thought he was purchasing, as his mode of operation.

When policyholders subsequently discovered the misrepresentations, and complained to the Companies about this agent, who had since left the Company, been fined by the Rhode Island Insurance Division, and given up his Rhode Island licenses, the Companies treated the complainant as if they had no prior knowledge that their own agent had many prior complaints against him and had been involved in many misrepresentations in the solicitation of business for the Companies.

On the basis of our review of information related to complaints against this agent, a memorandum was forwarded to this former agent's Sales Manager to obtain information about activities that he felt to be improper, and to determine the exact circumstances that caused this agent's services to be terminated. The reply received by the examiners to this memorandum lacked candor, and downplayed the significance of the problems relating to this former agent. This conclusion is based upon the fact that the documentation reviewed during our market conduct examination indicated that the Sales Manager became aware of many of the misrepresentations and illegal acts that the agent had performed.

It is recommended that The New England Mutual Life Insurance Company establish written procedures for the special handling of complaints that involve agents known to have been involved in improper and/or illegal acts in the past.

It is also recommended that the Company implement additional oversight and quality control procedures over all business solicited by an agent whenever it is proven that the agent was involved in misrepresentations and other illegal acts in the solicitation of insurance business.

Lastly, it is recommended that when a complaint is received in which the Company is aware of an agent that has acted in an improper/illegal manner, it should give full consideration to the allegation presented by the complainant.

SALES AND ADVERTISING

A review of the Companies sales and advertising materials in use for the period under examination was performed to determine whether the Companies had complied with the provisions of Section 27-29-4 of the General Laws of Rhode Island, Unfair and Deceptive Acts.

The Companies were asked to provide copies of all sales and advertising materials used for the marketing and solicitation of Rhode Island insurance business for the period under examination. A total sample of sixty (60) sales and advertising materials were reviewed.

On the basis of the results of the examination work performed in this area, all materials reviewed were found to be in compliance with Section 27-29-4 of the General Laws of Rhode Island, Unfair and Deceptive Acts.

UNDERWRITING AND RATING

The Companies' underwriting and rating procedures for individual life insurance were reviewed to determine if the Companies were in compliance with Section 27-29-4, Unfair and Deceptive Acts, (7)-Unfair discrimination (a) and (b) and 27-2-17(c), Reciprocal Fees; nonresident agents, of the General Laws of Rhode Island, and Rhode Island Insurance Regulation XXIX, Replacement of Life Insurance.

We selected a sample of one hundred and seven (107) files to test the Companies underwriting procedures and applications. All sampled files were reviewed to determine whether company procedures were followed and correct underwriting criteria was used. Ninety five (95) files were rated to evaluate whether the correct premiums were being applied based on plan, age, sex, and smoker non-smoker status.

Based upon the results of the examination work performed in this area, it was determined that all sampled materials were in compliance with the above referenced statutes, and therefore no exceptions were noted.

POLICY FORMS, FILINGS AND APPROVALS

A review of policy forms, filings, and approvals used by the Companies during the period under examination was performed to establish if the Companies were in compliance with Sections 27-4-24, Filing requirements and 27-4-24.1, Effective date of filings, of the General Laws of Rhode Island.

The Companies were asked to provide copies of all policy forms, filings, and approvals for the period under examination. From this population a total sample of twenty nine (29) files were reviewed.

Based upon the results of the examination work performed in this area, it was determined that all sampled materials were in compliance with the above referenced statutes, and therefore no exceptions were noted.

REPLACEMENT OF LIFE INSURANCE

A review of the replacement of life insurance was performed to determine if the Companies were processing business in compliance with Rhode Island Insurance Regulation XXIX, Replacement of Life Insurance §7. Duties of replacing insurers, for the period under examination. In addition, a review of all replacement business was conducted to determine whether the new business was written by properly licensed agents in accordance with Section 27-2-17(c) of the General Laws of Rhode Island, Reciprocal fees; nonresident agents.

The Companies provided the examiners with the replacement registers for 1991, 1992, and 1993. Seventy three (73) replacement files were selected from the population of one hundred and three (103) files, and fully evaluated by the examiners. The results of this review as well as their respective recommendations are as follows.

Based upon the results of the examination work performed, twenty-five (25) violations of Rhode Island Insurance Regulation XXIX, Replacement of life insurance, §7. Duties of replacing insurers, were evidenced. The details of the violations are as follows: seven (7) violations of §7.C.1. which requires a copy of the notice regarding replacement of life insurance and comparative information forms; nine (9) violations of §7.C.2. which requires comparison forms that are substantially accurate; and nine (9) violations of §7.C.4. which requires notification within three working days to the insurer being replaced.

These findings produced an error rate of twenty two percent (22%) of all replacements processed by the Companies for the period under examination.

It is therefore recommended that the Companies inform the appropriate personnel of all of the requirements of Rhode Island Insurance Regulation XXIX, Replacement of Life Insurance, §7. Duties of replacing insurers.

It is also recommended that the requirements of Rhode Island Insurance Regulation XXIX, Replacement of Life Insurance become a permanent part of the life application processing manual for Rhode Island business. The Companies should reply in writing to the Rhode Island Insurance Division, Market Conduct Section, that these recommendations above have been implemented.

REJECTED/DENIED APPLICATIONS **(Individual Life Insurance)**

A review of rejected/denied applications was performed in order to determine that all were handled in accordance with established company procedures and accepted underwriting criteria. It should be noted that a request was made to the Companies for a listing of all

rejected/denied applications for the period under examination. The Companies were only able to provide a listing for one year (1991), and indicated that they could not retrieve 1992, and 1993 since those rejections were not on the computer system at the time of our request. Our scope in this area was limited to 1991 rejections due to the inability of the Company to retrieve the information related to 1992 and 1993 without performing a manual process which would be a costly and time consuming effort.

Based on the results of the examination work performed in this area, all of the 1991 rejected/denied applications were processed according to established Company policy and generally accepted underwriting criteria. Therefore, no exceptions were noted in our review of the 1991 rejected/denied applications.

CLAIMS PRACTICES

The life Companies' claims practices were reviewed to evaluate their treatment of claimants, and to verify that the practices employed were in compliance with Section 27-4-26, Interest on life insurance proceeds of the General Laws of Rhode Island.

The Companies provided the examiners with a listing of all Individual, Group, and Annuity death claims for the period under examination. A total of one hundred and sixty (160) individual, seventeen (17) group, and thirteen (13) annuity claims were processed for the period under examination. A total sample of ninety-seven (97) claim files were evaluated, (67-individual, 17-group, and 13-annuity) to evaluate compliance to the objectives set forth for this review.

On the basis of the results of the examination work performed, thirty-two (32) exceptions were found in which the Companies did not calculate interest on life insurance proceeds in the manner prescribed in Section 27-4-26 of the General Laws of Rhode Island, Interest on life insurance proceeds.

A tolerable error rate of \$10.00 was used by the examiners in performing the test of compliance with 27-4-26, however, substantially all of the remaining payments of interest to Rhode Island beneficiaries were underpaid less than \$10.00, and could be considered non-compliance with the Interest on life insurance proceeds statute.

Since our results are based upon sampling, it is our opinion that the Companies have not paid interest on life insurance proceeds to Rhode Island beneficiaries on many Rhode Island death claims during the examination period, which were not reviewed during our examination.

It is our recommendation that the Companies review the remaining sixty-seven (67) claims from our examination period to make a determination as to whether the proper interest has been paid to the Rhode Island beneficiaries in accordance with Section 27-4-26 of the General Laws of Rhode Island, Interest on life insurance proceeds.

An additional thirteen (13) violations of Section 27-4-26 of the General Laws of Rhode Island, Interest on life insurance proceeds, were noted in which no interest was paid in the settlement of annuity death claims.

In total, forty-five (45) claim payments out of the ninety-seven (97) examined were in violation of Section 27-4-26, Interest on life insurance proceeds of the General Laws of Rhode Island.

It is recommended that the Companies reimburse the beneficiaries the difference between the correct interest due, and the interest that was actually paid on the thirty-two (32) exceptions calculated incorrectly, and pay interest according to the above referenced statute (27-4-26) on the thirteen (13) claims in which no interest was paid.

A letter should be enclosed with the check for reimbursement, advising the beneficiaries that the additional payment is a result of an examination of the Companies by the Rhode Island Department of Business Regulation, Insurance Division. Once completed, the Companies should forward a letter to the Market Conduct section of the Rhode Island Insurance Division indicating that they have complied with our recommendations to pay the interest due to beneficiaries. These corrective actions should be completed within a period of three months of the date of our completed Market Conduct Examination Report.

It is also recommended that all appropriate personnel be immediately instructed, in writing of the requirements of Section 27-4-26, Interest on life insurance proceeds, of the General Laws of Rhode Island.

It was noted during the examination that interest on death claims for individual life and interest on death claims for group life were calculated using different formulas relative to the number of days per year. It is recommended that the Companies be consistent in their use of formulas for the payment of death claims in the interest of fairness and equitable treatment of their policyholders.

On the basis of our review of this area, it is evident that personnel in the claims areas of the Companies have not followed the instructions provided in the Companies' claims manual, which instructs the claims personnel to pay interest on death claims with Rhode Island beneficiaries from the date of death to the date of the claim payment.

It is recommended that the Companies instruct their personnel to pay Rhode Island death claims in accordance with Section 27-4-26 of the General Laws of Rhode Island, Interest on Life Insurance proceeds, and to follow the procedures outlined in the Companies' claims manual.

The Companies did not document their calculations of interest due on death claims where a Rhode Island beneficiary was involved. The Companies were asked to provide a recalculation of specific interest payments that were paid with the death claims, but the Companies were unable to reconstruct the exact payment that they had made.

It is recommended that the Companies maintain properly documented death claim files, which would provide the necessary information to reconstruct payment information and to assess the Companies' compliance with Section 27-4-26 of the General Laws of Rhode Island, Interest on life insurance proceeds.

RESISTED/DENIED LIFE CLAIMS

A review of the resisted/denied claims for individual and group life insurance was performed to determine if the life Companies denied claim(s) in accordance with their contractual obligations. A review of the Schedule F from the Annual Statements of the Companies for the period under examination showed that two (2) Rhode Island claims were denied.

On the basis of the examination work performed in this area, we determined that one (1) claim was properly denied since there was no coverage at the time of claim. The other resisted/denied claim was questionable, since the file did not appear to have sufficient documentation to process the denial.

It is recommended that when a claim is resisted or denied, that the claim file contain a copy of the contract page, highlighting the contractual reason for denial of the claim, and that written evidence of the facts of the claim be submitted to the company and become a part of the documentation of that claim.

The Companies should perform an internal audit of the one resisted/denied claim referenced in this section, to determine if it was resisted/denied in conformance with the provisions of the contract issued.

Once the internal audit of this claim is completed, the Companies should forward a synopsis of the results of the audit to the Rhode Island Insurance Division, Market Conduct Section.

**SUMMARY OF VIOLATIONS OF RHODE ISLAND INSURANCE LAWS AND
REGULATIONS**

Page 7

Based upon the results of the examination work performed in this area, we noted sixteen (16) violations of Section 27-4-5, Misrepresentations, and Section 27-29-3, General Prohibition, of the General Laws of Rhode Island.

Page 10

Based upon the results of the examination work performed, twenty-five (25) violations of Rhode Island Insurance Regulation XXIX, Replacement of life insurance, §7. Duties of replacing insurers, were evidenced. The details of the violations are as follows: seven (7) violations of §7.C.1. which requires a copy of the notice regarding replacement of life insurance and comparative information forms; nine (9) violations of §7.C.2. which requires comparison forms that are substantially accurate; and nine (9) violations of §7.C.4. which requires notification within three working days to the insurer being replaced.

Page 12

In total, forty-five (45) claim payments out of the ninety-seven (97) examined were in violation of Section 27-4-26, Interest on life insurance proceeds of the General Laws of Rhode Island.

SUMMARY OF RECOMMENDATIONS

Page 8

It is recommended that The New England Mutual Life Insurance Company establish written procedures for the special handling of complaints that involve agents known to have been involved in improper and/or illegal acts in the past.

It is also recommended that the Companies' internal audit department conduct a full audit of all policyholders solicited by an agent whenever it is proven that the agent was involved in misrepresentations and other illegal acts in the solicitation of insurance business.

Lastly, it is recommended that when a complaint is received in which the Company is aware of an agent that has acted in an improper/illegal manner, it should give full consideration to the allegation presented by the complainant.

Page 10

It is therefore recommended that the Companies inform the appropriate personnel of all of the requirements of Rhode Island Insurance Regulation XXIX, Replacement of Life Insurance, §7. Duties of replacing insurers.

It is also recommended that the requirements of Rhode Island Insurance Regulation XXIX, Replacement of Life Insurance become a permanent part of the life application processing manual for Rhode Island business. The Companies should reply in writing to the Rhode Island Insurance Division, Market Conduct Section, that these recommendations above have been implemented.

Page 12

It is our recommendation that the Companies review the remaining sixty-seven (67) claims from our examination period to make a determination as to whether the proper interest has been paid to the Rhode Island beneficiaries in accordance with Section 27-4-26 of the General Laws of Rhode Island, Interest on life insurance proceeds.

It is recommended that the Companies reimburse the beneficiaries the difference between the correct interest due, and the interest that was actually paid on the thirty-two (32) exceptions calculated incorrectly, and pay interest according to the above referenced statute (27-4-26) on the thirteen (13) claims in which no interest was paid.

It is also recommended that all appropriate personnel be immediately instructed, in writing of the requirements of Section 27-4-26, Interest on life insurance proceeds, of the General Laws of Rhode Island.

SUMMARY OF RECOMMENDATIONS (CONTINUED)

It is recommended that the Companies be consistent in their use of formulas for the payment of death claims in the interest of fairness and equitable treatment of their policyholders

It is recommended that the Companies instruct their personnel to pay Rhode Island death claims in accordance with Section 27-4-26 of the General Laws of Rhode Island, Interest on Life Insurance proceeds, and to follow the procedures outlined in the Companies' claims manual.

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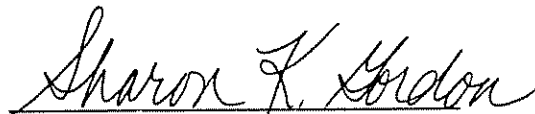
It is recommended that the Companies maintain properly documented death claim files, which would provide the necessary information to reconstruct payment information and to assess the Companies' compliance with Section 27-4-26 of the General Laws of Rhode Island, Interest on life insurance proceeds.

ACKNOWLEDGMENT

Acknowledgment is made of the courteous cooperation extended by the Companies' officers and employees during the course of the examination.

In addition to the undersigned, John P. Carr, CPCU, Principal Market Conduct Examiner, Ronald R. Radtke, Senior Market Conduct Examiner, and Robert G. Arrow, FLMI, AIE, Senior Market Conduct Examiner, participated in the examination.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sharon K. Gordon". The signature is written in black ink and is positioned above the printed name and title.

Sharon K. Gordon, CPA, AFE
Insurance Examiner-In-Charge
State of Rhode Island