

# **Market Conduct Examination Final Report**

## **Transamerica Life Insurance Company**

(NAIC Company Code 86231)

6400 C Street SW  
Cedar Rapids, IA 52404

As of January 12, 2024

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## Salutation

January 12, 2024

Larry D. Deiter, Director  
South Dakota Division of Insurance  
124 S Euclid Ave #2  
Pierre, SD 57501

Dear Director Deiter:

In compliance with the instructions contained in the Notice of Market Conduct Examination, dated November 10, 2021, an examination has been conducted of the affairs and practices of the Transamerica Life Insurance Company involving the long term care and association health plan lines of business. The following draft report on the findings of this examination are herewith respectfully submitted.

Transamerica Life Insurance Company is incorporated under the laws of the state of Iowa. This examination was performed at remote locations by INS Regulatory Insurance Services, Inc., in association with the guidance of the South Dakota Division of Insurance.

## Foreword

This examination reflects Transamerica Life Insurance Company's insurance activities in the state of South Dakota. This market conduct examination report is, in general, a report by exception. Some of the information reviewed by the examiners may not be referenced in this written report regarding practices, procedures, or files that did not result in any errors or irregularities. Failure to comment on specific products, procedures or files does not constitute approval thereof by the South Dakota Division of Insurance. In performing this examination, the Division selected a portion of the Company's operations for review. This report does not fully reflect a review of all of the practices and activities of the Company.

### Report references:

- "AHP" refers to Association Health Plan
- "ARSD" refers to Administrative Rules of South Dakota
- "Company" or "Transamerica" refers to Transamerica Life Insurance Company
- "LTC" refers to Long Term Care
- "NAIC" refers to the National Association of Insurance Commissioners
- "NAIC MRH" refers to the NAIC's Market Regulation Handbook
- "Report" refers to Transamerica Market Conduct Examination Report
- "SDCL" refers to South Dakota Codified Law
- "SDDOI" or "Division" refers to the South Dakota Division of Insurance

## Scope of Examination

The Division has authority to perform this examination pursuant to, but not limited to, SDCL Ch. 58-3. This examination of the Company's long term care and association health plans lines of business began March 6, 2022. It covered the period of January 1, 2018 through December 31, 2020. This examination reviewed the following categories of operations:

- Company Operations/Management
- Complaint Handling
- Marketing and Sales
- Producer Licensing
- Policyholder Services
- Underwriting and Rating
- Claims
- Appeal of Benefit Trigger Adverse Determination

The examination was performed in accordance with market regulation standards established by the Division and examination procedures established by the NAIC.

## Summary of Findings

The primary purpose of this market conduct examination was to determine if Transamerica's long term care and association health plan lines of business were compliant with state laws and regulations. The

examination reviewed applicable processes and procedures in use from January 1, 2018 through December 31, 2020. Off-site fieldwork began March 6, 2022 and concluded May 12, 2023.

The following table represents general findings with specific details in each section of the Report.

<b>Table of Total Violations</b>		
<b>Line of Business - Violation</b>	<b># of Violations</b>	<b>Description</b>
LTC - ARSD 20:06:21:26.01	28	Failure to send to members the Notice of Claimants – Temporary Leave Letter.
LTC - ARSD 20:06:21:105 and 20:06:21:106	5	Failure to deny or settle a claim within 30 business days after receipt by the carrier.
LTC – SDCL 58-3-7	1	Failure to cooperate by not providing a document in a complete and timely manner.

As noted above, various noncompliant practices were identified, some of which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business according to the South Dakota insurance laws and rules. When applicable, corrective action for other jurisdictions should be addressed.

## **History and Profile**

The Company was originally licensed on March 19, 1962, following incorporation on April 19, 1961, in the state of Wisconsin, as a legal reserve life insurance company. The Company's original name was American Public Life Insurance Company, Inc., and it operated as a member of the Northwestern National Insurance Group. At the annual meeting of the shareholders held on April 9, 1968, the Company changed its name to NN Investors Life Insurance Company, Inc.

Life Investors Insurance Company of America acquired 100% of the outstanding stock of the Company from NN Corporation on December 31, 1975, and the executive office was moved to Cedar Rapids, Iowa. On June 30, 1976, the domicile of the Company was changed from the state of Wisconsin to the state of Iowa pursuant to the provisions of Chapter 508, Code of Iowa.

At a special meeting of the shareholders on June 28, 1982, Articles of Merger between the Company and Investors Fidelity Life Insurance Company were approved with the Company being the survivor. The effective date of the merger was June 30, 1982.

At a special meeting of the shareholders on September 30, 1985, Articles of Merger between the Company and Investors Life of Florida Insurance Company were approved with the Company being the survivor. The effective date of the merger was January 24, 1986.

At the annual meeting on April 26, 1990, the shareholders approved changing the name of the Company to PFL Life Insurance Company effective January 1, 1991. The Company merged with two affiliated life insurers, National Old Line Life Insurance Company, domiciled in the state of Arkansas, and Pacific Fidelity Life Insurance Company, domiciled in the state of California, with the Company being the surviving entity. Effective dates of these mergers were January 1, 1991, and March 31, 1991, respectively.

Effective March 1, 2001, the Company's name was changed to Transamerica Life Insurance Company.

Effective October 1, 2004, an affiliated Missouri domiciled life insurer, Transamerica Assurance Company, was merged into the Company.

Effective October 1, 2005, Transamerica Life Insurance and Annuity Company merged into the Company.

Effective October 1, 2008, an affiliated Iowa domiciled life insurer, Transamerica Occidental Life Insurance Company (TOLIC), was merged into the Company.

Effective October 2, 2008, an affiliated Iowa domiciled life insurer, Life Investors Insurance Company of America, was merged into the Company.

Effective October 1, 2009, an affiliated Arizona domiciled life insurer, Iowa Fidelity Life Insurance Company, was merged into the Company.

Effective October 1, 2015, Stonebridge Life Insurance Company merged into the Company. The outstanding stock of Stonebridge Life Insurance Company was deemed cancelled by operation of law.

Effective January 1, 2016, Global Preferred Re Limited merged into the Company.

Effective October 1, 2018, Firebird Re Corp. merged into the Company.

Effective July 1, 2019, Transamerica Advisors Life Insurance Company merged into the Company. The outstanding stock of Transamerica Advisors Life Insurance Company was deemed cancelled by operation of law.

Effective October 1, 2020, Transamerica Premier Life Insurance Company merged into the Company, with the Company being the surviving entity.

Effective October 1, 2020, MLIC Re I, Inc., merged into the Company, with the Company being the surviving entity.

Effective December 31, 2020, Pine Falls Re, Inc., merged with the Company, with the Company being the surviving entity.

## **Methodology**

The market conduct examination process places emphasis on an insurer's systems and procedures used in dealing with policyholders. The LTC and AHP lines of business for Transamerica were reviewed in this examination.

The review of the categories noted below were accomplished through the examination of material relating to each category as well as interviews with various Company personnel and Company responses to the coordinator handbook, information requests and criticisms. Each of the categories listed below were examined for compliance with SDCL and the ARSD.

The following method was used to obtain the required samples and to ensure a statistically sound selection. Surveys were developed from Company-generated Excel spreadsheets. Random statistical file selections were generated by the examiners from these spreadsheets. In the event the number of files was too low for a random sample, the sample consisted of the universe of files.

### **Company Operations and Management**

The examiners reviewed the Company's operations and management. Additionally, when appropriate, the examiners noted throughout the Report any failures by the Company to facilitate the examination process due to the Company providing incomplete, inaccurate, or untimely responses to the examiners' requests.

### **Complaint Handling**

The examiners reviewed complaints the Company received directly from consumers and complaints the Division submitted to the Company. The purpose for this was to determine whether the Company accurately and timely handled and resolved complaints.

### **Marketing and Sales**

The examiners reviewed the Company's advertising materials to evaluate the accuracy of statements made.

### **Producer Licensing**

The examiners reviewed the Company's compliance with South Dakota's producer licensing and appointment laws. The examiners compared the Company's list of licensed producers to the Division's licensing records. Additionally, the examiners verified producers listed in applications that were reviewed in the underwriting section of the examination were properly licensed and appointed.

### **Policyholder Services**

The examiners reviewed the Company's policyholder service practices for compliance with SDCL and ARSD. The focus was new business applications issued and declined as well as policy reinstatements and premium refund practices.

### **Underwriting and Rating**

The examiners reviewed the Company's underwriting and rating practices. The following items were reviewed for compliance with SDCL and ARSD:

- Policy forms
- Underwriting guidelines and Company manuals
- Rates and premium assessments
- Policy terminations

The examiners reviewed the Company's policy forms and underwriting guidelines to determine compliance with filing requirements to ensure the contract language is not ambiguous and that the provisions of the policies adequately protect insureds. The examiners determined if appropriate guidelines were in place for the Company to meet its compliance obligations and whether the Company adhered to its guidelines. Additionally, the examiners determined if premiums assessed match filed and approved rates. Finally, the examiners reviewed active and

terminated policy files to determine if the Company adhered to its underwriting guidelines and procedures.

### **Claims**

The examiners reviewed the claims practices of the Company in order to determine efficiency of handling, accuracy of payment, adherence to contract provisions, and compliance with SDCL and ARSD. Practices considered to be a violation include failure to timely investigate and settle claims and failure to correctly calculate claim benefits.

### **Appeal of Benefit Trigger Adverse Determination**

The examiners reviewed the Company's appeal practices, determining whether proper protocols were in place to handle policyholder appeals. Policies and procedures were reviewed to ensure compliance with SDCL and ARSD.

### **Review of Files**

If practical, the examiners conducted a census or completed a review of the population of files. In instances where a census review could not be conducted in an expedient manner, the examiners reviewed a random sample of the population. In a random sample, each unit was chosen from the population of files entirely by chance; every unit of the population had an equal probability of being included in the sample. No units had been "preselected" out of the population. Random selections were attained through use of a random numbers table or a random numbers generator in computer software.

## **Examination Results**

### **Company Operations and Management**

A review of the Company's operations and management was conducted. The examiners requested and reviewed the following information:

1. Provide a list of all audits conducted within the last three (3) years. Audits include those completed by an internal audit function within the Company or conducted via a contracted vendor on behalf of the Company. Provide documentation that all internal or external audits are up to date.
2. Provide documentation that the Company has appropriate controls, safeguards, and procedures for protecting the integrity of computer information.
3. Provide a copy of the Company's Anti-Fraud Procedures and annual reports.
4. Provide a copy of the Company's disaster recovery plan.
5. Provide copies of contracts with any third-party entity, including managing general agents (MGAs), general agents (GAs), third-party administrators (TPAs), and vendors conducting activities on behalf of the insurer during the examination period. (The definition of vendor does not include any supply vendors or vendors providing equipment such as computers, maintenance, landscaping, communications, etc.) Provide a list of all entities that are involved in the sale or servicing of life and annuity products.
6. Provide documentation that the Company is adequately monitoring the activities of any entity that contractually assumes a business function or is acting on behalf of the Company. Include copies of audit reports produced for the listed entities at any time since the contract inception.
7. Provide documentation that the Company's records are adequate, accessible, consistent, and orderly and comply with state record retention requirements.
8. Provide a written overview of the Company's operations including management structure, type of carrier, states where the Company is licensed, and the major lines of business the Company writes. If a regional office handles any portion of the South Dakota business, please include that information in the overview. Provide current organizational charts outlining the structure of South Dakota operations with respect to management, marketing, customer service, complaints, underwriting, and claims. Include any specialty operations conducted separately.
9. Provide a written overview of the Company's relationship with other entities (including those entities for which the Company has assumed administrative responsibility through reinsurance or other agreements). Provide an organizational chart identifying the individuals by name, title, and position those persons responsible for oversight of any administrative duties conducted on behalf of other entities.

10. Provide policies and procedures or other documentation demonstrating that the Company is required to respond to requests from the examiners in a timely manner.
11. Provide documentation that the Company has procedures for the collection, use, and disclosure of information gathered in connection with insurance transactions so as to minimize any improper intrusion into the privacy of applicants and policyholders.
12. Provide documentation that the Company provides privacy notices to its customers and, if applicable, to its consumers who are not customers regarding treatment of nonpublic personal financial information.
13. Provide documentation that the Company shall implement a comprehensive written information security program for the protection of nonpublic customer information.
14. Provide documentation that the Company's data required to be reported to the Division is complete and accurate.
15. Provide a listing of all fines, penalties, and recommendations from any state for the last five (5) years. Also provide copies of all financial and market conduct examination reports conducted during the last five (5) years.
16. Provide copies of the annual statements for the prior three (3) years.
17. Provide a copy of the Company's South Dakota Certificate(s) of Authority for the period under examination.
18. Provide a brief but concise history of the Company. This should include dates, location of formation, and any significant organizational changes (e.g., name, management, acquisitions, and market/product lines) since the Company's formation. Identify any history of significance to the business in South Dakota.

**Finding:** No violations were noted.

### **Complaint Handling**

1. **Consumer and SDDOI Complaints** - The examiners requested a list of all consumer complaints received from South Dakota consumers, claimants, and complaints referred to by the Division during the examination period.

Population Size: 38 (14 consumer complaints and 24 SDDOI complaints)

Review Size: 38

Number of Violations: 0

**Finding:** No violations were noted.

## Marketing and Sales

A review of the Company's marketing and sales practices was conducted. The examiners requested and reviewed the following information:

1. Provide copies of all advertising materials - whether printed or audio/visual - approved for use by field personnel for the examination period.
2. Provide documentation that the Company's internal producer training materials are in compliance with applicable statutes, rules, and regulations.
3. Provide documentation that the Company's communication to producers is in compliance with applicable statutes, rules, and regulations.
4. Provide documentation that all advertising and sales materials are in compliance with applicable statutes, rules, and regulations.
5. Provide documentation that rules on replacements are in compliance with applicable statutes, rules, and regulations.
6. Provide documentation that shows and outlines coverages and that they are in compliance with all applicable statutes, rules, and regulations.
7. Provide documentation that the Company has suitability standards for its products, when required by applicable statutes, rules, and regulations.
8. Provide documentation that the Company's policy forms provide required disclosure material regarding standards for benefit triggers.
9. Provide documentation that shows the Company's marketing for LTC products complies with applicable statutes, rules, and regulations.
10. Provide the location(s) of all websites maintained by or on behalf of the Company for marketing purposes.
11. Provide a list of any marketing entities, including associations, independent marketing agencies, or affiliated insurance companies that sell the Company's products.

**Finding:** No violations were noted.

## Producer Licensing

1. **Producer and Commission Listing** – It was requested for the Company to provide all South Dakota individual producers and entities that were appointed, terminated, and/or received commissions at any time during the examination period.

Population Size: 512

Review Size: 178

Number of Violations: 0

**Finding:** No violations were noted.

### **Policyholder Services**

1. **New Business Applications Issued** - Policies that were issued, delivered, and premiums received were reviewed.

Population Size: 20 LTC & 109 AHP

Review Size: 20 LTC & 109 AHP

Number of Violations: 0

**Finding:** No violations were noted.

2. **New Business Applications Declined** - All applications that were submitted to the Company and coverage was declined. This does not include proposed business not taken by the insured.

Population Size: 20 LTC

Review Size: 20 LTC

Number of Violations: 0

**Finding:** No violations were noted.

3. **Reinstatement** - Policies were reviewed that were cancelled or non-renewed and were reinstated by the Company.

Population Size: 1 LTC

Review Size: 1 LTC

Number of Violations: 0

**Finding:** No violations were noted.

4. **Premium Refunds** – Policyholder premium refunds by the Company were reviewed.

Population Size: 192 LTC

Review Size: 79 LTC

Number of Violations: 0

**Finding:** No violations were noted.

### **Underwriting and Rating**

1. **Rating** – New business and renewal premiums were reviewed for accuracy.

Population Size: 20 LTC & 119 AHP

Review Size: 20 LTC & 108 AHP

Number of Violations: 0

**Finding:** No violations were noted.

## **Claims**

### **1. Initial Paid Claims - LTC and AHP claims were reviewed for compliance with SDCL and ARSD.**

Population Size: 60 LTC & 6728 AHP

Review Size: 60 LTC & 108 AHP

Number of Violations: 7 LTC

**Finding:** In three instances of the 60 LTC files reviewed, for an error rate of 5%, the Company failed to deny or settle a claim within 30 days after receipt by the carrier in compliance with ARSD 20:06:21:105 and ARSD 20:06:21:106. It is recommended the company adopt and adhere to policies that comply with ARSD 20:06:21:105 and ARSD 20:06:21:106.

**Finding:** In four instances of the 60 LTC files reviewed, for an error rate of 7%, the Company failed to send to members the Notice of Claimants – Temporary Leave Letter in compliance with ARSD 20:06:21:26.01. It is recommended the company adopt and adhere to policies that comply with ARSD 20:06:21:26.01.

### **2. Recurring Paid Claims**

Population Size: 11944 LTC & 85 AHP

Review Size: 109 LTC & 85 AHP

Number of Violations: 1 LTC

**Finding:** In one instance of the 109 LTC files reviewed, for an error rate of less than one percent (0.91%), the Company failed to send to a member the Notice of Claimants – Temporary Leave Letter in violation of ARSD 20:06:21:26.01. It is recommended the company adopt and adhere to policies that comply with ARSD 20:06:21:26.01.

### **3. Denied and Closed Without Payment Claims**

Population Size: 468 LTC & 1495 AHP

Review Size: 80 LTC & 105 AHP

Number of Violations: 25

**Finding:** In 23 instances of the 80 LTC files reviewed, for an error rate of 29%, the Company failed to send to members the Notice of Claimants – Temporary Leave Letter in violation of ARSD 20:06:21:26.01. It is recommended the company adopt and adhere to policies that comply with ARSD 20:06:21:26.01.

**Finding:** In two instances of the 80 LTC files reviewed, for an error rate of 2.5%, the Company failed to deny or settle a claim within 30 business days after receipt by the carrier in compliance with ARSD 20:06:21:105 and 20:06:21:106. It is recommended the company adopt and adhere to policies that comply with ARSD 20:06:21:105 and 20:06:21:106.

4. **Cooperation and Documentation Finding:** While finalizing the exam report, the Company supplied an additional document related to a finding regarding a single file within the draft exam report. The document had not been previously supplied and should have been given during the examiners' initial request. The Company's failure to provide information in a complete and timely manner is a violation of SDCL 58-3-7.

#### **Appeal of Benefit Trigger Adverse Determination**

5. **Adverse Determinations Overturned** – Claims appeals related to adverse determinations were reviewed for compliance with Company policies and procedures as well as SDCL and ARSD.

Population Size: 18 AHP

Review Size: 18 AHP

Number of Violations: 0

**Finding:** No violations were noted.

## Examiner's Signature and Acknowledgement

The examiners would like to acknowledge the cooperation and assistance extended by Transamerica during the course of the market conduct examination.

In addition to the undersigned, Karina Ruthenberg, Elizabeth Harvey, Tony Taylor, and Lisa Crump, Scott Hanshaw also of INS Regulatory Insurance Services, Inc., participated in this market conduct examination.

*George Kalargyros*

George Kalargyros, MCM, LPCS

Examiner-in-Charge

INS Regulatory Insurance Services, Inc.

*Shelly Schuman*

Shelly Schuman, ACS, AIE, AMCM, CICS, FLMI, HIA

Supervisory Insurance Examiner

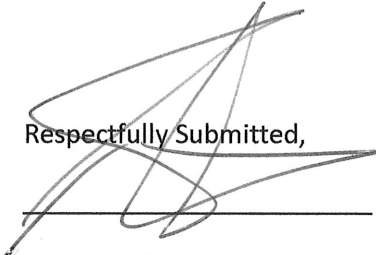
INS Regulatory Insurance Services, Inc.

### Conclusion

This report is respectfully submitted to the South Dakota Division of Insurance. The courtesy and cooperation of the officers and employees of the Company during the examination are gratefully acknowledged.

This examination was completed by examiners Shelly Schuman, George Kalargyros, Elizabeth Harvey, Lisa Crump, Karina Ruthenberg, Tony Taylor, Scott Hanshaw and staff from the South Dakota Division of Insurance assisted in the examination.

Respectfully Submitted,

  
George Kalargyros MCM, LPCS  
Market Conduct Examiner-in-Charge  
INS Regulatory Insurance Services, Inc.

Acknowledged, sworn to and subscribed before me on this 12<sup>th</sup> day of January 2024 by George Kalargyros, identification proved through Florida driver's license number K462300673440

Commission expires: 9-1-2024

  
\_\_\_\_\_  
Notary

