

# **OHIO DEPARTMENT OF INSURANCE**

**A**

**MARKET CONDUCT EXAMINATION**

**OF**

**C.M. Life Insurance Company**

**NAIC #93432**

**As Of**

**December 31, 2004**





Ted Strickland, Governor  
Mary Jo Hudson, Director

2100 Stella Court, Columbus, OH 43215-1067  
(614) 644-2658 www.ohioinsurance.gov

Honorable Mary Jo Hudson  
Director  
Ohio Department of Insurance  
2100 Stella Court  
Columbus, Ohio 43215-1067

Director:

Pursuant to your instructions and in accordance with the powers vested under Title 39 of the Ohio Revised Code, a Market Regulation desk examination was conducted on the Ohio business of:

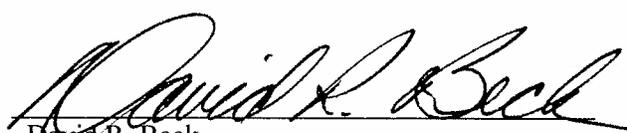
C.M. Life Insurance Company  
NAIC Company Code # 93432.

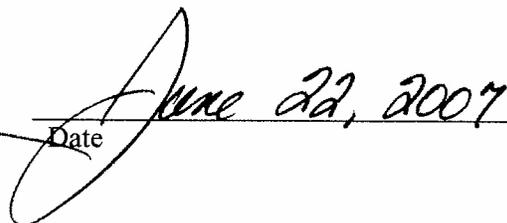
The examination was conducted at the Ohio Department of Insurance office located at:

2100 Stella Court  
Columbus, OH 43215.

A report of the examination is enclosed.

Respectfully submitted,

  
David R. Beck  
Chief, Market Regulation Division

  
Date

Accredited by the National Association of Insurance Commissioners (NAIC)

Consumer Hotline: 1-800-686-1526

Fraud Hotline: 1-800-686-1527

OSHIP Hotline: 1-800-686-1578

(Printed in house)



## **FOREWORD**

This examination was conducted under authority provided under Ohio Revised Code (“R.C.”) 3901.011.

## **SCOPE OF EXAMINATION**

On May 31, 2005, the Market Conduct Division, Ohio Department of Insurance (“Department”), opened a desk audit of C.M. Life Insurance Company (“Company”), by sending a call letter and initial request for information.

The desk audit was restricted to the Company’s replacement activities for individual life insurance from the period of January 1, 2003, through December 31, 2004. This desk audit report is a report by test and was conducted in accordance with the standards and procedures established by the National Association of Insurance Commissioners (“NAIC”) and the State of Ohio’s applicable statutes and rules.

Accordingly, the examination included the following areas of the Company’s operations:

- A. Company History
- B. Company Operations
- C. Certificate of Authority
- D. External Replacement Policies
- E. Internal Replacement Policies
- F. Unreported Replacement Policies

## **METHODOLOGY**

As part of the examination, the Department’s examiners reviewed the Company’s individual ordinary life insurance policy files and the Company’s corresponding procedures. This information was supplemented, as necessary, with written inquiries to the Company requesting clarification and/or additional information.

Only Ohio policyholders’ files were reviewed. A series of tests were designed and applied to these files to determine the Company’s level of compliance with Ohio’s applicable statutes and rules. These tests are described and the results are noted in this report.

The examiners used the NAIC standard of:

10% error ratio on policy files (90% compliance rate)

to determine whether an apparent pattern or practice of non-compliance existed for any given test.

The results of each test applied to a sample are reported separately. Each test is expressed as a “yes / no” question. A “yes” response indicates compliance, and a “no” response indicates a failure to comply. A “no” response may be referred to in this report as an “exception”.

In any instance where errors were noted, the examiners described the apparent error and asked the Company for an explanation. The Company responded to the examiners and either:

- Concurred with the findings,
- Had additional information for the examiners to consider, and/or
- Proposed remedial action(s) to correct the apparent deficiency.

If applicable, the Company's responses and the examiners' recommendations are included in this report.

### **SAMPLING**

Upon request, the Company supplied reports of new policy and replacement policy data in file formats, which could be used on IBM compatible personal computers. Except as otherwise noted, all tests were conducted on a sample of files randomly selected from a given report. The samples were pulled from populations consisting of Ohio policies and were selected using a standard business database application that provides a true random sample since it supplies a random starting point from which to select the sample.

### **COMPANY HISTORY**

C.M. Life Insurance Company is a wholly-owned, direct subsidiary of Massachusetts Mutual Life Insurance Company ("MassMutual"). On February 29, 1996, Connecticut Mutual Life Insurance Company, the parent of C.M. Life Insurance Company, merged with and into MassMutual. As of that date, C.M. Life Insurance Company became part of the MassMutual holding company system.

MassMutual was incorporated under the laws of the Commonwealth of Massachusetts on May 15, 1851, and commenced business on August 1, 1851. The Company is authorized to conduct the business of life insurance, including fixed and variable life, annuities, and disability insurance, in all states and the District of Columbia, Puerto Rico and some provinces of Canada.

### **COMPANY OPERATIONS**

The Company's statutory home office, as well as the primary location of all books, records, and policyholder relation representatives is located in Springfield, Massachusetts. The Company's 2003 and 2004 reported direct premiums written and direct incurred losses paid during the examination period are as follows:

<b>Life</b>	<b>Ohio</b>		<b>National</b>	
	<b>Direct Written Premiums</b>	<b>Incurred Losses</b>	<b>Direct Written Premium</b>	<b>Incurred Losses</b>
<b>2003</b>	\$12,801,470	\$4,202,539	\$537,961,501	\$141,327,104
<b>2004</b>	\$12,066,804	\$10,900,521	\$477,787,565	\$169,586,554

As of December 31, 2004, the officers of the Company were:

President:	Robert John O'Connell
Treasurer:	Edward Morris Kline
Secretary:	Patricia Ann Futter Lomeli
Actuary:	Isadore Jermyn
Executive Vice President and Chief Financial Officer:	Howard Earl Gunton
Executive Vice President:	Stuart Harry Reese
Executive Vice President:	James Ernest Miller
Executive Vice President:	Matthew Evan Winter

### CERTIFICATE OF AUTHORITY

The Company operates under a Certificate of Authority issued in accordance with R.C. 3929.01, which permits it to transact appropriate business as defined by R.C. 3929.01(A). In the course of the examination, the examiners determined that the Company operations were in compliance with its Certificate of Authority.

### EXTERNAL LIFE REPLACEMENTS

**Standard:** Company rules pertaining to agent requirements in connection with replacements are in compliance with applicable statutes and rules.

**Test:** Did the Company require their agents to comply with the replacement requirements for life insurance according to Ohio Adm.Code 3901-6-05?

**Methodology:**

- The examiners reviewed all written policies and procedures that instructed the agents on the Company's replacement procedures and requirements.
- The Company supplied its replacement register for business replaced in Ohio.
- A sample of 50 policies from the population of 147 external universal life replacement policies from the replacement register was reviewed.
- The examiners considered any file to be an exception if it did not comply with the portion of the agent requirement section of the replacement law tested.

### Findings: External Life Replacements

**Test 1:** Did the agent submit a statement signed by the applicant as to whether a replacement was involved? Ohio Adm.Code 3901-6-05(E)(1)(a).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	147	50	50	0	90%	100%

**Test 2:** Did the agent submit a statement signed by the agent as to whether he/she knew a replacement was involved? Ohio Adm.Code 3901-6-05(E)(1)(b).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	147	50	50	0	90%	100%

**Test 3:** Did the agent present to the applicant a “Notice Regarding Replacement” at the time of the application? Ohio Adm.Code 3901-6-05(E)(2)(a).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	147	50	47	3	90%	94%

**Test 4:** Did the agent submit a copy of the “Notice Regarding Replacement” to the replacing Company? Ohio Adm.Code 3901-6-05(E)(2)(d).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	147	50	47	3	90%	94%

**Test 5:** Was the “Notice Regarding Replacement” signed by both the applicant and the agent? Ohio Adm.Code 3901-6-05(E)(2)(a).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	147	50	47	3	90%	94%

**Test 6:** Did the agent submit a completed application to the replacing Company? Ohio Adm.Code 3901-6-05(F)(2) and (G)(1).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	147	50	50	0	90%	100%

**Test 7:** Did the agent obtain a list of all existing life insurance to be replaced and was the list properly identified by name of insurer, the insured and contract number, or alternative identification, such as an application or receipt number? Ohio Adm.Code 3901-6-05(E)(2)(b).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	147	50	50	0	90%	100%

### Findings: External Replacement Company Requirements

**Standard:** Company rules pertaining to Company requirements in connection with replacements are in compliance with applicable statutes and rules.

**Test:** Did the Company comply with the replacement requirements for life insurance according to Ohio Adm.Code 3901-6-05?

- The examiners considered a file to be an exception if it did not comply with the portion of the Company requirement section of the replacement law tested.

**Test 1:** Did the Company require a statement signed by the applicant as to whether the proposed insurance would replace existing life insurance? Ohio Adm.Code 3901-6-05(F)(2).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	147	50	50	0	90%	100%

**Test 2:** Did the Company require a statement signed by the agent as to whether the agent knew a replacement was involved or could be involved? Ohio Adm.Code 3901-6-05(G)(1).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	147	50	50	0	90%	100%

**Test 3:** Did the Company require from the agent, with the application, a list of all of the applicant's existing life insurance to be replaced and was that list properly identified by the name of the insurer, insured and contract number, or alternative identification, such as an application or receipt number? Ohio Adm.Code 3901-6-05(G)(2)(a).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	147	50	50	0	90%	100%

**Test 4:** Did the Company require from the agent, with the application, a signed copy of the "Notice Regarding Replacement"? Ohio Adm.Code 3901-6-05(G)(2)(a)(ii).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	147	50	47	3	90%	94%

**Test 5:** Did the Company maintain evidence in the file of the "Notice Regarding Replacement", the policy summary, and contract summary or any ledger statement used? Ohio Adm.Code 3901-6-05(G)(3).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	147	50	47	3	90%	94%

**Test 6:** Did the Company provide notification in or with the policy about the 20-day free look period.

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	147	50	50	0	90%	100%

**Test 7:** Did the Company send a written communication to the existing insurer advising of the replacement within three working days of receipt of the application? Ohio Adm.Code 3901-6-05(G)(2)(b).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	147	50	45	5	90%	90%

**Test 8:** Did the Company include in the written communication a policy summary, contract summary, or ledger statement to each existing insurer? Ohio Adm.Code 3901-6-05(G)(2)(b).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	147	50	50	0	90%	100%

### INTERNAL LIFE REPLACEMENTS

**Standard:** Company rules pertaining to agent requirements in connection with replacements are in compliance with applicable statutes and rules.

**Test:** Did the Company require their agents to comply with the replacement requirements for life insurance according to Ohio Adm.Code 3901-6-05?

**Methodology:**

- The examiners reviewed all written policies and procedures that instructed the agents on the Company's replacement procedures and requirements.
- The Company supplied its replacement register for business replaced in Ohio.
- A file was produced for review containing internal replacement policies by policy type.
- The entire population of 30 life replacement policies was reviewed.
- The examiners considered a file to be an exception if it did not comply with the portion of the agent requirement section of the replacement law tested.

### Findings: Internal Replacement Agent Requirements

**Test 1:** Did the agent submit a statement signed by the applicant as to whether a replacement was involved? Ohio Adm.Code 3901-6-05(E)(1)(a).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	30	30	30	0	90%	100%

**Test 2:** Did the agent submit a statement signed by the agent as to whether he/she knew a replacement was involved? Ohio Adm.Code 3901-6-05(E)(1)(b).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	30	30	30	0	90%	100%

**Test 3:** Did the agent present to the applicant a “Notice Regarding Replacement” at the time of the application? Ohio Adm.Code 3901-6-05(E)(2)(a).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	30	30	26	4	90%	87%

**Examiners’ Recommendation:** The Company needs to enforce, through training and auditing, its procedures for acquiring a signed copy of the “Notice Regarding Replacement” at the time of application.

**Test 4:** Did the agent submit a copy of the “Notice Regarding Replacement” to the replacing Company? Ohio Adm.Code 3901-6-05(E)(2)(d).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	30	30	29	1	90%	97%

**Test 5:** Was the “Notice Regarding Replacement” signed by both the applicant and the agent? Ohio Adm.Code 3901-6-05(E)(2)(a).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	30	30	29	1	90%	97%

**Test 6:** Did the agent submit a completed application? Ohio Adm.Code 3901-6-05(F)(2) and (G)(1).

Policy Type:	Population	Sample	Yes	No	Standard	Findings
Universal Life	30	30	30	0	90%	100%

**Test 7:** Did the agent obtain a list of all existing life insurance to be replaced and was the list properly identified by name of insurer, the insured and contract number, or alternative identification, such as an application or receipt number? Ohio Adm.Code 3901-6-05(E)(2)(b).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	30	30	29	1	90%	97%

**Findings: Internal Replacement Company Requirements**

**Standard:** Company rules pertaining to Company requirements in connection with replacements are in compliance with applicable statutes and rules.

**Test:** Did the Company comply with the replacement requirements for life insurance according to Ohio Adm.Code 3901-6-05?

- The examiners considered a file to be an exception if it did not comply with the portion of the Company requirement section of the replacement law tested.

**Test 1:** Did the Company require a statement signed by the applicant as to whether the proposed insurance would replace existing life insurance? Ohio Adm.Code 3901-6-05(F)(2).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	30	30	29	1	90%	97%

**Test 2:** Did the Company require a statement signed by the agent as to whether the agent knew a replacement was involved or could be involved? Ohio Adm.Code 3901-6-05(G)(1).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	30	30	30	0	90%	100%

**Test 3:** Did the Company require from the agent, with the application, a list of all of the applicant's existing life insurance to be replaced and was that list properly identified by the name of the insurer, insured and contract number, or alternative identification, such as an application or receipt number? Ohio Adm.Code 3901-6-05(G)(2)(a).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	30	30	29	1	90%	97%

**Test 4:** Did the Company require from the agent, with the application, a signed copy of the "Notice Regarding Replacement"? Ohio Adm.Code 3901-6-05(G)(2)(a)(ii).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	30	30	26	4	90%	87%

**Examiners' Recommendation:** The Company needs to enforce, through training and auditing its procedures of acquiring a signed copy of the "Notice Regarding Replacement" at the time of application.

**Test 5:** Did the Company maintain evidence in the file of the “Notice Regarding Replacement,” the policy summary, and contract summary or any ledger statement used? Ohio Adm.Code 3901-6-05(G)(3).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	30	30	29	1	90%	97%

**Test 6:** Did the Company provide notification in or with the policy about the 20-day free look period and premium refund? Ohio Adm.Code 3901-6-05(G)(4).

Policy Type	Population	Sample	Yes	No	Standard	Findings
Universal Life	30	30	30	0	90%	100%

### UNREPORTED INDIVIDUAL LIFE REPLACEMENTS

**Standard:** Company rules pertaining to requirements in connection with replacements are in compliance with applicable statutes and rules.

**Test:** Did the Company’s practices of handling new business applications properly identify policies that were replacing other existing policies according to Ohio Adm.Code 3901-6-05(G)(3)?

**Methodology:**

- The examiners reviewed all of the Company’s written policies and procedures that offered instruction on the handling of new business applications.
- The Company supplied a report of all internal and external replacement files between January 1, 2003, and December 31, 2004.
- The Company supplied its replacement register for business replaced in Ohio during the examination period.
- The list of new business policies marked as a replacement by the Company was compared to the Company’s replacement register.
- The examiners considered a file to be an exception if an existing insurance policy was replaced with a C.M. Life Insurance Company policy and was not listed on the Company’s replacement register.

**Findings:** Review of the data found no unreported replacements. All new business records that were marked as replacement files in the new business listing were included in the Company’s replacement register listing.

### ADDITIONAL EXAMINATION FINDINGS

**Findings:** The Company allows an agent to request that an alternate policy be provided for the applicant to review along with the policy requested on the application. Only one of the policies provides temporary insurance under the Temporary Life Insurance Receipt. The applicant selects

one of the policies and returns the other policy to the Company as “not taken.” The Company’s procedures require that the Company being replaced be advised of all policy options being offered.

**Examiners’ Comments:** As a result of the practice of providing alternate policies for review and recording one of the policies as “not taken”, data on “not taken” policies reported by the Company may reflect a rate that would not be comparable to such data reported by other companies. The Company should be aware that this higher level of activity may reflect negatively on the Company.

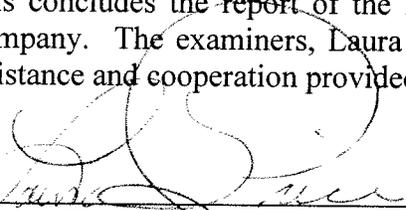
**SUMMARY**

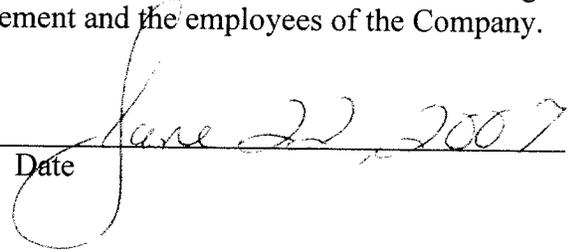
The examination found the Company to be out of compliance in the following areas:

**Areas of Review:**

	<u>Compliance</u>	
	<u>Standard</u>	<u>Rate</u>
<b><u>Internal Universal Life Insurance – Agent Requirements</u></b>		
“Notice Regarding Replacement” presented at time of application.	90%	87%
<b><u>Internal Universal Life Insurance – Company Requirements</u></b>		
“Notice Regarding Replacement” presented at time of application.	90%	87%

This concludes the report of the Market Regulation Examination of the C.M. Life Insurance Company. The examiners, Laura L. Price and Robert Stroup, would like to acknowledge the assistance and cooperation provided by the management and the employees of the Company.

  
 \_\_\_\_\_  
 Laura L Price, CES  
 Insurance Compliance Examiner

  
 \_\_\_\_\_  
 Date June 22, 2007

## COMPANY RESPONSE



*Office of the General Counsel*

March 13, 2007

**Via Electronic and Overnight Mail**

Daniel J. Atkisson, CPCU, CIDM, CIE  
Ohio Department of Insurance  
2100 Stella Court  
Columbus, OH 43215

Re: Ohio Examination of C.M. Life Insurance Company (NAIC #93432) ("CM Life")  
Draft Report on Examination dated March 13, 2007 (the "Report")

Dear Mr. Atkisson:

This letter responds to your email of March 13, 2007, wherein you provided CM Life with a revised Summary of Findings and an amended Report. The Report, as amended, was issued following a desk audit of CM Life's individual life replacement activities for the period January 1, 2003 through December 31, 2004.

CM Life accepts the Report, as amended.

CM Life wishes to acknowledge the professional and courteous manner in which the examiners conducted the examination.

Please do not hesitate to contact me if you have any questions or need anything further.

Sincerely,

A handwritten signature in black ink, appearing to read 'Antonio Scibelli', written over a horizontal line.

Antonio Scibelli  
Counsel



RECEIVED

JUN 14 2007

OHIO DEPARTMENT OF INSURANCE  
LEGAL SERVICES DIVISION

June 13, 2007

Ms. Barbara J. Farrington  
Staff Attorney  
Office of Legal Services  
Ohio Department of Insurance  
2100 Stella Court  
Columbus, Ohio 43215-1067

RE: Ohio Market Conduct Examination of C.M. Life Insurance Company

Dear Ms. Farrington;

Enclosed please find a copy of the signed Consent Order. Please forward copies of the signed order, final report and the invoice for the assessment to Tony Scibelli at the following address:

Tony Scibelli  
Counsel  
Massachusetts Mutual Life Insurance Company  
1295 State Street – B050  
Springfield MA 01111-0001

Please let me know if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Breeda A. Beattie', written in a cursive style.

Breeda A. Beattie  
Compliance Consultant  
Corporate Compliance - Law  
Massachusetts Mutual Life Insurance Company  
Phone (413) 744-8606  
e-mail: [Bbeattie@massmutual.com](mailto:Bbeattie@massmutual.com)

CC: T. Scibelli

STATE OF OHIO  
THE OHIO DEPARTMENT OF INSURANCE

IN THE MATTER OF )  
C.M. LIFE INSURANCE COMPANY ) CONSENT ORDER  
MARKET REGULATION DESK AUDIT )

The Superintendent of the Ohio Department of Insurance (Department) is responsible for administering Ohio insurance laws pursuant to Ohio Revised Code, section 3901.011. C.M. Life Insurance Company (Company) is authorized to engage in the business of insurance in the State of Ohio and as such is under the jurisdiction of the Superintendent and the Department. The Department conducted a desk audit of the Company's replacement activities for individual life insurance from the period of January 1, 2003 through December 31, 2004, "A Market Conduct Examination of C.M. Life Insurance Company, NAIC 93432 as of December 31, 2004," which is incorporated by reference herein.

SECTION I

As a result of the market conduct examination, the Superintendent alleges that the Company failed to comply with the requirements of sections 3901-6-05(E)(2)(a), 3901-6-05(G)(2)(b), and 3901-6-05(G)(2)(a)(ii) of the Ohio Admin. Code, which failure is an unfair and deceptive trade practice pursuant to sections 3901.19 through 3901.23 of the Revised Code.

SECTION II

It is hereby agreed by the parties that:

- (A) The Superintendent and Company enter into this Consent Order to fully and completely resolve the allegations as set forth in Section I of this Consent Order.
- (B) Company has been advised that it has a right to a hearing before the Superintendent pursuant to Chapter 119 of the Revised Code on the allegations set forth in Section I; that, at hearing, Company would be entitled to appear representing itself or represented by an attorney or other representative who is permitted to practice before the agency; and that, at a hearing, it would be entitled to present its position, arguments or contentions in writing and to present evidence and examine witnesses appearing for and against it. Company hereby waives all such rights.
- (C) Company consents to the jurisdiction of the Superintendent and the Department to determine the issues set forth herein. Company expressly waives any prerequisites to jurisdiction that may exist.

(D) Company shall review and modify its internal guidelines and procedures in order to assure both its compliance and its agents' compliance with Ohio's Replacement Rule as set forth in section 3901-6-05 of the Ohio Admin. Code, as amended, for all life insurance products it markets and sells in the State of Ohio.

(E) Company shall pay an administrative fine in the amount of Four Thousand Dollars (\$4,000), by check or money order, within thirty (30) days of receipt of an invoice from the Department. Its remittance shall be made payable to: "Ohio Department of Insurance."

(F) Company waives any and all causes of action, claims, rights, whether known or unknown, which it may have against the Superintendent, the Department, and any employees, agents, consultants or officials of the Department, in their individual or official capacities, as a result of any acts of omissions on the part of such persons or firms arising out of the matter set forth in Section I of this Consent Order.

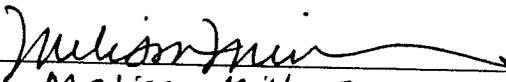
(G) Company has read and understands this Consent Order. Company fully understands that it has a right to seek counsel of its choice and to have counsel review this Consent Order.

(H) This Consent Order has the full force and effect of an Order of the Superintendent. Failure to abide by the terms of this Consent Order shall constitute an actionable violation in and of itself without further proof and may subject Company to any and all remedies available to the Superintendent.

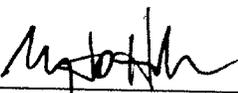
(I) This Consent Order shall be entered in the Journal of the Ohio Department of Insurance. All parties understand and acknowledge that this Consent Order is a public document pursuant to section 149.43 of the Revised Code.

DATE 12 June 07

C.M. LIFE INSURANCE COMPANY

By:   
Melissa Millan  
Title: SR. Vice President

DATE 18 June 2007

  
MARY JO HUDSON  
DIRECTOR, SUPERINTENDENT OF  
INSURANCE  
THE OHIO DEPARTMENT OF INSURANCE