



**COMMONWEALTH OF PENNSYLVANIA  
INSURANCE DEPARTMENT**

MARKET CONDUCT  
EXAMINATION REPORT

OF

**SAGICOR LIFE  
INSURANCE COMPANY**  
AUSTIN, TX

As of: June 17, 2024  
Issued: August 7, 2024

**BUREAU OF MARKET ACTIONS  
LIFE AND ANNUITY DIVISION**



PENNSYLVANIA INSURANCE DEPARTMENT
EXAMINATION VERIFICATION

I, Donna Shafer, Market Conduct Examiner II from
(Name of Examiner) (Title of Examiner)

PA Department of Insurance certify that I was the Examiner-In-Charge of the Report of
(Name of Vendor/Department)

Examination of Sagikor made as of 06/17/2024.
(Name of Examined Company) (Date)

The last date of examination file review was 05/22/2024 and the written Report
(Date)

of Examination was reviewed and accepted by Paul Towsen
(Chief of Market Conduct Examiner)

on 6/17/2024.
(Date)

I have reviewed the completed written Report of Examination and certify that the facts and figures recited therein are true and accurate, according to the records, documents and other evidence obtained during the course of the examination.

Donna J. Shafer
(Examiner-in Charge)

Pennsylvania Insurance Department
(Name of Vendor/Department)

1345 Strawberry Square, Harrisburg, PA 17120
(Address of Vendor/Department)

Donna J Shafer
(Examiner in Charge Signature)

6/17/2024
(Date)

IN ORDER TO SATISFY SECTION 40 P.S. § 323.5(b), THAT PROVIDES FOR NO LONGER THAN SIXTY (60) DAYS FROM THE COMPLETION OF THE EXAMINATION, THE EXAMINER IN CHARGE SHALL FILE WITH THE DEPARTMENT A VERIFIED WRITTEN REPORT OF EXAMINATION UNDER OATH.

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BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

**ORDER**

AND NOW, this \_\_3rd\_\_ day of \_July\_\_, 2023, in accordance with Section 905(c) of the Pennsylvania Insurance Department Act, Act of May 17, 1921, P.L. 789, as amended, P.S. § 323.5, I hereby designate David J. Buono, Jr., Deputy Insurance Commissioner, to consider and review all documents relating to the market conduct examination of any company and person who is the subject of a market conduct examination and to have all powers set forth in said statute including the power to enter an Order based on the review of said documents. This designation of authority shall continue in effect until otherwise terminated by a later Order of the Insurance Commissioner.



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Michael Humphreys  
Insurance Commissioner



1. Respondent hereby admits and acknowledges that it has received proper notice of its rights to a formal administrative hearing pursuant to the Administrative Agency Law, 2 Pa.C.S. §101, et seq., or other applicable law.

2. Respondent hereby waives all rights to a formal administrative hearing in this matter and agrees that this Consent Order shall have the full force and effect of an order duly entered in accordance with the adjudicatory procedures set forth in the Administrative Agency Law, supra, or other applicable law.

#### FINDINGS OF FACT

3. The Insurance Department finds true and correct each of the following Findings of Fact:

- (a) Respondent is Sagicor Life Insurance Company and maintains its address at 8660 East Hartford Dr., Suite 200, Scottsdale, AZ 85255.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the experience period from July 1, 2022, through June 30, 2023.
- (c) On June 17, 2024, the Insurance Department issued a Market Conduct Examination Report to Respondent.

(d) A response to the Examination Report was provided by Respondent on June 28, 2024.

(e) The Market Conduct Examination of Respondent revealed violations of the following:

(i) All findings and conclusions in the Examination Report, which is attached hereto, are hereby incorporated into this Consent Order.

#### CONCLUSIONS OF LAW

4. In accord with the above Findings of Fact and applicable provisions of law, the Insurance Department makes the following Conclusions of Law:

(a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.

(b) Respondent's violations of Sections 40 P.S. §§625-4(a) and 625-6 are punishable under 40 P.S. § 625-10 and Respondent's violations of Section 40 P.S. §627-3(a)(1)(i)(A) are punishable under 40 P.S. § 627-6(a) by the following: Upon determination by hearing that this act has been violated, the commissioner may issue a cease-and-desist order, suspend, revoke or refuse to renew the license, or impose a civil penalty of not more than \$5,000 per violation.



- (c) Respondent's violations of 31 Pa. Code, Chapter 81 are punishable under 31 Pa. Code §§81.8(b) and (c), which states that failure to comply, after a hearing, may subject a company to penalties provided in 40 P.S. §475.

ORDER

5. In accord with the above Findings of Fact and Conclusions of Law, the Insurance Department orders and Respondent consents to the following:

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) Respondent shall pay Forty-Five Thousand Dollars (\$45,000.00) in settlement of all violations contained in the Report.
- (c) Payment of this matter shall be made at <https://www.bpp.ob.pa.gov/Customer> Instructions on how to do this are provided in the attached cover letter to this order. Payment must be made no later than thirty (30) days after the date of this Order.
- (d) To determine Respondent's compliance with the full and timely implementation of all recommendations in the Examination Report, the Department may inquire with the Respondent about its implementation of the Recommendations no earlier than twelve (12) months from the date of this Order.

- (e) Respondent shall share the Examination Report and this Order with each of its directors and submit affidavits executed by each of its directors, stating under oath that they have received a copy of the Examination Report and this Order. Such affidavits shall be submitted within thirty (30) days of the date of this Order.
- (f) Respondent shall comply with all recommendations contained in the attached Report.

6. In the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, based upon the Findings of Fact and Conclusions of Law contained herein may pursue any and all legal remedies available, including but not limited to the following: The Insurance Department may enforce the provisions of this Order in the Commonwealth Court of Pennsylvania or in any other court of law or equity having jurisdiction; or the Department may enforce the provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

7. Alternatively, in the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, the Department may declare this Order to be null and void and, thereupon, reopen the entire matter for appropriate action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

8. In any such enforcement proceeding, Respondent may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact

and Conclusions of Law contained herein.

9. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.


10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

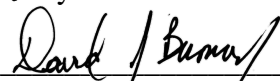
11. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegee is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law contained, herein, and this Consent Order is not effective until executed by the Insurance Commissioner or a duly authorized delegee.

BY: SAGICOR LIFE INSURANCE  
COMPANY  
Respondent



\_\_\_\_\_  
President / Vice President

  
\_\_\_\_\_  
Secretary / Treasurer

  
\_\_\_\_\_  
DAVID J. BUONO  
Deputy Insurance Commissioner  
Commonwealth of Pennsylvania

## ***I. INTRODUCTION***

The Market Conduct Examination of Sagicor Insurance Company, hereinafter referred to as “Company”, was conducted at the Pennsylvania Insurance Department beginning in July of 2023. There was no onsite portion of the exam.

Pennsylvania Market Conduct Examination Reports generally note the items that have been reviewed and whether there is a violation of law or regulation. A violation is any instance of a Company activity that does not comply with an insurance statute or regulation. Violations contained in an Examination Report may result in the imposition of penalties. An Examination Report also includes management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review these areas of concern to determine the potential impact upon Company operations for future compliance. Findings identified in all summaries issued to the Company throughout the Examination process are included in this Examination Report.

Throughout the course of the Examination, Company officials were provided status memoranda or summaries, which reference specific policy numbers with citations to each section of law violated. Additional information was requested to clarify apparent violations. Multiple conference calls, status meetings, and an exit conference were conducted with Company officials to discuss the various types of violations identified during the Examination and to review written summaries provided for the violations that the examiners identified.

The courtesy and cooperation extended by the officers and employees of the Company during the Examination is acknowledged.

The following examiners participated in the Examination and in the preparation of this Examination Report.

Pennsylvania Insurance Department

Paul Towsen, MCM  
Chief Property & Casualty/Life & Annuity Division  
PA Insurance Department

Donna Shafer, MCM  
Market Conduct Examiner II  
Examiner-in-Charge  
PA Insurance Department

David J. Kelly, MCM  
Market Conduct Examiner II  
PA Insurance Department

Susan Zwaschka  
Contract Market Conduct Examiner  
Exam Resources

## ***II. SCOPE OF EXAMINATION***

The Examination was conducted pursuant to the authority granted by Sections 903 and 904 (40 P.S. §§ 323.3 and 323.4) of the Insurance Department Act and covered the examination period of July 1, 2022, through June 30, 2023, unless otherwise noted. The purpose of the Examination was to ensure compliance with Pennsylvania insurance laws and regulations.

The Examination focused on the Company's policies, procedures, and processes in the following areas: Complaints, Policyholder Services, and Underwriting. The line of business examined included Individual Annuity Contracts.

Examiners requested that the Company identify the universe of files for: Consumer Complaints, Pennsylvania Insurance Department Complaints, Individual Annuities New Business Issued, Individual Annuities Terminated, Individual Annuities Surrendered, Individual Annuities Not Taken, Individual Annuities Issued as Replacements. Based on the universe sizes identified, random sampling was utilized to select files to review for analysis.

For control purposes, some of the review segments identified in the Examination Report may be broken down into various sub-categories by line of insurance or Company administration. The specific sub-categories, if not reflected individually in the Examination Report, are included, and grouped within the respective categories of the Examination Report. All reviews conducted throughout the Examination included consideration of Company responses to examiner requests pursuant to 40 P.S. § 323.3 and 323.4. While these statute and regulation sections are included in all reviews completed during the Examination, the Examination Report only notes where examiners found a violation of these sections in a particular sub-category, such as incomplete file documentation or incorrect information provided in response to requests.

### **III. COMPANY HISTORY**

The Company is a Texas domiciled company that began as American Founders Life Insurance Company in 1954. Sagicor purchased American Founders Life Insurance Company in 2005 and the Company was renamed Sagicor in 2006. The Company is wholly owned by Sagicor USA, a Delaware holding company that is a wholly owned subsidiary of Sagicor Financial Company Limited (Bermuda). The Company is Sagicor Financial Company Limited's sole insurer operating in the United States. The Company completed two mergers. The first merger in 2013, Laurel Life Insurance Company, Sagicor's immediate parent company at the time. The second merger in 2013, PEMCO Life Insurance Company, a Washington domiciled company that Sagicor purchased in 2012.

The Company is licensed to sell non-variable life insurance and annuity products in 45 states and the District of Columbia. The Company is not licensed in Alaska, Connecticut, Maine, New York, and Vermont. The Company currently markets through independent producers: a multi-year guarantee annuity (with 5 surrender charge period options), a single premium deferred annuity, and a single premium immediate annuity. The Company also offers whole life, fixed index universal life, and single premium fixed index universal life insurance. The Company also has fixed index annuity and term life products that it suspended marketing as of January 2022. The Company has offices in Scottsdale Arizona (home administrative office) and Tampa Florida.

### **OVERVIEW AND ORGANIZATION OF THE COMPANY**

The Company is licensed in 45 states and the District of Columbia.

## **SECTION A: CONSUMER COMPLAINTS**

Examiners requested documentation relating to Consumer Complaints and Pennsylvania Insurance Department Complaints. Unless noted, all documents identified in the universe provided by the company were requested, received, and reviewed by the examiners. In the event initial documents provided by the Company did not provide enough information, examiners issued information requests and or emails which resulted in additional documents that were included in the review. Documents provided pursuant to examiner requests under this section were reviewed to ensure compliance with applicable standards, including 40 P.S. §§ 323.3, 323.4, and 1171.5, and 31 Pa. Code §146.5.

### **A.1 Complaint Handling Procedures**

The Company was asked to provide all policies and procedures for the intake and processing of complaints. Additionally, the Company was requested to provide all correspondence that is provided to the policyholder outlining how to file a complaint, including contact information and address presented for consumer inquiries as well as information presented to file a complaint with the Pennsylvania Insurance Department. The requested materials were received and reviewed. There were no violations noted.

### **A.2 Complaints Register**

Examiners requested a listing of all Consumer Complaints received during the experience period. The Company identified one Consumer Complaint received during the experience period. The Department selected the one complaint file which was requested, received, and reviewed. The Company also provided complaint logs as requested. There were no violations noted.

**CONCERN:** The complaint logs did not indicate the total number of complaints or the time it took to process the complaints in a designated field. The statute, 40 P.S. §1171.5(a)(11), is specific stating the record shall indicate the total number of complaints in its



own field as well as the time it took to process the complaints in its own field. The Company complaint logs are short and easy to determine this information but by definition of the statute, this information needs to be on the logs. This will be considered a violation in the future.

### **A.3 Complaint Tracking**

The Company was asked to provide all policies and procedures demonstrating that the Company takes adequate steps to finalize and dispose of the complaint in accordance with applicable statutes. The requested materials were received and reviewed. There were no violations noted.

### **A.4 Agent Complaints**

The Company was requested to provide policies and procedures for monitoring complaints regarding agent conduct. The requested materials were received and reviewed. There were no violations noted.

## **SECTION B: UNDERWRITING AND POLICYHOLDER SERVICES**

Examiners requested documentation relating to policyholder services. The documents were reviewed to ensure policyholder service guidelines were in place, being followed in a uniform and consistent manner, and that no policyholder service practices or procedures were in place that could be discriminatory in nature, or specifically prohibited by statute or regulation. Unless noted, all documents identified in the universe by the Company were requested, received, and reviewed by the examiners. In the event the initial documents provided by the Company did not provide enough information, examiners issued information requests and or sent emails, which resulted in additional documents that were included in the review. Documents provided pursuant to examiner requests under this section were reviewed to ensure compliance with applicable standards, including 40 P.S. § § 477, 477b, 323.3, 323.4, 1171.5, and 625-6, and 31 Pa. Code §§ 83.55c, 90c.5, and 90f.4.

### **B.1 Policyholder Business Area**

The Company was asked to provide a comprehensive description of policyholder services department(s), including an organization chart for the business units comprising the policyholder services areas. The requested items were received and reviewed. There were no violations noted.

### **B.2 Reinstatement Procedures**

The Company was asked to provide the policies and procedures for reinstatements. The requested items were received and reviewed. There were no violations noted.

### **B.3 Contact Information**

The Company was asked to provide documents that advise the policyholder how to access customer service, including the contact information that is presented. The requested items were received and reviewed. There were no violations noted.

### **B.4 Annual Report**

The Company was asked to provide policies and procedures for providing policy owners annual reports. The requested items were received and reviewed. There were no violations noted.

### **B.5 Underwriting Guidelines**

The Company was asked to provide processes, procedures, and guidelines for underwriting for each product sold during the examination period. The requested items were received and reviewed. There were no violations noted.

### **B.6 Policy Forms**

The Company was asked to provide a listing of filed policy forms, endorsements, and applications used during the experience period. The listing needed to include the form

number, descriptive name, date approved and date the form was replaced by another form if changed during the experience period. The requested items were received and reviewed. There were no violations noted.

### **B.7 Suitability**

The Company was asked to provide suitability standards, and the processes and procedures utilized to identify suitability. The requested items were received and reviewed. The Company uses monthly income in determining suitability. Violation 40 P.S. §627-3(a)(1)(i)(A) will be noted in section B.15 Individual Annuity Policies Issued as Replacements. The Annuity Suitability Best Interest form (NBANNSUIT BI) collected monthly income and needs to be annual income as defined in 40 P.S. §627-1.

### **B.8 Insurable Interest**

The Company was asked to provide processes and procedures for ensuring insurable interest exists on each policy and identifying circumstances where insurable interest is a concern. The requested items were received and reviewed. There were no violations noted.

### **B.9 Cancellation, Partial surrender, or Loan**

The Company was asked to provide all policies and procedures utilized by the Company for policyholder-initiated cancellations, partial surrenders, and loans, The requested items were received and reviewed. There were no violations noted.

### **B.10 Premium Notices**

The Company was asked to provide documentation demonstrating delivery of premium notices and billing notices to the policyholder with an adequate amount of advance notice. The requested items were received and reviewed. There were no violations noted.

**B.11 Unclaimed Property**

The Company was asked to provide policies and procedures related to unclaimed property. The requested items were received and reviewed. There were no violations noted.

**B.12 Unclaimed Property Register**

The Company was asked to provide the unclaimed property register. The requested items were received and reviewed. There were no violations noted.

**B.13 Death Master Index**

The Company was asked to provide the list of all policies and procedures for reporting unclaimed property to the Death Master Index. The request asked the company to include all processes for reconciliation against the Death Master Index. The requested items were received and reviewed. There were no violations noted.

**B.14 Location of Missing Policyholders or Beneficiaries**

The Company was asked to provide documentation demonstrating reasonable attempts to locate missing policyholders or beneficiaries. The request included Schedule F of the annual statement; Policies scheduled for matured endowments; identification of unpaid payees of returned benefit checks and copies of all unclaimed property reports. The requested items were received and reviewed. There were no violations noted.

**B.15 Annuity New Business**

***Not Issued as a Replacement***

The Company was requested to provide a list of all annuity policies issued as new business during the experience period of July 1, 2022, through June 30, 2023. The Company identified a universe of 344 annuity contracts issued as new business during the

experience period. A random sampling of 38 annuity policies issued as new business not a replacement was requested, received, and reviewed. The annuity policies were reviewed to determine compliance with issuance statutes and regulations. The Following Violations were noted:

**21 Violations - 40 P.S. §323.3(a) Authority, scope, and scheduling of examinations.**

(a) Every company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, in its discretion, may require in order that its authorized representatives may readily verify the financial condition of the company or person and ascertain whether the company or person has complied with the laws of this Commonwealth. 20 of these 21 files noted were for a missing Notice of Protection.

**2 Violations - 40 P.S. §625-4(a) Delivery of Individual Policies and Annuities.**

(a) For purposes of determining the commencement of the period during which the owner of an individual insurance policy or annuity may exercise any statutory right to examine, surrender or return the policy for cancellation, the date of delivery of the policy or annuity shall be:

- (1) the date of mailing of the policy or annuity by the insurer if the delivery is by the United States mail or other postal delivery system;
- (2) the date the policy or annuity is physically delivered to the owner by a representative of the insurer; or
- (3) the date of electronic transmission of the policy or annuity provided the electronic transmission has been affected in accordance with this section and the provisions of section 354.7 and any other state or Federal laws governing the electronic transmission of documents and information. The insurer shall retain evidence of electronic transmittal for the entire period of the insurance policy or annuities.

It was unable to be determined the date of delivery based on the documentation provided for the two (2) files noted.

**2 Violations - 40 P.S. §625-6 Application.**

No alteration of any written application for a life insurance policy or annuity shall be made by any person other than the applicant without the applicant's written consent, except that insertions may be made by the insurer, for administrative purposes only, in such manner as to indicate clearly that such insertions are not to be ascribed to the applicant. It could not be verified that the alterations to the applications were made by the applicant for the two (2) files noted.

**37 Violations - 40 P.S. §627-3(a)(1)(i)(A) Duties of insurers and insurance producers.**

(a) Best interest obligations.--A producer, when making a recommendation of an annuity, shall act in the best interest of the consumer under the circumstances known at the time the recommendation is made, without placing the producer's or the insurer's financial interest ahead of the consumer's interest. A producer has acted in the best interest of the consumer if the producer has satisfied the following obligations regarding care, disclosure, conflict of interest and documentation:

(1) The following care obligations:

(i) The producer, in making a recommendation shall exercise reasonable diligence, care and skill to:

(A) Know the consumer's financial situation, insurance needs and financial objectives.

The 37 files noted did not collect the suitability information as defined in 40 P.S. §627-1. The Company was collecting monthly income data as opposed to annual income specified by the statute.

**CONCERN:** The Examiner notes that in several instances the information found on the application does not match information found on the annuity suitability form.

### **B.15 Annuity New Business**

#### ***Issued as a Replacement***

The Company was requested to provide a list of all annuity policies new business issued as replacements during the experience period of July 1, 2022, through June 30, 2023. The Company identified a universe of 143 annuity contracts issued as replacements during the experience period. A random sampling of 100 annuity contracts new business issued as replacements was requested, received, and reviewed. The annuity contracts were reviewed to determine compliance with issuance, replacement statutes and regulations. The following violations were noted:

#### **35 Violations - 40 P.S. §323.3(a) Authority, scope, and scheduling of examinations.**

(a) Every Company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, at its discretion, may require in order that its authorized representatives may readily ascertain whether the Company or person has complied with the laws of this Commonwealth. The 35 files noted were missing a Notice of Protection.

#### **2 Violations - 40 P.S. §625-4(a) Delivery of Individual Policies and Annuities.**

(a) When the individual policy or annuity is delivered to the policyholder by the producer by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set and state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery receipt, and such date shall commence any applicable policy or annuity examination period. Copies of

the delivery receipt must be provided to the policyholder on the date of policy or annuity delivery and to the issuing insurer. When the individual policy or annuity is delivered by a means other than by hand delivery by the producer, the insurer shall establish appropriate means of verifying delivery by the producer of the policy or annuity and of establishing the date from which any applicable policy or examination period shall commence. It was unable to be determined the date of delivery based on the documentation provided for the two (2) files noted.

**Concern:** In four (4) files reviewed, the link provided for the applicant and producer are not links the examiner can follow. The Department cannot verify the documents required were properly attached within said links. The department cannot very the commencement date of the free look through the links.

**1 Violation - 31 Pa. Code §81.4(b)(1) – Duties of agents and brokers.**

If replacement is involved, the agent or broker shall: present to the applicant, not later than at the time of taking the application, a Notice Regarding Replacement of Life Insurance and Annuities. There was no documentation provided to prove the Notice of Replacement was signed the same day as the application for the file noted.

**4 Violations - 31 Pa. Code §81.6(a)(2)(ii) – Duties of agents and brokers.**

Send to each existing insurer a written communication advising of the replacement or proposed replacement and the identification information obtained under subparagraph (i) and in the case of life insurance, the disclosure statement as required by § 83.3 (relating to disclosure statement) or a ledger statement containing comparable policy data on the proposed life insurance. A surrender comparison index need not be included. In the case of an annuity, a ledger statement containing comparable data shall be provided. This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner. Written communication regarding replacement or proposed replacement was not mailed out within 5 working days for the 4 files noted.



**98 Violations - 40 P.S. §627-3(a)(1)(i)(A) Best interest obligations.**

(a) Best interest obligations.-A producer, when making a recommendation of an annuity, shall act in the best interest of the consumer under the circumstances known at the time the recommendation is made, without placing the producer's or the insurer's financial interest ahead of the consumer's interest. A producer has acted in the best interest of the consumer if the producer has satisfied the following obligations regarding care, disclosure, conflict of interest and documentation:

(1) The following care obligations:

(i) The producer, in making a recommendation shall exercise reasonable diligence, care and skill to:

(A) Know the consumer's financial situation, insurance needs and financial objectives.

The 98 files noted did not collect the suitability information as defined in 40 P.S. §627-1. The Company was collecting monthly income data as opposed to annual income specified by the statute.

**CONCERN:** The Department reviewed 100 samples of Annuities Issued as Replacements. 47 files contained signed illustrations while 53 contained unsigned illustrations. As the illustration was contained in the file, it was not readily determinable whether the unsigned illustrations were provided to the consumer. The Department requests that when an illustration that was not used in the sale is included in the file, a clear statement indicating that the illustration was not used in the sale also be included in the file in the future.

**B.16 Annuity New Business Not taken**

As part of the targeted examination, the Company was requested to provide a list of all annuities not taken during the experience period. The Company presented a spreadsheet containing a listing of eight (8) individual annuities not taken during the examination period. All eight (8) individual annuities not taken was requested, received, and reviewed.

The files were reviewed to determine compliance with Pennsylvania Statutes and Regulations regarding annuities not taken. There were no violations noted in this section.

**B.17 Annuity New Business Terminated/Surrendered**

The Company was requested to provide a list of all annuity contracts terminated during the experience period. The Company provided a response to this section stating Annuity Contracts terminated reflects surrendered contracts only. The Company identified a universe of 71 annuity contracts surrendered. A random sample of 50 files was requested. The files were reviewed to ensure compliance with contract provisions, termination laws and regulations, and proper return of any policy earnings. The following violations were noted:

**1 Violation - 40 P.S. §323.3(a) Authority, scope, and scheduling of examinations.**

(a) Every company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, in its discretion, may require in order that its authorized representatives may readily verify the financial condition of the company or person and ascertain whether the company or person has complied with the laws of this Commonwealth. The file noted was incomplete.

#### **IV. Data Integrity for all sections of this exam**

As part of the examination, the Company was sent a preliminary examination packet in accordance with NAIC uniformity standards and provided specific information relative to the exam. The purpose of the packet was to provide certain basic examination information, identify preliminary requirements and to provide specific requirements for requested data call information. Once the Company provided all requested information and data contained within the data call, the Department reviewed and validated the data to ensure its accuracy and completeness to determine compliance with Insurance Department Act, Section 904(b) [40 P.S. §323.3].

Several data integrity issues were found during the exam. The data integrity issue of each area of review is identified below.

26 instances of Data Integrity in Section B.15 Individual Annuity New Business Not a Replacement.

8 instances of Data Integrity in Section B.15 Individual Annuities Issued as Replacements.

3 instances of Data Integrity in Section B.16 Individual Annuities Not Taken.

- **40 P.S. §323.3(a)**

One General Violation was issued for Data Integrity.

**General Violation:** Failure to exercise sufficient due diligence to ensure compliance with Insurance Department Act. The Company should address the data integrity findings noted above and implement new procedures to ensure accuracy in the data that is provided to the Department.

## V. Recommendations

The recommendations made below identify corrective measures the Department finds necessary due to the number, nature or severity of violations noted in this Examination Report.

1. The Company must review its internal control procedures to ensure compliance with the replacement requirements of 31 Pa. Code, Chapter 81.
2. The Company must ensure it obtains the applicant's written consent to alter a written application for a life insurance policy as required by 40 P.S. § 625-6, so the violations, as noted in the exam report, do not occur in the future.
3. The Company must ensure to maintain comprehensive file documentation as required by 40 P.S. § 323.3(a), so the violations, as noted in the exam report, do not occur in the future.
4. The Company must ensure it makes all reasonable efforts to obtain the consumer's annual income when it collects suitability information as required by 40 P.S. §627- 3(a)(1)(i)(A).
5. The Company must implement procedures to ensure compliance with the policy delivery receipt requirements of 40 P.S. §625.4(a).

**VI. COMPANY RESPONSE**

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June 28, 2024

**VIA EMAIL**

Paul Towsen, MCM  
Chief, Property & Casualty/Life & Annuity Division  
Bureau of Market Actions  
Pennsylvania Insurance Department  
1321 Strawberry Square  
Harrisburg, PA 17120

Re: Sagicor Life Insurance Company (NAIC #60445)  
Response to Final Exam Report

Dear Mr. Towsen:

On behalf of Sagicor Life Insurance Company ("Sagicor")<sup>1</sup>, we respectfully submit this response to the Final Exam Report, dated June 17, 2024, for the market conduct examination conducted by the Pennsylvania Insurance Department (the "Department") for the period of July 1, 2022 through June 30, 2023 (the "Report").

Sagicor respects and appreciates the important role that market conduct examinations, and the examiners who conduct them, play in protecting consumers in Pennsylvania (and elsewhere). Sagicor appreciates the efforts of the Department and its examiners in the conduct of this market conduct examination, as well as the Department's willingness to work cooperatively with Sagicor to resolve as many questions and concerns as possible during the examination. Sagicor takes its compliance obligations in all states very seriously and is committed to continuously reviewing its processes and systems to ensure ongoing compliance, as well as to providing the Department (and regulators in other states) with the information and resources necessary to fulfil their regulatory duties in ensuring such compliance.

During the examination, Sagicor identified certain findings with which it disagreed and provided documentation and other evidence to support its position. While Sagicor specifically addresses certain findings and concerns below, the fact that any particular finding previously disputed by Sagicor is not specifically addressed herein should not be deemed an admission nor a waiver of Sagicor's right to contest such a finding. Sagicor respectfully refers to and incorporates its previous correspondence with the Department as though it is set forth fully herein.

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<sup>1</sup> We note that the Report references "Sagicor Insurance Company" and "Sagicor". We understand that all such references are to Sagicor Life Insurance Company.

Sagicor reserves any and all rights to contest the Department's findings or inferences drawn from statements in the Report, if necessary.

## **Violations Noted in the Report**

### **Violations Related to Suitability**

Section B.7 of the Report (Page 8) notes that Sagicor "uses monthly income in determining suitability" and that its suitability forms "collected monthly income[.]" The Report states that pursuant to 40 P.S. § 627-1, as incorporated within 40 P.S. § 627-3(a)(1)(i)(A), Sagicor should have been collecting annual income, and not monthly income. Section B.15 (Not Issued as a Replacement) (Page 11) notes 37 such violations, and Section B.15 (Issued as a Replacement) (Page 14) notes an additional 98 such violations.

Sagicor acknowledges that its suitability forms ask consumers to disclose monthly income and expenses (and do not specifically request disclosure of annual income and expenses). Sagicor's experience is that consumers are often more comfortable disclosing (and able to disclose) this information than annual income. Sagicor believes that its process of collecting monthly income and expenses data (allowing it to conduct a more granular analysis of consumer's month-to-month disposable income) and extrapolating annual income by a process of simple multiplication ensures that "there is a reasonable basis to believe the annuity would effectively address the particular consumer's financial situation, insurance needs and financial objectives," thus satisfying the underlying purpose of Pennsylvania's suitability review requirements as set forth in 40 P.S. § 627-3(c)(1). Sagicor therefore does not believe that its practice of collecting monthly income and expenses (as opposed to annual income) should be considered a violation of 40 P.S. § 627-3(a)(1)(i)(A).

That said, Sagicor is in the process of revising its suitability forms to specifically ask for disclosure of annual income information from consumers going forward, so as to remove any question about compliance with applicable laws. Moreover, while Sagicor does not believe that its practice should be considered a violation of 40 P.S. § 627-3(a)(1)(i)(A), it notes that the 135 cited violations did not result from as many instances of mistaken conduct by producers, but rather from the use of a single common form developed by Sagicor with the belief that the information being collected both complied with and served the purposes of relevant suitability laws. As such, any violation is more appropriately characterized as a single violation, rather than 135 discrete violations.

### **Violations Related to Missing Notices of Protection**

Section B.15 (Not Issued as a Replacement) and Section B.15 (Issued as a Replacement) of the Report (Pages 10 and 12) note a combined 55 violations of 40 P.S. § 323.3(a), based on the finding that relevant annuity files did not contain a copy of the Notice of Protection required to be sent to the annuity owner.

Sagicor acknowledges that the files identified by the Department did not contain copies of the required Notice of Protection, but notes that when it learned of the missing Notices of Protection, Sagicor immediately undertook a project to send (and add to the relevant files) new Notices of Protection not only to those individuals whose files were identified by the Department, but to other policyholders whose files Sagicor reviewed that also did not contain the original Notice

of Protection. Sagicor has also put processes in place to ensure that copies of the Required Notices of Protection are added to the relevant files when the notices are sent to annuity owners, so that this issue will not recur in the future.

While Sagicor acknowledges that the files identified by the Department were not complete as required by 40 P.S. § 323.3(a) due to these missing Notices of Protection, Sagicor notes that these violations arose from single issue that recurred across a number of annuity files, rather than from discrete, individualized problems that occurred in numerous files. As such, Sagicor suggests that the noncompliance noted by the Department in these sections of the Report are more appropriately characterized as a single violation, rather than 55 discrete violations.

### **Violations Related to Data Integrity**

The Report (Page 16) notes a single General Violation for Data Integrity, based on 37 identified instances of claimed data integrity issues. As a general matter, and as previously communicated to the Department, Sagicor disputes that a number of the instances identified by the Department constitute a data integrity issue. Nonetheless, Sagicor will undertake a review of the manner in which it stores and accesses data (especially in connection with market conduct examinations), to ensure that in the future it is able to provide complete and accurate data and information to the Department (and to other regulators) in the format desired by the Department.

### **Concerns Noted in the Report**

#### **Concern Regarding Complaint Log**

Section A.2 of the Report (Page 5) cites a concern that Sagicor's complaint logs did not indicate the total number of complaints or the time it took to process those complaints. Sagicor notes that the Department acknowledged that the information it sought was readily ascertainable in the complaint log. Nonetheless, Sagicor will revise its complaint log moving forward to add separate fields containing the identified information.

#### **Concern Regarding Inconsistent Information in Application and Suitability Forms**

The Report (Page 12) cites a concern that "in several instances the information found on the application does not match information found on the annuity suitability form." Sagicor does not believe that this issue resulted from deficient processes or controls, but rather from human error on a limited number of occasions. Sagicor has initiated a project to enhance its application process to decrease the possibility of inconsistency between documents that may contain some similar information. This will include the identification of inconsistent information for the producer and applicant prior to submission, as well as communication with producers and relevant company personnel regarding the importance of identifying and resolving discrepancies during the annuity application process.

#### **Concern Regarding Inability of Examiner to Access Links in Proof of Delivery**

The Report (Page 13) cites a concern that in four of the files it reviewed, the Department could not access the link contained in the email delivering policy documents to the applicant and producer to verify that the "documents required were properly attached within said links" and thus could not verify "the commencement date of the free look through the links." Sagicor



acknowledges the Department's concern and, in future exams, will work with the examiner to assist in similar situations to ensure that the examiner has access to any and all necessary information and documentation.

### **Concern Regarding Annuity Illustrations**

The Report (Page 14) cites a concern based on the fact that of the 100 annuities issued as replacements that were reviewed, 47 files contained signed illustrations while 53 contained unsigned illustrations. The Department's concern was that it was not readily determinable whether the unsigned illustrations were provided to the consumer.

As explained during the examination process, in situations where a signed illustration was found in the file, that illustration was used during the sale of the annuity. Sagicor's systems ensure that, if an illustration is used during the sale of an annuity, the application cannot be submitted to Sagicor without signatures from the applicant and the producer.

In the 53 files where the illustration contained in the file was not signed, that illustration was not generated by the producer or presented to the applicant in the sale of the annuity. Instead, in those instances, the illustration was generated by Sagicor after receipt of the application and provided to the issuer of the policies that were intended to be replaced by the Sagicor annuity. The purpose of generating this illustration was to provide the same to the original carrier in order to satisfy Sagicor's regulatory obligations when issuing a replacement annuity. See, e.g., 31 Pa. Code § 81.6(a)(2)(ii). Sagicor also notes that all 53 unsigned illustrations were contained in a file entitled "Replacement Letter."

While Sagicor believes the noted illustrations were used and filed appropriately, Sagicor acknowledges the Department's concern and is currently undergoing a project to ensure that illustrations that are not used in connection with the sale of an annuity are clearly marked as such on the face of the illustration before being included in the relevant file.

### **Recommendations**

Sagicor has reviewed the recommendations contained in the Report. Sagicor will review its internal processes and procedures and will take steps (if not already in process or completed) to ensure compliance with the Department's recommendations going forward. This will include revising or modifying its systems or processes and training its producers and employees, as necessary and applicable.

\* \* \* \*

Paul Towsen

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June 28, 2024

Sagikor is committed to ensuring compliance with relevant Pennsylvania laws and regulations and appreciates the efforts and cooperation of the Department and its examiners in the conduct of this market conduct examination.

Sincerely,

A handwritten signature in black ink that reads "Caryn M. Glawe". The signature is written in a cursive, flowing style.

Caryn M. Glawe

cc: Joseph Emanuel (via email)  
Calvin Kwan (via email)