# Market Conduct Report

Voya Retirement Insurance & Annuity Company
Reliastar Life Insurance Company
Reliastar Life Insurance Company of New York
Security Life of Denver Insurance Company

June 1, 2016

Connecticut Insurance Department

Voya Retirement Insurance & Annuity Company
Reliastar Life Insurance Company
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Voya Retirement Insurance & Annuity Company
Reliastar Life Insurance Company
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Security Life of Denver Insurance Company

## I. INTRODUCTION

Examination of Voya Retirement Insurance & Annuity Company, Reliastar Life Insurance Company, Reliastar Life Insurance Company of New York and Security Life of Denver Insurance Company, hereinafter referred to as the "Companies", were conducted by Market Conduct examiners of the State of Connecticut Insurance Department at the Companies' offices in Windsor, Connecticut.

## II. SCOPE OF EXAMINATION

From August 31, 2015 through December 18, 2015, the Market Conduct Division of the Connecticut Insurance Department examined the market conduct practices of the Companies using a sample period of January 1, 2012 through December 31, 2014. The examination was limited to Connecticut business.

The purpose of the examination was to evaluate the Companies' market conduct practices and treatment of policyholders in the State of Connecticut. The examinations focused on the solicitation of new business, marketing and sales, agent licensing and appointments, underwriting and rating, policyholder service, complaint handling, claim processing and company operations.

The market conduct examination was conducted pursuant to Connecticut Insurance Department policies and procedures and the standards proposed in the NAIC Market Regulation Handbook.

## III. COMPANY PROFILE

The market conduct examinations included the review of Voya Retirement Insurance & Annuity Company, Reliastar Life Insurance Company, Reliastar Life Insurance Company of New York and Security Life of Denver Insurance Company. Each Company is organized as a stock company. Voya Retirement Insurance & Annuity Company was incorporated in 1965 and its principal place of business is in Windsor, Connecticut; Reliastar Life Insurance Company was incorporated in 1885 and its principal place of business is in Minneapolis, Minnesota; Reliastar Life Insurance Company of New York was incorporated in 1917 and its principal place of business is in New York, New York; Security Life of Denver was incorporated in 1949 and its principal place of business is in Denver, Colorado. Each Company is licensed to write business in Connecticut.

Voya Retirement Insurance & Annuity Company
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Direct premiums written as of December 31, 2014 were as follows:

Voya Retirement Insurance & Annuity Company

| | Connecticut | Total (All States) |
|---|---|---|
| Life | 3,890,884 | 0 |
| Annuity Considerations | 276,890,328 | 9,061,006,143 |
| Accident & Health | 1,109 | 0 |

Reliastar Life Insurance Company

| | Connecticut | Total (All States) |
|---|---|---|
| Life | 37,389,900 | 352,019,524 |
| Annuity Considerations | 841,238 | 543,497,545 |
| Accident & Health | 13,135,151 | 51,661,044 |

Reliastar Life Insurance Company of New York

| | Connecticut | Total (All States) |
|---|---|---|
| Life | 7,413,132 | 97,526,082 |
| Annuity Considerations | 0 | 6,594,299 |
| Accident & Health | 605,238 | 39,436,632 |

Security Life of Denver Insurance Company

| | Connecticut | Total (All States) |
|---|---|---|
| Life | 12,424,458 | 985,198,868 |
| Annuity Considerations | 0 | 4,482,623 |
| Accident & Health | 0 | 193,362,392 |

Voya Retirement Insurance & Annuity Company, Reliastar Life Insurance Company, Reliastar Life Insurance Company of New York and Security Life of Denver Insurance Company are authorized to write life, annuity, variable annuity and accident and health insurance in Connecticut.

## IV. AGENCY ORGANIZATION

The Companies operate in Connecticut through independent agents.

The Companies maintain an ongoing training program for their agents. The Companies supply new producers with product portfolios which provide detailed descriptions of products and coverage. Changes in coverage mandated by statutes or Companies' policies are communicated through written notices as they occur. In addition, the Companies host periodic training seminars for agents.

## V. RECORDS SELECTED FOR REVIEW

The Companies supplied a listing of all new business produced and claims processed during the period under review. A sample of three hundred eighty-eight (388) new businesses, cancellation and declined contracts and five hundred eleven (511) claims were selected from the lists for review. The samples included life, annuity, variable annuity and accident and health contracts.

In addition, the producer and the application date for each policy in the samples were noted in order to identify any producers who were not properly licensed and appointed as required by Connecticut statutes. The licensing and appointment review is described in more detail in Section VI.

## VI. PRODUCER LICENSING AND APPOINTMENT

The lists of the new business written during the sample period, identifying the producer for each policy, were compared to the Department's licensing records to determine whether each producer was properly licensed in the State of Connecticut and whether each individual was appointed by the Companies, as required by Connecticut General Statutes §§38a-702b, 38a-702l, and 38a-702m.

Evaluation included, but was not limited to, an assessment based on the following specific standards:

**Standard 1: The companies' records of licensed and appointed producers agree with Insurance Department's records.**

**Standard 2: Producers are properly licensed and appointed in the jurisdiction where the application was taken.**

The following information was noted in conjunction with the review of this standard:

- The Companies maintain automated producer databases that interface with new business processing, policy maintenance and producer compensation.
- The Companies perform background checks and other due diligence procedures on individuals prior to contracting with them.
- The Companies' appointment procedures are designed to comply with the Department's requirements, which mandate that an agent must be appointed within 15 days from the date the application is received by the Companies.

**Findings:**

Comparisons were made between the Companies' records of licensed and appointed producers and the Insurance Department's records. A review of Reliastar Life Insurance Companies' records revealed eight (8) individuals acting as agents who were not appointed during the timeframe required by statute.

**Standard 3: Termination of producers complies with applicable standards, rules and regulations regarding notification to the producer and notification to the state, if applicable.**

The Companies have procedures to provide notification of termination to the Department.

**Findings:**

The examiners reviewed the Companies' termination lists and verified that no producers were terminated for cause during the examination period.

**Standard 4: The companies' policies for producer appointments and terminations do not result in unfair discrimination against policyholders.**

**Findings:**

The examiners noted no evidence of unfair discrimination against policyholders as a result of producer appointments and terminations.

**Standard 5: Records of terminated producers adequately document reasons for terminations.**

The examiners reviewed the Companies' terminated producer files to ensure that records are documented sufficiently.

**Findings:**

The examiners verified the listing of terminated agents and reviewed the reasons for termination for each agent. Based on the examiners' review, the Companies' records adequately document reasons for agent termination.

**In Summary:**

It is recommended that Reliastar Life Insurance Company review their licensing and appointment system to ensure that no new business is accepted from, nor commissions paid to, individuals acting as agents of the Companies when they are not licensed and appointed as required by statute.

## VII. UNDERWRITING AND RATING

New business files were reviewed to determine the use and accuracy of rating methodology, accuracy of issuance, consistent (non-discriminatory) practices and use of proper forms. The Companies' policies, forms and rates were reviewed for proper filing with the Insurance Department and compliance with applicable statutes and regulations.

Evaluation included, but was not limited to, an assessment based on the following specific standards:

**Standard 1: The rates charged for the policy coverages are in accordance with filed rates, if applicable, or the companies' rating plans.**

The following information was noted in conjunction with the review of this standard:

- Rates are systematically computed based on applicant information and rating classification assigned.

- The Companies provided copies of Department approved rates for the new business submissions reviewed during the examination period.

**Findings:**

The Companies appear to be in compliance.

**Standard 2: The companies do not permit illegal rebating, commission cutting or inducements.**

The following information was noted in conjunction with the review of this standard:

- The Companies have procedures to pay agent commissions in accordance with the Companies' approved written contracts.

**Findings:**

The examiners reviewed the Companies' policies and procedures, and verified that controls are in place to monitor and prevent illegal rebating, commission cutting and inducements.

**Standard 3: All forms, including contracts, riders, endorsement forms and certificates, are filed with the Insurance Department, if applicable.**

The following information was noted in conjunction with the review of this standard:

- The Companies have compliance policies and procedures in place to review forms, rates, contract riders and endorsements.
- The Companies have a process to log and document Department approved forms, rates, contract riders and endorsements.

**Findings:**

No exceptions were noted.

**Standard 4: The companies' underwriting practices are not to be unfairly discriminatory. The companies adhere to applicable statutes, rules and regulations and companies' guidelines in selection of risks.**

The following information was noted in conjunction with the review of this standard:

- The Companies' policies and procedures prohibit unfair discrimination.

**Findings:**

The Companies appear to be in compliance.

**Standard 5: File documentation adequately supports decisions made.**

The examiners reviewed the sample files selected for review to ensure that all files requested are available for review and sufficiently documented.

**Findings:**

The Companies appear to be in compliance.

**Standard 6: Policies and endorsements are issued or renewed accurately, timely and completely.**

The examiners reviewed the sample new business and renewal files to ensure that the Companies' underwriting policies and procedures were consistently applied for each sample file reviewed.

**Findings:**

The Companies' practices for the issuance of policies and endorsements appear to be accurate and timely for the sample files reviewed.

**Standard 7: Applications rejected and not issued are not found to be discriminatory.**

The Companies' underwriting policies and procedures prohibit unfair discrimination.

**Findings:**

The examiners reviewed seventy (70) rejected applications and no exceptions were noted.

**Standard 8: Cancellation/non-renewal notices comply with policy provisions and state laws, including the amount of advance notice provided to the insured and other parties to the contract.**

The Companies have procedures in place for the issuance of cancellation and non-renewal notices.

**Findings:**

The examiners reviewed seventy-nine (79) cancellation files and no exceptions were noted.

**Standard 9: Pertinent information on applications that form a part of the policy are complete and accurate.**

**Findings:**

The examiners reviewed the sample new business files and no exceptions were noted.

**Standard 10: Rescission is not made for non-material misrepresentation.**

**Findings:**

The Companies appear to be in compliance.

## VIII. POLICYHOLDER SERVICE

New business files and policy transactions were reviewed for accuracy and timeliness of handling.

Evaluation included, but was not limited to, an assessment based on the following specific standards:

**Standard 1: Premium notices and billing notices are sent out with an adequate amount of advance notice.**

The following information was noted in conjunction with the review of this standard:

- Verification that billing notices are generated automatically based on contract renewal dates and payment cycles.
- If premiums are not received, as required, an overdue premium notice is mailed, noting that non-payment will cause the policy to lapse.

**Findings:**

The examiners reviewed the new business, cancelled and terminated files, and the Companies appear to be providing sufficient notice.

**Standard 2: Policy issuance and insured requested cancellations are timely.**

The following information was noted in conjunction with the review of this standard:

- When the policyholder requests cancellation, the cancellation is processed and any premium due is provided to the policyholder.

The Companies' policy is to provide written notice to the policyholders when the Companies cancel for non-payment of premium.

**Findings:**

No exceptions were noted.

**Standard 3: All communication directed to the company is answered in a timely and responsive manner by the appropriate department.**

The following information was noted in conjunction with the review of this standard:

- The Companies have customer call centers to respond to policyholder and member concerns.

**Findings:**

The examiners reviewed the Companies' policies and procedures, and no exceptions were noted.

**Standard 4: Reinstatement is applied consistently and in accordance with policy provisions.**

The Companies have standardized reinstatement guidelines in place to ensure that requests are reviewed and either approved or denied by underwriting.

**Findings:**

The examiners reviewed the Companies' policies and procedures. After reviewing the sample files, no exceptions were noted.

**Standard 5: Policy transactions are processed accurately and completely.**

The Companies have policies and procedures in place for processing policyholder transactions including conversions, plan changes and enrollment updates.

**Findings:**

The Companies appear to be in compliance.

**Standard 6: Non-forfeiture options are communicated to the policyholder and correctly applied in accordance with the policy contract.**

The Companies have policies and procedures in place for processing policyholder transactions including conversions, plan changes and enrollment updates.

**Findings:**

The examiners reviewed sample files, and no exceptions were noted.

**Standard 7: The companies provide each policy owner with an annual report of policy values in accordance with statutes, rules and regulations and, upon request, an in-force illustration or contract policy summary.**

**Findings:**

Through a review of the sampled new business files the examiners found that the required information was provided.

**Standard 8: Unearned premiums are correctly calculated and returned to appropriate party in a timely manner and in accordance with applicable statutes, rules and regulations.**

The Companies have policies and procedures in place for processing policyholder transactions including conversions, plan changes and enrollment updates.

**Findings:**

The Companies appear to be in compliance.

## IX. MARKETING AND SALES

The marketing and sales materials were analyzed to identify any piece that had a tendency to mislead or misrepresent any aspect of the Companies' products or benefits to policyholders. In addition, the marketing and sales materials were reviewed to verify compliance with statutes and regulations related to the disclosure of certain information regarding the Companies' identity, financial standing and organization.

Evaluation included, but was not limited to, an assessment based on the following specific standards:

**Standard 1: All advertising and sales materials are in compliance with applicable statutes, rules and regulations.**

The following information was noted in conjunction with the review of this standard:

- Written policies and procedures govern the advertising and sales material process.
- All advertising and sales materials are reviewed in a consistent format through an online submission and tracking process.
- All advertising and producer generated material is subject to compliance review.
- Prior to final approval, all advertising and sales materials are reviewed to ensure that any necessary changes identified during the initial review were made.
- Approved producer submissions are endorsed for use for a specific period.

**Findings:**

The examiners reviewed the advertising material to ensure that pertinent statutes and regulations relative to the disclosure of each Companies' identity, financial standing and organization were reviewed for compliance. In addition, the examiners reviewed a sample of eighty (80) marketing and sales advertisement materials to ensure that the products did not have a tendency to mislead or misrepresent the policyholder.

**Standard 2: The companies' internal producer training materials are in compliance with applicable statutes, rules and regulations.**

The Companies have developed training programs for their producers.

**Findings:**

The examiners reviewed the Companies' training programs, and established policies and procedures. The Companies' internal producer training materials appear to be in compliance.

**Standard 3: The companies' communications to producers are in compliance with applicable statutes, rules and regulations.**

The Companies maintain extensive on-going training programs. Written policies and procedures govern that all communications are reviewed and approved by the Companies' compliance units.

**Findings:**

The Companies appear to be in compliance.

**Standard 4: Outline of coverage is in compliance with applicable statutes, rules and regulations.**

**Findings:**

The Companies appear to be in compliance.

**In Summary:**

It is recommended that the Companies ensure that all of their advertising materials comply with all disclosures required by Connecticut statutes and regulations.

## X. COMPLAINTS

The Department's complaint records and the Companies' complaint records were reviewed to locate any allegations of misrepresentation against the Companies' agents or any other adverse trends.

All twenty-seven (27) Department complaints were reviewed along with thirty (30) non-Department complaints.

Evaluation included, but was not limited to, an assessment based on the following specific standards:

**Standard 1: All complaints or appeals/grievances are recorded in the required format on the companies' complaint registers.**

The following information was noted in conjunction with the review of this standard:

- Written policies and procedures govern the complaint handling process.

- All complaints are recorded in a consistent format in the complaint log.
- An automated tracking database is used to record and maintain complaint information.

**Findings:**

The Companies appear to be in compliance.

**Standard 2: The companies have adequate complaint handling procedures in place and communicate such procedures to policyholders.**

The following information was noted in conjunction with the review of this standard:

- The Companies' Plan Descriptions have been reviewed and approved by the Department.
- The complaint handling procedures are included in the Plan Descriptions.

**Findings:**

The examiners verified that the Companies have complaint procedures in place as required by statute.

**Standard 3: The companies should take adequate steps to finalize and dispose of Department complaints in accordance with applicable statutes, rules and regulations, and contract language.**

**Findings:**

The examiners found no instances where the Department complaints were not responded to in a reasonable time frame.

**Standard 4: The time frame within which the companies respond to complaints, grievances and appeals is in accordance with applicable statutes, rules and regulations.**

**Findings:**

The Companies appear to be in compliance.

**Standard 5: The health carriers document complaints, grievances and appeals and establish and maintain grievance/appeal procedures in compliance with statutes, rules and regulations.**

**Findings:**

The Companies appear to be in compliance.

**Standard 6: The health carriers file, with the Commissioner, a copy of their complaints, grievances and appeals, including all forms.**

**Findings:**

No exceptions were noted.

## XI. CLAIMS

The Companies provided a listing of all claims paid during the period under examination. The review consisted of a sampling of paid and denied claims closed during the examination period. Five hundred eleven (511) claim files were selected at random for review. The files were reviewed to determine the accuracy and timeliness of claim payments and interest payable on proceeds were recalculated to verify the accuracy of the Companies' calculations and payments.

Evaluation included, but was not limited to, an assessment based on the following specific standards:

**Standard 1: The initial contact by the Companies with the claimant is within the required time frame and claims are settled in a timely manner.**

The following information was noted in conjunction with the review of this standard:

- Written policies and procedures govern the claim handling process.
- All claim notifications are logged into the claim system.
- Claim management monitors claim accuracy and timeliness.

**Findings:**

No exceptions were noted.

**Standard 2: Claim files are adequately documented.**

The following information was noted in conjunction with the review of this standard:

- copy of proof of loss
- applicable clinical/other investigative correspondence
- written communication, telephone or other communication
- proof of payment

**Findings:**

The Companies appear to be in compliance.

**Standard 3: The companies have appropriate policies in place for the archival and disposal of claim forms.**

**Findings:**

The examiners reviewed the policies and procedures and no identifiable occurrences were found.

**Standard 4: The companies' claim forms are appropriate for the type of product.**

**Findings:**

The examiners noted that the claim forms were appropriate and in accordance with the Companies' policies and procedures.

**Standard 5: Canceled benefit checks and drafts reflect appropriate claim handling practices.**

The following information was noted in conjunction with the review of this standard:

- Claim procedures were verified to ensure that the check/draft claim process was handled accurately and was appropriate.

**Findings:**

The examiners noted that sampled claim payments were appropriate and in accordance with the Companies' policies and procedures.

**Standard 6: Claim handling practices do not compel claimants to institute litigation, in cases of clear liability and coverage, to recover amounts due under policies by offering substantially less than is due under the policy.**

The following information was noted in conjunction with the review of this standard:

- A review of all litigated claims for the examination period was conducted and no exceptions were noted.

**Findings:**

The examiners reviewed the policies and procedures and no identifiable occurrences were found. Specific claim errors are identified below.

**Standard 7: Reasonable attempts to locate missing policyholders or beneficiaries are made.**

**Findings:**

See Additional Concerns in Section XI. - Claims

**Additional Concerns:**

- The examiners noted, through a review of Reliastar Life Insurance Company group life insurance claims, that the Company changed its default rate and method of calculating interest as of April 16, 2013. As a result, the Company was not taking into account situs state when calculating interest for claims paid to beneficiaries until March 29, 2014. The examiners had the Company go back and recalculate interest on all Connecticut contracts during that time period. The Company has since issued interest payments in the amount of $1,207 to thirty-seven (37) beneficiaries accompanied by letters acknowledging the Department's findings. The examiners recommend that the Company review its policies and procedures to ensure that proper interest is paid in accordance with Connecticut requirements.

- The examiners found, through a review of the Reliastar Life Insurance Company individual life claims, one (1) instance where only one out of two beneficiaries was paid. The system was not properly updated and an additional interest payment, in the amount of $34, was made to the individual. The examiners recommend that the Company review its policies and procedures to ensure that proper interest is paid in accordance with Connecticut requirements.

The examiners found, through a review of Security Life of Denver individual life claims, one (1) instance where the Company used an incorrect date of death resulting in an underpayment of $570 of interest to the beneficiary. The Company has made payment to the beneficiary accompanied by the letter acknowledging the Department's findings. The examiners recommend that the Company review its policies and procedures to ensure that claims are properly investigated and paid.

**In Summary:**

- It is recommended that Reliastar Life Insurance Company and Security Life of Denver Insurance Company reinforce their claim handling procedures to ensure that all claims are investigated and resolved in accordance with Connecticut requirements.

## XII. COMPANY OPERATIONS

Evaluation included, but was not limited to, an assessment based on the following specific standards:

**Standard 1: The companies have up-to-date valid, internal or external, audit programs.**

The following information was noted in conjunction with the review of this standard:

- The Companies have an internal audit department that has performed reviews of a variety of operational functions.
- Audit reports are distributed to all relevant operational and management personnel.
- External audits are performed on a regular basis.

**Findings:**

The Companies performed a number of audits during the examination period. The examiners reviewed the audit reports provided and found no exceptions during the examination period.

**Standard 2: The companies have appropriate controls, safeguards and procedures for protecting the integrity of computer information.**

The following information was noted in conjunction with the review of this standard:

- The Companies have procedures in place for all operational functions.
- System tests are performed on a regular basis.

**Findings:**

The examiners reviewed and verified that the Companies have programs in place to protect the integrity of computer information.

**Standard 3: The companies have anti-fraud plans in place.**

The following information was noted in conjunction with the review of this standard:

- The Companies have written anti-fraud plans.
- The Companies have a Special Investigative Unit (SIU) dedicated to the prevention and handling of fraud.
- Potential fraud activity is tracked by the SIU and investigated. Activity is reported to the regulator, as necessary.

**Findings:**

The examiners reviewed the written antifraud plans, and investigative policies and procedures. The Companies have no instances of fraud during the examination period.

**Standard 4: The companies have valid disaster recovery plans.**

**Findings:**

The examiners verified that the Companies have had a valid disaster recovery and business recovery program in place since 2004. Bi-annual tests have occurred since that time, and the disaster recovery plan is reviewed and updated during and after each of the tests are reviewed.

**Standard 5: Records are adequate, accessible, consistent and orderly and comply with record retention requirements.**

**Findings:**

The examiners have reviewed the Companies' record retention policies and no exceptions were noted.

**Standard 6: The companies are licensed for the lines of business that are being written.**

**Findings:**

The examiners reviewed the Certificates of Authority for the Companies and compared them to the lines of business that the Companies write in the State of Connecticut.

No exceptions were noted.

**Standard 7: The companies have 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.**

The following information was noted in conjunction with the review of this standard:

- The Companies' policy allows for sharing customer and personal information with affiliates, but does not share such information with non-affiliates.
- The Companies' policy requires a consumer privacy notice to be provided to policyholders on an annual basis.
- The Companies have developed and implemented information technology security practices to safeguard customer, personal and health information.
- The Companies' internal audit function conducts reviews of privacy policies and procedures.

**Findings:**

The examiners verified that the Companies have policies and procedures in place and provides privacy disclosures as required by statute.

**Standard 8: The companies have a comprehensive written information security program for the protection of non-public customer information.**

The examiners reviewed and verified that the Companies have a written security program in place for the protection of non-public customer information.

**Standard 9: The companies cooperated on a timely basis with the examiners performing the examination.**

**Findings:**

The Department received cooperation from the Companies throughout the examination process.

## XIII. SUMMARY OF RECOMMENDATIONS

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### VI. PRODUCER LICENSING AND APPOINTMENT

It is recommended that Reliastar Life Insurance Company review its licensing and appointment system to ensure that no new business is accepted from, nor commissions paid to, individuals acting as agents of the Companies when they are not licensed and appointed as required by statute.

### XI. CLAIMS

It is recommended that Reliastar Life Insurance Company and Security Life of Denver Insurance Company reinforce their claim handling procedures to ensure that all claims are investigated and resolved in accordance with Connecticut requirements.

## XIV. ACKNOWLEDGMENT

The courtesy and cooperation of the Companies, during the course of the examination, is acknowledged.

Steve DeAngelis, Christine Cormier, Karen Mayer and Meg Salamone participated in the preparation of this report.