

DELAWARE DEPARTMENT OF INSURANCE

MARKET CONDUCT EXAMINATION REPORT

GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY

NAIC #68322

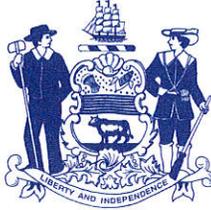
8515 East Orchard Road

Greenwood Village, CO 80111

As of

June 30, 2010

Karen Weldin Stewart, CIR-ML
Commissioner



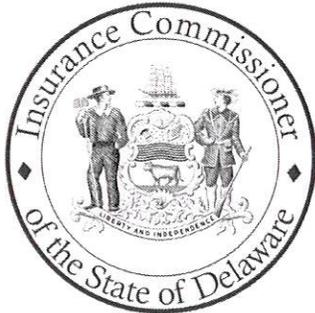
Delaware Department of Insurance

I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of June 30, 2010 on

GREAT WEST LIFE AND ANNUITY INSURANCE COMPANY

is a true and correct copy of the document filed with this Department.

Attest By:



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover.


Karen Weldin Stewart, CIR-ML
Insurance Commissioner

4/4/12

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION
OF THE
GREAT WEST LIFE AND ANNUITY INSURANCE COMPANY
AS OF
June 30, 2010

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.


Karen Weldin Stewart, CIR-ML
Insurance Commissioner

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April 17, 2011

Honorable Karen Weldin Stewart CIR-ML
Insurance Commissioner
State of Delaware
841 Silver Lake Boulevard
Dover, Delaware 19904

Dear Commissioner Stewart:

In compliance with the instructions contained in Certificate of Examination Authority Number 10.714, and pursuant to statutory provisions including 18 Del. C. §318-322, a market conduct examination has been conducted of the affairs and practices of:

Great-West Life & Annuity Insurance Company

The examination was performed as of June 30, 2010. Great-West Life & Annuity Insurance Company, hereinafter referred to as the "Company" or as "GWLA," was incorporated under the laws of Kansas on March 28, 1907. The Company commenced business on April 24, 1907 and re-domesticated to the state of Colorado on September 25, 1990.

The examination was performed off-site at the offices of the Delaware Department of Insurance, hereinafter referred to as the "Department" or "DDOI," or other suitable locations.

The report of examination herein is respectfully submitted.

**Delaware Market Conduct Examination Report
Great-West Life & Annuity Insurance Company**

EXECUTIVE SUMMARY

Great-West Life & Annuity Insurance Company was incorporated under the laws of Kansas on March 28, 1907 under the Company's original name (National Interment Association). The Company commenced business on April 24, 1907 and re-domesticated to the state of Colorado on September 25, 1990.

On their 2009 annual statement filed with the Department, Great-West Life & Annuity Insurance Company reported ordinary life insurance premium considerations in the amount of \$23,177,060, group life and annuity premium considerations in the amount of \$29,533,847, and direct premium for accident and health insurance in the amount of \$509,609. The Company's main administrative offices are located in Greenwood Village, Colorado.

The examination was announced as part of a series of examinations on companies in the Individual Life Insurance marketplace in Delaware. The companies were chosen based on Delaware's market share, market analysis and the company's complaint index.

The purpose of the examination was to focus on the Company's compliance with past regulatory or litigation settlements related to the sales and marketing of life insurance, while additionally determining compliance with Delaware insurance laws and regulations.

In general, the examination focused on the Company's life insurance business in the following areas of operation: Company Operations/Management; Complaint Handling, Marketing/Sales, Producer Licensing, Producer Oversight and Policyholder

Exceptions were noted to 18 Del. Admin. Code 1203 §4.0 for failure to include the name and address of the producer in the policy summary provided at the time of application. Several exceptions were noted to 18 Del. C. §2712 for failure to verify the proper filing of a term life policy form. In a sample of 25 life insurance issued files, 11 exceptions were noted to 18 Del. Admin. Code 1204 §7.4 for failure to provide a statement or notice of a 20 day unconditional premium refund in policies that involved replacement. Additionally in the sample of 25 files, 25 exceptions were noted to 18 Del. Admin. Code §9.2.1 for failure of the producer to certify and have the applicant acknowledge that no illustration was used in the sale of the life insurance policy on the date the application was signed.

No exceptions were noted in the other areas of operations reviewed.

**Delaware Market Conduct Examination Report
Great-West Life & Annuity Insurance Company**

SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by 18 Del. C. §§318-322 and covered the experience period of July 1, 2009, through June 30, 2010, unless otherwise noted. The purpose of the examination was to determine compliance by the Company with Delaware insurance laws and regulations related to the sales and marketing of life insurance.

The examination was a target market conduct examination of the Company's life insurance business in the following areas of operation: Company Operations/Management, Marketing/Sales, Complaint Handling, Producer Licensing, Producer Oversight and Policyholder Service.

METHODOLOGY

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC. While the examiners' report on the errors found in individual files, the examination also focuses on general business practices of the Company.

The Company was requested to identify the universe of files for each segment of the review. Based on the universe sizes identified, random sampling was utilized to select the files reviewed for this examination.

Delaware Market Conduct Examination Reports generally note only those items, to which the Department, after review, takes exception. An exception is any instance of Company activity that does not comply with an insurance statute or regulation. Exceptions contained in the Report may result in imposition of penalties. Generally, practices, procedures, or files that were reviewed by Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted. However, the Examination Report may include 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 in order to determine the potential impact upon Company operations or future compliance.

Throughout the course of the examination, Company officials were provided status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials to discuss the various types of

**Delaware Market Conduct Examination Report
Great-West Life & Annuity Insurance Company**

exceptions identified during the examination and review written summaries provided on the exceptions found.

COMPANY HISTORY AND PROFILE

Great-West Life & Annuity Insurance Company was incorporated under the laws of Kansas on March 28, 1907, under the Company's original name (National Interment Association). The Company commenced business on April 24, 1907 and re-domesticated to the state of Colorado on September 25, 1990. Great-West Life & Annuity Insurance Company is a stock life insurance company and is licensed in the District of Columbia and all states except New York, where it is an accredited reinsurer. The Company is also licensed in Guam, Puerto Rico and the U.S. Virgin Islands. The Company's statutory home office address is 8515 East Orchard Road, Greenwood Village, CO 80111.

The Company provides group retirement savings products and services, individual life insurance, retirement and annuity products to a broad market, ranging from middle income America to corporate executives, including individuals, businesses and other private and public organizations. The Company's product line includes individual term life insurance, single premium whole life insurance, variable universal life insurance, individual annuity products, business-owned life insurance and executive benefits products. The Company and its subsidiaries offer retirement plan enrollment services, communication materials, various retirement plan investment options and educational services to employer-sponsored defined contribution/defined benefit plans, as well as administrative and record-keeping services for financial institutions and employers.

The Company distributes its products through four distribution channels – direct mail, phone, internet, and insurance-licensed representatives at branches. Individual life insurance and annuity products are distributed through financial institutions. Business owned life insurance and executive benefits products are distributed through specialized consultants and through Great-West Retirement Services®.

As of their 2009 annual statement for Delaware, Great-West Life & Annuity Insurance Company reported ordinary life insurance premium considerations in the amount of \$23,177,060, group life and annuity premium considerations in the amount of \$29,533,847, and direct premium for accident and health insurance in the amount of \$509,609.

COMPANY OPERATIONS AND MANAGEMENT

A. Underwriting Guidelines

The Company was requested to provide all life insurance underwriting guidelines, manuals, and policy procedures utilized during the experience period.

The Company provided the following manual and procedures:

1. Underwriting Guidelines – Web-Based Electronic Underwriting Manual
2. Procedures For Entering Licensed Banker Web Applications
3. Procedures For Entering Licensed Banker And Call Center Voice Analyzed MIB Applications
4. Procedures For Processing Customer Electronic Signature (E-SIG) Web Cases
5. Cancellation Procedures
6. Not-Taken Procedures
7. Rescission Procedures
8. Policy Surrender Procedures
9. Declination Procedures

The underwriting manual and procedures were reviewed to ensure underwriting guidelines were in place and being followed in a uniform and consistent manner and no underwriting practices or procedures were in place that could be considered discriminatory in nature, or specifically prohibited by the following statutes or regulations:

- 18 Del. C. §2304(13) Unfair discrimination; life insurance, annuities, and health insurance.
- 18 Del. C. §2304 (24) Discriminatory practices against victims of abuse regarding life and health insurance.
- 18 Del. C. §2304 (28) Volunteer firefighters and ambulance personnel.
- 18 Del. C. §2316 Refusal to issue policy to blind or deaf persons prohibited.
- 18 Del. Admin. Code 1209 §3.0 Life and Health Submissions Regarding Acquired Immunodeficiency Syndrome (AIDS).
- 18 Del. Admin. Code 1217 §3.1 Unfair Discrimination in Life Insurance, Annuities and Health Insurance on the Basis of Physical or Mental Impairment.

No exceptions were noted.

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Great-West Life & Annuity Insurance Company**

B. Internal Audit and Compliance Procedures

The Company was requested to provide: (a) Copies of their internal audit and compliance procedures; (b) A narrative statement explaining the internal control methods and audits used to assure compliance with Delaware Insurance Laws and the Company's established policies and procedures; (c) A list of all internal audits performed in the last five years; (d) A list of all regulatory and court actions related to the sales and marketing of Life Insurance taken against the Company since January 1, 2005; and (e) Copies of all market conduct reports completed in the last three years by other States. The Company provided the following:

1. GWLA Internal Audit Standard Audit Procedures
2. Audit Deliverable Inventory List – August 2005 – Present
3. Copies of market conduct reports completed by California, Maryland and Georgia.
4. A narrative statement explaining the internal control methods and audits used to assure compliance with Delaware Insurance Laws and the Company's established policies and procedures.
5. Complaints Handling Policy and Procedures
6. Advertising Review Procedures – 2009
7. Internal Audit Report Executive Summary - Supervision of Outgoing Correspondence
8. A statement that there were no court actions against the Company in Delaware related to the sales and marketing of Life Insurance.

The audits and procedures were reviewed to ensure compliance with all statutes and regulations dealing with sales methods, advertising, and filing and approval requirements for life insurance and annuities. In addition, the procedures were reviewed to ensure the Company was providing for the following:

- (1) Periodic reviews of consumer complaints in order to determine patterns of improper practices.
- (2) Regular reporting to senior officers and the board of directors or an appropriate committee thereof with respect to any significant findings.
- (3) The establishment of lines of communication, control and responsibility over the dissemination of advertising and promotional materials, including illustrations and illustration explanations, with the requirement that such materials shall not be used without the approval by company employees whose compensation, other than generally applicable company bonus or incentive plans, is not directly linked to marketing or sales.

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Great-West Life & Annuity Insurance Company**

No exceptions were noted.

INDIVIDUAL UNDERWRITING

The Underwriting file review was sorted and conducted in six general segments.

- A. Life Policies Issued
- B. Term Life Policies Issued
- C. Bank Term Life Policies Issued
- D. BOLI/COLI Life Policies Issued
- E. BOLI/COLI Variable Life Policies Issued
- F. Life Policies Declined

Each segment was reviewed for compliance with the following Delaware laws and regulations pertaining to: sales and marketing, disclosures, illustrations, underwriting practices, forms approval and producer licensing and oversight. Issues relating to forms or producer licensing and oversight appear in those respective sections of the Report and are not duplicated in the Underwriting portion of the Report.

- 18 Del. C. §320. Conduct of examination; access to records; correction.
- 18 Del. C. §1703. Producer License Requirements.
- 18 Del. C. §1715. Producer Appointment Requirements
- 18 Del. C. §2300. Unfair Insurance Practices.
- 18 Del. C. §2708. Consent of insured; life, health insurance.
- 18 Del. C. §2709. Alteration of application, life and health insurance.
- 18 Del. C. §2712, Filing, approval of forms.
- 18 Del. Admin. Code 202 §2.0 Company Producer Licensing Responsibility
- 18 Del. Admin. Code 1203 Life Insurance Solicitation
- 18 Del. Admin. Code 1203 §4.0 Definitions-Policy Summary, Buyers Guide
- 18 Del. Admin. Code 1203 §5.0 Disclosure Requirements
- 18 Del. Admin. Code 1203 §6.0 General Rules of Disclosure
- 18 Del. Admin. Code 1204 §§5.1-5.3 Replacement of Life Insurance-Duties of Producers
- 18 Del. Admin. Code 1204 §6.1 Replacement of Life Insurance- Duties of All Insurers
- 18 Del. Admin. Code 1204 §§7.1-7.4 Replacement of Life Insurance-Duties of Replacing Insurer
- 18 Del. Admin. Code 1204 §8.0 Insurer Duties with Direct Response Sales
- 18 Del. Admin. Code 1210 §5.0 Policies to be Illustrated

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- 18 Del. Admin. Code 1210 §6.0 Life Insurance Illustrations *Rules and Prohibitions*
- 18 Del. Admin. Code 1210 §§7.0-7.5 Standards for Basic Illustrations
- 18 Del. Admin. Code 1210 §8.0 Standards for Supplemental Illustrations
- 18 Del. Admin. Code 1210 §9.0 Delivery of Illustration and Record Retention
- 18 Del. Admin. Code 1210 §10.0 Annual Report; Notice to Policy Owners
- 18 Del. Admin. Code 1210 §11.0 Annual Illustration Certifications

A. Life Policies Issued

The Company was requested to provide a list of all life insurance coverage issued during the experience period. The Company identified a universe of 1 single premium whole life insurance policy issued. The one policy file was requested, received and reviewed. The file was reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations.

The following exception was noted to 18 Del. Admin. Code 1203 §4.0:

1 Exception - 18 Del. Admin. Code 1203 §4.0 Definitions

4.1 For the purposes of this regulation, the following definitions shall apply:

“Buyer's Guide” A Buyer's Guide is a document which contains, and is limited to, the language approved by the National Association of Insurance Commissioners in its Life Insurance Buyer's Guide or language approved by the Commissioner.

“Policy Summary” A policy summary is not required to include information available in the policy form or illustrations. If an illustration subject to the provisions of the Delaware Insurance regulation 1210 is used in the sale of a policy, delivery of a policy summary is not required. A policy summary may not include any element that is not guaranteed. For the purposes of this regulation, Policy Summary means a written statement describing the elements of the policy including but not limited to:

- *A prominently placed title as follows: STATEMENT OF POLICY COST AND BENEFIT INFORMATION.*

- *The name and address of the insurance agent, or, if no agent is involved, a statement of the procedure to be followed in order to receive responses to inquiries regarding the Policy Summary.*

- *The full name and home office or administrative office address of the company in which the life insurance policy is to be or has been written.*

- *The Generic Name of the basic policy and each rider.*

- *The following amounts, where applicable, for the first five policy years and representative policy years thereafter sufficient to clearly illustrate the premium and benefit patterns, including, but not necessarily limited to, the years for which Life Insurance Cost Indexes are displayed and at least one age from sixty through sixty-five*

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or maturity whichever is earlier:

- *The annual premium for the basic policy.*
- *The annual premium for each optional rider.*
- *Guaranteed amount payable upon death, at the beginning of the policy year regardless of the cause of death other than suicide, or other specifically enumerated exclusions, which is provided by the basic policy and each optional rider, with benefits provided under the basic policy and each rider shown separately.*
- *Total guaranteed cash surrender values at the end of the year with values shown separately for the basic policy and each rider.*
- *Cash Dividends payable at the end of the year with values shown separately for the basic policy and each rider. (Dividends need not be displayed beyond the twentieth policy year.)*
- *Guaranteed endowment amounts payable under the policy which are not included under guaranteed cash surrender values above.*
- *The effective policy loan annual percentage interest rate, if the policy contains this provision, specifying whether this rate is applied in advance or in arrears. If the policy loan interest rate is variable, the Policy Summary includes the maximum annual percentage rate.*
- *Life Insurance Cost Indexes for ten and twenty years but in no case beyond the premium paying period. Separate indexes are displayed for the basic policy and for each optional term life insurance rider. Such indexes need not be included for optional riders which are limited to benefits such as accidental death benefits, disability waiver of premium, preliminary term life insurance coverage of less than 12 months and guaranteed insurability benefits nor for the basic policies or optional riders covering more than one life.*
- *The Equivalent Level Annual Dividend, in the case of participating policies and participating optional term life insurance riders, under the same circumstances and for the same durations at which Life Insurance Cost Indexes are displayed.*
- *A Policy Summary which includes dividends shall also include a statement that dividends are based on the company's current dividend scale and are not guaranteed in addition to a statement in close proximity to the Equivalent Level Annual Dividend as follows: An explanation of the intended use of the Equivalent Level Annual Dividend is included in the Life Insurance Buyer's Guide.*
- *A statement in close proximity to the Life Insurance Cost Indexes as follows: An explanation of the intended use of these indexes is provided in the Life Insurance Buyer's Guide.*
- *The date on which the Policy Summary is prepared. The Policy Summary must consist of a separate document. All information required to be disclosed must be set out in such a manner as to not minimize or render any portion thereof obscure. Any amounts which remain level for two or more years of the policy may be represented by a single number if it is clearly indicated what amounts are applicable for each policy year. Amounts in section 4.1.7.5 shall be listed in total, not on a per thousand nor per unit basis. If more than one insured is covered under one policy or rider, guaranteed death benefits shall be*

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displayed separately for each insured or for each class of insureds if death benefits do not differ within the class. Zero amounts shall be displayed as zero and shall not be displayed as a blank space.

The policy summary included in the noted file was missing the name and address of the insurance agent, and the life cost indexes for ten and twenty years.

Recommendation: It is recommended that the Company review its procedures to ensure the policy summary given to the applicant contains all elements required by 18 Del. Admin. Code 1203 §4.0.

B. Term Life Policies Issued

The Company was requested to provide a listing of all individual life insurance coverage issued during the experience period. The Company identified a universe of four-term life insurance policies issued. All four policy files were requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. No exceptions were noted.

C. Bank Term Life Policies Issued

The Company was requested to provide a listing of all individual life insurance coverage issued during the experience period of July 1, 2007, through June 30, 2010. The Company identified a universe of 13 bank term life insurance policies issued. All 13 policy files were requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations.

The following exceptions were noted to 18 Del. Admin. Code 1203 §4.0:

3 Exceptions - 18 Del. Admin. Code 1203 §4.0 Definitions

4.1 For the purposes of this regulation, the following definitions shall apply:

“Buyer's Guide” A Buyer's Guide is a document which contains, and is limited to, the language approved by the National Association of Insurance Commissioners in its Life Insurance Buyer's Guide or language approved by the Commissioner.

“Policy Summary” A policy summary is not required to include information available in the policy form or illustrations. If an illustration subject to the provisions of the Delaware Insurance regulation 1210 is used in the sale of a policy, delivery of a policy summary is not required. A policy summary may not include any element that is not guaranteed. For the purposes of this regulation, Policy Summary means a written statement describing the elements of the policy including but not limited to:

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- *A prominently placed title as follows: STATEMENT OF POLICY COST AND BENEFIT INFORMATION.*
- *The name and address of the insurance agent, or, if no agent is involved, a statement of the procedure to be followed in order to receive responses to inquiries regarding the Policy Summary.*
- *The full name and home office or administrative office address of the company in which the life insurance policy is to be or has been written.*
- *The Generic Name of the basic policy and each rider.*
- *The following amounts, where applicable, for the first five policy years and representative policy years thereafter sufficient to clearly illustrate the premium and benefit patterns, including, but not necessarily limited to, the years for which Life Insurance Cost Indexes are displayed and at least one age from sixty through sixty-five or maturity whichever is earlier:*
 - *The annual premium for the basic policy.*
 - *The annual premium for each optional rider.*
 - *Guaranteed amount payable upon death, at the beginning of the policy year regardless of the cause of death other than suicide, or other specifically enumerated exclusions, which is provided by the basic policy and each optional rider, with benefits provided under the basic policy and each rider shown separately.*
 - *Total guaranteed cash surrender values at the end of the year with values shown separately for the basic policy and each rider.*
 - *Cash Dividends payable at the end of the year with values shown separately for the basic policy and each rider. (Dividends need not be displayed beyond the twentieth policy year.)*
 - *Guaranteed endowment amounts payable under the policy which are not included under guaranteed cash surrender values above.*
 - *The effective policy loan annual percentage interest rate, if the policy contains this provision, specifying whether this rate is applied in advance or in arrears. If the policy loan interest rate is variable, the Policy Summary includes the maximum annual percentage rate.*
 - *Life Insurance Cost Indexes for ten and twenty years but in no case beyond the premium paying period. Separate indexes are displayed for the basic policy and for each optional term life insurance rider. Such indexes need not be included for optional riders which are limited to benefits such as accidental death benefits, disability waiver of premium, preliminary term life insurance coverage of less than 12 months and guaranteed insurability benefits nor for the basic policies or optional riders covering more than one life.*
 - *The Equivalent Level Annual Dividend, in the case of participating policies and participating optional term life insurance riders, under the same circumstances and for the same durations at which Life Insurance Cost Indexes are displayed.*
- *A Policy Summary which includes dividends shall also include a statement that dividends are based on the company's current dividend scale and are not guaranteed in*

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addition to a statement in close proximity to the Equivalent Level Annual Dividend as follows: An explanation of the intended use of the Equivalent Level Annual Dividend is included in the Life Insurance Buyer's Guide.

- *A statement in close proximity to the Life Insurance Cost Indexes as follows: An explanation of the intended use of these indexes is provided in the Life Insurance Buyer's Guide.*

- *The date on which the Policy Summary is prepared. The Policy Summary must consist of a separate document. All information required to be disclosed must be set out in such a*

manner as to not minimize or render any portion thereof obscure. Any amounts which remain level for two or more years of the policy may be represented by a single number if it is clearly indicated what amounts are applicable for each policy year. Amounts in section 4.1.7.5 shall be listed in total, not on a per thousand nor per unit basis. If more than one insured is covered under one policy or rider, guaranteed death benefits shall be displayed separately for each insured or for each class of insureds if death benefits do not differ within the class. Zero amounts shall be displayed as zero and shall not be displayed as a blank space.

The policy summary included in the noted files was missing the name and address of the insurance agent.

Recommendation: It is recommended that the Company review its procedures to ensure the policy summary given to the applicant contains all elements required by 18 Del. Admin. Code 1203 §4.0.

D. BOLI/COLI Life Policies Issued

The Company was requested to provide a list of all life insurance coverage issued during the experience period of July 1, 2007 through June 30, 2010. The Company identified a universe of 135 Bank Owned Life Insurance/Corporate Owned Life Insurance (COLI/BOLI) policies issued. A random sample of 25 policy files was requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations.

The following exceptions were noted to 18 Del. Admin. Code 1204 §7.4 and 18 Del. Admin. Code 1210 §9.2.1:

11 Exceptions - 18 Del. Admin. Code 1204 §7.4 Replacement of Life Insurance

The replacing insurer shall provide in its policy or in a separate written notice which is delivered with the policy that the applicant has a right to an unconditional refund of all premiums paid, which right may be exercised within a period of twenty days commencing from the date of delivery of the policy.

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The notice or statement providing twenty days for an unconditional refund of all premiums paid was not evident in the noted files.

Recommendation: It is recommended that the Company review and revise its procedures to ensure the twenty day premium refund statement or notice is provided with the policy at the time of policy delivery as required by 18 Del. Admin. Code 1204 §7.4.

25 Exceptions - 18 Del. Admin. Code 1210 §9.0 Delivery of Illustration and Record Retention

9.2.1 If no illustration is used by an insurance producer or other authorized representative in the sale of a life insurance policy or if the policy is applied for other than as illustrated, the producer or representative shall certify to that effect in writing on a form provided by the insurer. On the same form the applicant shall acknowledge that no illustration conforming to the policy applied for was provided and shall further acknowledge an understanding that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery. This form shall be submitted to the insurer at the time of policy application.

The noted files did not contain the signed producer certification and applicant acknowledgement form that no illustration was used in the sale of the life insurance policy on the date the application was signed.

Recommendation: It is recommended that the Company review and revise its procedures to ensure the producer certification and the applicants acknowledgement form be provided at the time of application as required by 18 Del. Admin. Code 1210 §9.2.1.

E. BOLI/COLI Variable Life Policies Issued

The Company was requested to provide a list of all life insurance coverage issued during the experience period of July 1, 2007 through June 30, 2010. The Company identified a universe of 656 Bank Owned Life Insurance/Corporate Owned Life Insurance (COLI/BOLI) Variable life insurance policies issued. A random sample of 25 policy files was requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations.

The following exception was noted to 18 Del. Admin. Code 1204 §7.1:

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1 Exception - 18 Del. Admin. Code 1204 §7.1 Replacement of Life Insurance

*Each insurer that uses an agent of broker in a life insurance or annuity sale shall:
7.1.1 Require with or as a part of each completed application for life insurance or annuity, a statement signed by the agent or broker as to whether he or she knows replacement is or may be involved in the transaction.*

The agent's statement on replacement was not completed on the application form in the noted file.

Recommendation: It is recommended that the Company review its procedures to ensure the producer's statement on replacement be completed on the application as required by 18 Del. Admin. Code 1204 §7.1.1.

F. Life Policies Declined

The Company was requested to provide a list of all applicants declined life insurance coverage during the experience period. The Company identified 1 policy declined. The 1 declined policy file was requested, received, and reviewed. The file was reviewed to ensure declinations were not the result of any discriminatory underwriting practice and the proper return of any unearned premium.

No exceptions were noted.

FORMS

The Company was requested to provide a list and copies of all policy and/or member forms, conversion contracts, applications, riders, amendments and endorsements used during the experience period. The forms provided and forms reviewed in various underwriting sections of the exam were reviewed to ensure compliance with 18 Del. C. §2712, Filing, approval of forms. For initial exam purposes, forms exceptions found in the other sections of the examination will be addressed in their respective initial summaries.

The following exceptions were noted to 18 Del. C. §2712:

3 Exceptions - 18 Del. C. §2712. Filing, approval of forms.

(a) No basic insurance policy or annuity contract, form, or application form where written application is required and is to be made a part of the policy or contract or

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printed rider or endorsement form or form of renewal certificate shall be delivered or issued for delivery in this State, unless the form has been filed with the Commissioner.

Department form filing of the noted form could not be established. The form number, description and frequency of use are listed in the table below.

Form Number	Form Description	Frequency of Use
J319-20	Term Life Insurance	3

Recommendation: It is recommended that the Company review its procedures to ensure the proper filing of forms as required by 18 Del. C. §2712.

CONSUMER COMPLAINTS

The Company was requested to provide a list of all consumer complaints received from Delaware consumers, claimants, and complaints referred to the Department of Insurance during the experience. The Company was also requested to provide copies of Delaware complaint logs/registers for calendar years 2007, 2008 and 2009. In addition, the Company was also requested to provide the following:

- A copy of the Company’s complaint handling guidelines and/or procedures, including the Company’s definition of what constitutes a “complaint.
- A description of the complaint reports and summaries that are prepared, and who receives them.
- An example of each complaint report and/or summary document.

The Company provided 3 complaints received during the experience period. The Company also provided the guidelines and complaint logs as requested.

The complaint files and the 3 years of complaint logs were reviewed for compliance with 18 Del. C. §2304 (17). This Section of the Code requires maintenance of a complete record of all complaints received since the date of its last examination. The record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of the complaint and the time it took to process each complaint. Written complaint files involving claims were also reviewed for compliance with 18 Del. Admin. Code 902 §1.2.1.2.

No exceptions were noted.

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ADVERTISING

The Company was requested to provide all advertising materials – whether in printed or audio/visual form, available during the experience period including, but not limited to:

- Agency manuals
- Video and/or audio presentations to field personnel
- Any other types(s) of media presentations or instructional materials used in the training of or available for use by field personnel
- Copies of newsletters, bulletins, etc. to field personnel
- Any scripted presentation (e.g., telemarketing scripts) available for use by field personnel
- Product brochures, videotaped presentations and computer presentations
- Any and all media advertisements and/or presentations

The Company was also requested to provide: (1) A log showing which policy form is associated with the identified piece of advertising material; and (2) A description of the development and approval process for advertising materials generated by the Company and by the producers. The information was provided as requested.

The Company provided a list of 657 pieces of advertising utilized in the State of Delaware. The advertising material consisted of: Letters, Direct Mailers, Brochures, Presentations, Illustrations, Product Guides, Product Manuals, Presentation Modules, Posters, Emails, Plan User Guides, Conference Handouts, Video Presentations, Plan Sponsor Presentations, Broker Guides, TPA Guides, Plan Adviser Guides, Newsletter Articles, Training Manuals, Rate Sheets and Power Point Presentations. All pieces of advertising were requested, received and reviewed. The advertising material and the Company's web sites (www.greatwest.com and www.gwkeybusiness.com) were reviewed to ascertain compliance with 18 Del. C. §2303, Unfair Methods of Competition and Unfair or Deceptive Acts or Practices.

No exceptions were noted.

PRODUCER LICENSING & OVERSIGHT

The Company was requested to provide a list of all producers active and terminated during the experience period. In addition, the Company was requested to provide oversight policies and procedures regarding the following activities:

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- Company's Appointment procedures and a description of the reference/background checks that are conducted.
- A copy of the procedures utilized to notify producers of new products and changes in insurance statutes and regulations.
- How the Company verifies that all business which it accepts from producers is written by individuals who are duly licensed and appointed to represent the Company.
- A description of how complaints or allegations of misconduct/misrepresentation against a producer are handled. A description of how this information is maintained in Company and producer files.
- A copy of the Company's Producer Termination procedures, including Terminations for Cause procedures.
- A list of Producers terminated for cause in calendar years: 2006, 2007, 2008, 2009 and 2010 to date. This list should include all jurisdictions and producer's name, State of residence, State (licenses held and appointed) and date of termination.
- Commission Schedules – A description of the commission structure.
- A description of any incentives or motivational awards/recognitions that were given or available to the Company's producers during the examination period.
- A description of the verification process used by the Company to determine the accuracy of the application information.
- The verification process used by the Company to determine the accuracy of the application information. A copy of the Company's procedures for handling applications with alterations.
- A copy of the Company's policies and procedures regarding Internal Replacement of Life Insurance, including Company reports utilized to monitor producer activity and recapture of commissions.

The policies and procedures were received and reviewed. The Company also provided a list of 141 active producers. There were no terminated producers identified during the experience period. The entire list of active producers was compared to departmental records of producers to verify licensing, appointments and terminations. In addition, a comparison was made on the producers identified on applications reviewed in the policy issued sections of the exam. Verification of licensing, appointments and terminations was performed to ensure compliance with the following statutes and regulations:

- 18 Del. C. §1703. License required.
- 18 Del. C. §1715. Appointments.
- 18 Del. C. §1716. Notification to Insurance Commissioner of termination.
- 18 Del. Admin. Code §11.0 Agent Qualification for Variable Life Insurance Sales

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No exceptions were noted.

CONCLUSION

The recommendations made below identify corrective measures the Department finds necessary as a result of the Exceptions and Concerns noted in the Report. Location in the Report is referenced in parenthesis.

1. It is recommended that the Company review its procedures to ensure the policy summary given to the applicant contains all elements required by 18 Del. Admin. Code 1203 §4.0. (A. Life Policies Issued, C. Bank Term Life Issued)

Company Response: In February of 2011, the Company revised its Policy Summaries to include the information required by 18 Del. Admin. Code 1203 §4.0.

2. It is recommended that the Company review and revise its procedures to ensure the twenty day premium refund statement or notice is provided with the policy at the time of policy delivery as required by 18 Del. Admin. Code 1204 §7.4. (D. BOLI/COLI Life Policies Issued)

Company Response: The Company reviewed its current front covers for all of its existing contracts in the State of Delaware and confirmed that a 20 day premium refund is included on all contracts. In addition, the Company updated its free look charts used by the Policy Administration team to ensure compliance 18 Del. Admin. Code 1204 §7.4. It should be noted that there were no policies returned during the free look period during the audit period.

3. It is recommended that the Company review and revise its procedures to ensure the producer certification and the applicants acknowledgement form be provided at the time of application as required by 18 Del. Admin. Code 1210 §9.2.1. (D. BOLI/COLI Life Policies Issued)

Company Response: The Company revisited its current procedures and confirmed that the producer certification and applicant's acknowledgement form is provided at the time of the application. It appears that this issue involved an inadvertent oversight. The Company has advised/retrained the Policy Administration team to more carefully review these requirements prior to issuing a policy so that this oversight will not occur again.

4. It is recommended that the Company review its procedures to ensure the producer's statement on replacement be completed on the application as required by 18 Del. Admin. Code 1204 §7.1.1. (E. BOLI/COLI Variable Life Policies Issued)

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Company Response: The Company revisited its current procedures and confirmed that the producer statement on the application should be completed on the application. It appears that this issue involved an inadvertent oversight. The Company has advised/retrained the Policy Administration team to more carefully review these requirements prior to issuing a policy so that this oversight will not occur again.

5. It is recommended that the Company review its procedures to ensure the proper filing of forms as required by 18 Del. C. §2712. (FORMS)

Company Response: The Company has current procedures in effect that require that all new products be filed and approved prior to use as well as detailed instructions on how to file a policy form. The Company revised its filing system and records to ensure that all approvals are maintained through a centralized and uniform electronic filing system so that approvals can be easily accessible.

The examination conducted by Daniel Stemcosky, Roger Fournier, Frank Kyazze and Gwen Douglas is respectfully submitted.



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