

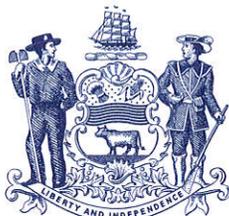
DELAWARE DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION REPORT

Transamerica Life Insurance Company
NAIC # 86231
333 Edgewood Road
NE Cedar Rapids, IA 52499

As of

December 31, 2010

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

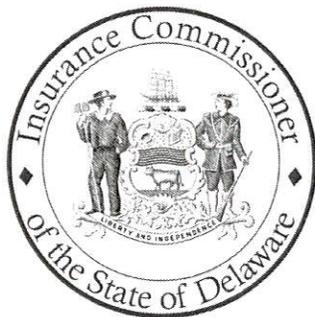
I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2010 on

TRANSAMERICA LIFE INSURANCE COMPANY

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

Attest By:

Handwritten signature of Linda Nemes in black ink, written over a horizontal line.



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

Handwritten signature of Karen Weldin Stewart in blue ink, written over a horizontal line.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION
OF THE
TRANSAMERICA LIFE INSURANCE COMPANY
AS OF
December 31, 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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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 11.704, and pursuant to statutory provisions including 18 Del. C. §318-322, a market conduct examination has been conducted of the affairs and practices of:

Transamerica Life Insurance Company

The examination was performed as of December 31, 2010. Transamerica Life Insurance Company, hereinafter referred to as the "Company", was incorporated under the laws of Iowa. The examination consisted of two phases, an on-site phase and an off-site phase. The on-site phase of the examination was conducted at the following Company location:

4333 Edgewood Rd.
NE Cedar Rapids, IA 52499

The off-site examination phase was performed 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.

EXECUTIVE SUMMARY

**Delaware Market Conduct Examination Report
Transamerica Life Insurance Company**

The company was originally licensed on March 19, 1962, following incorporation on April 19, 1961, in the state of Wisconsin as a legal reserve life insurance company.

According to the Company's 2010 annual statement filed with the Department, Transamerica Life Insurance Company reported direct premium for ordinary life insurance in Delaware in the amount of \$8,358,108 and Total Annuity considerations in the amount of \$12,228,014. The Company's main administrative offices are located in Cedar Rapids, Iowa.

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 Service.

One exception was noted to 18 Del. Admin. Code 1203 §5.0 for failure to provide evidence that a Buyer's Guide was given to the proposed Insured.

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

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 January 1, 2008, through December 31, 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, Complaint Handling, Marketing/Sales, Producer Licensing, Producer Oversight and Policyholder Service.

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Transamerica Life Insurance Company**

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

COMPANY HISTORY AND PROFILE

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

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

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

During 1984, the directors of the Company declared a stock dividend on the then issued capital stock of the Company of 150,000 common shares at par value of \$10 per share to the Company's sole stockholder.

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

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

Effective March 1, 2001, the Company's name was changed to Transamerica Life Insurance Company. The requisite approvals by the appropriate regulatory authorities were obtained.

Effective October 1, 2004, an affiliated Missouri-domiciled life insurer, Transamerica Assurance Company, was merged into the Company. All the necessary Board approvals were given and the requisite domiciliary regulatory approvals were received.

Effective October 1, 2005, an affiliated North Carolina-domiciled life insurer, Transamerica Life Insurance and Annuity Company, was merged into the Company. All the necessary Board approvals were given and the requisite domiciliary regulatory approvals were received.

Effective October 1, 2008, an affiliate Iowa-domiciled life insurer, Transamerica Occidental Life Insurance Company, was merged into the Company. All the necessary Board approvals were given and the requisite domiciliary regulatory approvals were received.

Effective October 2, 2008, an affiliated Iowa-domiciled life insurer, Life Investors Insurance Company of America, was merged into the Company. All the necessary Board approvals were given and the requisite domiciliary regulatory approvals were received.

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According to the Company's 2010 annual statement filed with the Department, Transamerica Life Insurance Company reported direct premium for ordinary life insurance in Delaware in the amount of \$8,358,108 and Total Annuity considerations in the amount of \$12,228,014. The Company's main administrative offices are located in Cedar Rapids, Iowa

COMPANY OPERATIONS AND MANAGEMENT

A. Underwriting Guidelines

The Company was requested to provide all underwriting guidelines, manuals, and policy procedures utilized during the experience period. The Company provided two manuals and two procedure guidelines. The materials 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.

The following manuals and guides were provided and reviewed:

1. Life Product Manual, Life Underwriting & Administration
2. Online Web Manual
3. Rescission Procedures
4. Declination Procedures

No exceptions were noted.

B. Internal Audit and Compliance Procedures

The Company was requested to provide copies of their internal audit and compliance

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procedures. The audits and procedures were reviewed to ensure the Company provided for the evaluation of 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 has 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.

No exceptions were noted.

GROUP UNDERWRITING

The Group Underwriting file review was conducted in one segment.

A. Group Policies Issued

A. Group Policies Issued

The Company identified a universe of two Group policies issued during the experience period. Both 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.

INDIVIDUAL UNDERWRITING

The Individual Underwriting file review was sorted and conducted in five (5) general segments.

- A. Life Policies Issued
- B. Universal Life Policies Issued
- C. Term Life Policies Issued
- D. Life Policies Declined
- E. Not-Taken Policies

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

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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 Respect to Direct Response Sales
- 18 Del. Admin. Code 1210 §5.0 Policies to be Illustrated
- 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 identified a universe of 249 life policies issued during the experience period. 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.

No exceptions were noted.

B. Universal Life Policies Issued

The Company identified a universe of 146 Universal life policies issued during the

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experience period. 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:

1 Exception - 18 Del. Admin. Code 1203 §5.0 Disclosure Requirements

5.1 The insurer shall provide, to all prospective purchasers, a Buyer's Guide and a Policy Summary prior to accepting the applicant's initial premium or premium deposit, unless the policy for which application is made contains an unconditional refund provision of at least ten days or unless the Policy Summary contains such an unconditional refund offer, in which event the Buyer's Guide and Policy Summary must be delivered with the policy or prior to delivery of the policy.

5.2 The insurer shall provide a Buyer's Guide and a Policy Summary to any prospective purchaser upon request.

7.1 Failure of an insurer to provide or deliver a Buyer's Guide, or a Policy Summary as provided in section 5.0 shall constitute an omission which misrepresents the benefits, advantages, conditions or terms of an insurance policy. In each such instance, the insurer shall, after hearing, be subjected to the penalties as prescribed in 18 Del.C. §106.

One file did not contain evidence that a Buyer's Guide was provided.

Recommendation: It is recommended that the Company review its procedures to ensure verification of the Buyer's Guide delivery to the proposed insured.

C. Term Life Policies Issued

The Company identified a universe of 644 Term Life policies issued during the experience period. A random sample of 50 policy files was requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations.

No exceptions were noted.

D. Life Policies Declined

The Company identified a universe of 169 life policies declined during the experience

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period. A random sample of 25 declined policies was requested, received and reviewed. The files were 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.

E. Life Policies Not-Taken

The Company identified 117 life policies not-taken. A sample of 38 files was requested for review. A not-taken policy by definition is a contract that is issued and the insured requests cancellation. The files were reviewed to ensure compliance with the 10-day premium refund provisions of the contract.

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.

No exceptions were noted.

CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of consumer complaint logs. The Company identified seven consumer complaints received during the experience period. Of the seven complaints identified two were forwarded from the Department. All seven complaint files were requested, received, and reviewed. The company also provided complaint logs as requested. The Department's list of written consumer complaints that were forwarded to the Company during the experience period was compared to the Company's complaint log.

The complaint files and 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

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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.

ADVERTISING

The Company was requested to provide a list of all Advertising and Marketing Material utilized during the experience period. In addition, the Company was requested to provide a copy of the advertising certificate of compliance submitted to the Department during the experience period. The Company provided a list of 481 pieces of advertising utilized in the State. The advertising consisted of: Letters, Direct Mailers, Brochures, Presentations, Telephone Scripts, Cards, Illustrations, Product Guides, Product Manuals and the Company's web page. A sample of 50 pieces of advertising was requested, received and reviewed.

The 50 pieces advertising materials and the Company's web site 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 to the Company's oversight policies and procedures regarding the following activities:

- Appointment Procedures
- Product Training & Compliance
- Allegations of Misconduct Reports
- Producer Terminations
- Monitoring Producer Replacement Activity

The policies and procedures were received and reviewed. The Company provided a list of 2724 active producers and 823 terminated producers. Random samples of 75 active producers and 25 terminated producers were compared to departmental records of producers to verify appointments, terminations and licensing. In addition, a comparison was made on the 163 producers identified on applications reviewed in the policy issued sections of the exam.

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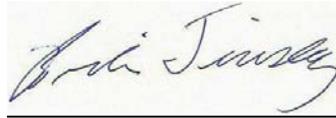
No exceptions were noted.

CONCLUSION

The recommendation made below identifies a corrective measure the Department finds necessary as a result of the Exception noted in the Report. Location in the Report is referenced in parenthesis.

1. It is recommended the Company review internal control procedures to ensure it maintains evidence that the Buyer's Guide is provided to applicants in accordance with 18 Del. Admin. Code 1203 §5.0. (B. Universal Life Policies Issued)

The examination conducted by Daniel Stemcosky, Brian Tinsley, Stephen Misenheimer and Heather Harley is respectfully submitted.



Brian Tinsley, AIE, MCM
Examiner-in-Charge
Market Conduct
Delaware Department of Insurance