



# **THE STATE OF NORTH DAKOTA**

**NORTH DAKOTA INSURANCE DEPARTMENT**

**MULTI-STATE TARGETED MARKET CONDUCT  
REPORT OF EXAMINATION**

**OF**

**MINNESOTA LIFE INSURANCE COMPANY**

**SECURIAN LIFE INSURANCE COMPANY**

**AMERICAN MODERN LIFE INSURANCE COMPANY AND**

**SOUTHERN PIONEER LIFE INSURANCE COMPANY**

**AND THEIR IMPLEMENTATION OF REQUIREMENTS UNDER THE  
JULY 26, 2016 REGULATORY SETTLEMENT AGREEMENT**

**ISSUED October 20, 2021**

**NAIC COMPANY CODES: 66168, 93742, 65811, 74365**

**NAIC GROUP CODE: 0869**

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## INTRODUCTION

A Regulatory Settlement Agreement ("Agreement" or "RSA") dated July 26, 2016 was entered into by and between Minnesota Life Insurance Company, Securian Life Insurance Company, American Modern Life Insurance Company and Southern Pioneer Life Insurance Company, (collectively "Securian", "Company" or the "Companies") and the North Dakota Insurance Department ("Department" or "Managing Lead State"), California Department of Insurance, Connecticut Department of Insurance, Florida Office of Insurance Regulation, New Hampshire Insurance Department and Pennsylvania Insurance Department (collectively the "Lead States"). An additional 44 jurisdictions signed the Agreement as Participating Jurisdictions (Appendix A).

The Agreement required the Companies to implement certain corrective action steps, including but not limited to, their settlement practices, procedures and policy administration relating to claims and the use of the Social Security Death Master File ("DMF") or similar database or service, including the Companies' efforts to identify the owners and beneficiaries of unclaimed proceeds; regarding the adequacy of the Companies' policies and procedures to ensure that life insurance policies, annuities and Retained Asset Accounts are paid timely to beneficiaries and are reported timely or remitted to the respective jurisdiction in accordance with the Unclaimed Property Laws and the Insurance Laws (collectively known as "RSA Requirements") of each jurisdiction.

## SCOPE OF EXAMINATION

The North Dakota Insurance Department as one of the Lead States conducted a targeted market conduct multistate examination (“Examination”) of Securian pursuant to Sections 26.1-03-19.2 and 26.1-03-19.3, North Dakota Statutes. The examination period was June 30, 2017 through March 31, 2020 (“Examination Period”). The Examination began on February 20, 2020 and fieldwork ended on November 30, 2020.

The objectives of the Examination were to determine the Companies' compliance with the RSA requirements. The Examination was called pursuant to Section 3b, Regulatory Oversight in the Agreement. The Examination was conducted under the direction, management and control of representatives of the Managing Lead State. Representatives from the firm of Risk & Regulatory Consulting, LLC (“RRC” or “Examiners”) were engaged in the Examination in their capacity as market conduct examiners. RRC provided no representations regarding questions of legal interpretation or opinion. Determination of findings constituting violations or potential violations is the sole responsibility of the Lead States. All statutory citations, case law or any other legal opinions or interpretations included herein are provided by the Lead States for inclusion in this examination report (“Report”).

The Lead States considered a “finding” to be a violation of or noncompliance with the Agreement. All unacceptable or non-compliant practices may not have been discovered or noted in this examination report. Failure to identify unacceptable or non-compliant business practices does not constitute acceptance of such practices. When applicable, corrective actions should be taken in all jurisdictions.

In order to assess the Companies’ compliance with the terms of the Agreement, a tailored examination approach was developed using the RSA requirements as the examination standards. The examination included:

- 1) A review of Securian’s written policies and procedures and administrative forms applicable to the requirements set forth in section 2, Specific Business Practices and Reforms of the RSA;
- 2) A review of Securian’s quarterly reports provided pursuant to paragraph 3.a of the RSA;
- 3) A review of a sample of transactions occurring during the period of July 26, 2016 through March 31, 2020, reported by Securian to evaluate compliance with the prescribed Business Practices and Reforms in paragraph 2 of the RSA;
- 4) A review of the technology-related changes as part of the Companies’ response to the RSA.

## EXAMINATION SUMMARY

Upon review of the operations, policies and procedures, Business Reforms and newly implemented processes, the Companies continue to make noticeable progress in meeting the standards established in the RSA.

Section 1 of the RSA includes Defined Terms that define certain terms in the Agreement not otherwise defined in some other sections of the RSA. A term that is referenced throughout the RSA is the term “Thorough Search”. In Section 1 of the RSA the definition of a Thorough Search details specific actions to be taken by the Companies to identify, locate and contact the beneficiaries of a life insurance policy (“Policy”), retained asset account, or annuity contract after receiving a date of death notice that indicates that the insured has been reported as dead.

Section 2 of the RSA titled “Business Reforms” details the specific policies and procedures the Companies were required to implement to comply with the terms of the RSA. The following summarizes the requirements of Section 2 of the RSA and the results of the review. The paragraph numbers match those in the RSA.

2.a **Requirement:** The Company will continue to compare all Insureds in its Company Records against the complete DMF. The Company shall compare all Insureds in its Company Records against any updates to the DMF at least quarterly. The Company shall have no responsibility for errors, omissions, or delays in information contained in the DMF or any update files. In the event that the Company uses different comparison criteria than those specified in Schedule A, the Company may be subject to sanctions to the extent that it obtains five percent (5%) fewer valid matches than would otherwise have been obtained using Schedule A criteria.

**Observation:** The Companies provided responses and documentation to support the DMF matching process occurs on a quarterly and annual basis. No issues were noted.

2.b. **Requirement:** If the Company is not contacted by a Beneficiary within one hundred twenty (120) days from its receipt of the Date of Death Notice, the Company shall commence a Thorough Search, which shall be completed within one (1) year from the Date of Death Notice. If (i) the Beneficiary cannot be located by a Thorough Search, and (ii) the Company is unable to establish an Exception, it shall report and remit the Proceeds as Unclaimed Property to the affected jurisdiction(s) in accordance with applicable Unclaimed Property Laws.

**Finding:** The Companies provided documentation that they established procedures designed to allow them to meet the RSA requirements.

Regarding testing of the Deemed Abandoned Claim sample, the Examiners found that although the Company implemented the required procedures, in eleven (11) of the 58 claims (18.97%) the Companies did not complete a Thorough Search within one (1) year from the Date of Death Notice.

The error rate for testing of the Deemed Abandoned Claims exceeds the 7 percent tolerance level specified in the Market Regulation Handbook for claims. As a result, the Companies do not appear to be in compliance with Section 2.b of the RSA. The Company acknowledged the eleven instances where the Company did not execute all Thorough Search requirements within one (1) year from the Date of Death Notice. Subsequent to the Examiners identifying this Finding, the Company informed the Examiners that they completed a refresher training for its home office life insurance examination teams.

- 2.c. **Requirement:** For the sole purpose of this Agreement, the Company shall implement policies and procedures to establish that a DMF Match shall require the Company to initiate its death claims process and conduct a Thorough Search for Beneficiaries in accordance with Section 2(b) of this Agreement. Nothing herein is intended nor shall be deemed to waive or determine the requirements for establishing proof of death for any other purpose, or to impose any requirements for DMF searches or any requirements for following up on DMF searches for any purpose other than this Agreement, or to confer any rights on any person or entity other than the Company and the Departments.

**Observation:** The Companies implemented policies and procedures for conducting a Thorough Search following receipt of a Date of Death Notice within the time period in Schedule B. No issues were identified.

- 2.d. **Requirement:** In the event that one of the Company's lines of business conducts a search for matches of its Insureds against the DMF at intervals more frequent than those provided for in this Agreement and such DMF Match results in action being taken with respect to a Policy, Annuity Contract, or Retained Asset Account, then that line of business shall share the relevant Insured information among other lines of business.

**Observation:** The Companies implemented procedures for sharing relevant policyholder information among applicable lines of business. No issues were identified.

- 2.e. **Requirement:** In the event that the Company locates the Beneficiary following a Thorough Search, the Company shall provide the appropriate claims forms or instructions, if required, to the Beneficiary to make a claim, including instructions as to the need to provide an official death certificate if consistent with applicable law and the Policy, Annuity Contract, or Retained Asset Account. The Company reserves the right to require satisfactory confirmation of death, including a death certificate, as due proof of death, before Proceeds are paid to a Beneficiary or a Beneficiary's legal or properly designated representative if consistent with law and the Policy, Annuity Contract, or Retained Asset Account. Nothing in this Agreement shall be construed to supersede the Company's right to maintain effective procedures and resources to deter and investigate fraudulent insurance acts as required by applicable law.

**Observation:** The Companies implemented procedures for providing the appropriate claim forms or instructions, if required. No issues were identified.

- 2.f. **Requirement:** The Company shall modify policies and procedures for conducting a Thorough Search in a manner consistent with this Agreement. The obligation to conduct a

Thorough Search under the terms of this Agreement shall not abrogate the right of the Company to complete any due diligence within the timeframe required by any applicable law. The Company is required to implement the procedures as soon as possible and in coordination with the Unclaimed Property Audit Agreements, but in no event more than twelve (12) months from the Effective Date, unless otherwise explicitly provided for in this Agreement.

**Finding:** Thirteen (13) of the policy and procedure documents that the Company provided were not dated and thus the Examiners were unable to determine if the necessary procedures were implemented within twelve (12) months of the RSA Effective Date. The Company provided system logs for the thirteen policies and procedures that detailed the last date documents were modified but this documentation did not provide sufficient support that the procedures were implemented timely as the Examiners were unable to confirm that the documents referenced in the system logs were the actual policy and procedure documents reviewed by the Examiners. As a result, this documentation does not support compliance with Section 2.f of the RSA.

- 2.g. **Requirement:** To the extent permitted under applicable law, the Company may disclose the minimum necessary personal information about an Insured or Beneficiary to a person whom the Company reasonably believes may be able to assist the Company to locate the Insured or Beneficiary or a person otherwise entitled to payment of the claims Proceeds, provided however, the Company shall not implement policies or practices that will or may diminish the rights of or amounts of Proceeds due to Beneficiaries under the terms of its Policies, Annuity Contracts, or Retained Asset Accounts.

**Observation:** The Companies implemented policies and procedures for handling personal information. The Companies have been handling personal information appropriately. No issues were identified.

- 2.h. **Requirement:** The Company shall conduct a Thorough Search for group life insurance policies, where the Company is engaged in Recordkeeping, including group life insurance certificates issued thereunder, where a group life insurance claim is received for which the Company, from information in its administrative systems and/or the group policy claim form, is able to determine that a benefit is due and is able to determine the benefit amount, but the Beneficiary cannot be identified and/or located.

**Observation:** The Companies have implemented policies and procedures for conducting Thorough Searches for group life certificates. No issues were identified.

- 2.i. **Requirement:** Within twelve (12) months after the Effective Date of this Agreement, the Company shall revise its policies and procedures so that:

i. Commencing no later than forty-five (45) days prior to the Maturity Date of an Annuity Contract for which the Company is unable to establish an Exception, at least two (2) letters are sent to an Annuity Contract Owner notifying the Annuity Contract Owner of the upcoming Maturity Date, stating that the Annuity Contract will be annuitized following the Maturity Date if no response is received, and

identifying the options available to the Beneficiary (e.g. annuitizations, extension of the Maturity Date, surrender of the Annuity Contract).

ii. The Company shall immediately commence a Thorough Search for the Annuity Contract Owner if the letters described in subparagraph (i) hereof are returned as undeliverable.

iii. An affirmative request by an Annuity Contract Owner or legal or properly designated representative will be required by the Company before a Maturity Date is extended, and such request will be recorded in the Company's books and records;

iv. The Annuity Contract is annuitized as soon as practicable, but in no event more than forty-five (45) days following the Maturity Date, if the Company has a valid address for the Annuity Contract Owner and no response is received to the letters described in subparagraph (i) above.

v. If a Thorough Search for the Annuity Contract Owner is unsuccessful, or if none of the annuity payments for an Annuity Contract that has been annuitized under paragraph (iv) above are deposited, the Proceeds will be reported and remitted as Unclaimed Property to the affected jurisdiction(s) in accordance with the applicable Unclaimed Property Laws.

vi. The provisions described in (i)-(v) above will apply to Maturity Dates following the Effective Date of this Agreement, and will take effect one year from the Effective Date of the Agreement. The provisions described in (i)-(v) will not apply to Annuity Contracts held within ERISA or other tax-qualified plans, Individual Retirement Annuities, or Annuity Contracts held in Individual Retirement Accounts.

**Observation:** The Companies supplied documents with regard to subsections i-vi which showed compliance with this section. No issues were identified.

- 2.j. **Requirement:** The Company shall ensure that all Retained Asset Accounts are monitored for inactivity and each Accountholder is notified that the failure to make a withdrawal from the account or to respond to communications from the Company may cause the account to be declared dormant and subject to escheat based on the last documented contact with the Accountholder or the Accountholder's legal or properly designated representative. The value of a Retained Asset Account shall be the value of the account as of the date the property is paid from the Retained Asset Account to Accountholder. The Company is required to implement procedures as soon as possible and in coordination with the Unclaimed Property Audit Agreements, but in no event more than twelve (12) months from the Effective Date.

**Observation:** The Companies supplied documents with regard to this subsection which showed compliance with this section. No issues were identified.

- 2.k. **Requirements:** A Thorough Search for a Beneficiary of a Retained Asset Account or an

Accountholder as appropriate, shall commence following the Dormancy Period after (i) the date that the Accountholder last initiated a financial or administrative transaction or (ii) the last Accountholder authenticated response to the Company that is documented on the Company's books and records. In the event that the Company is unable to locate a Beneficiary or Accountholder and is unable to establish an Exception within one (1) year after the commencement of the Thorough Search, it shall report and remit the Proceeds of the Retained Asset Account as Unclaimed Property to the affected jurisdiction(s) in accordance with applicable Unclaimed Property Laws.

**Observation:** The Companies supplied documents with regard to this subsection which showed compliance with this section. No issues were identified.

- 2.1. **Requirements:** Within eighteen (18) months after the Effective Date of this Agreement, the Company shall establish policies and procedures to ensure that prior to the delivery of a Policy or Annuity Contract or establishment of a Retained Asset Account, and upon any change of a Beneficiary, the Company shall, having made all appropriate filings in a timely manner and obtained approvals where necessary, request information sufficient to facilitate the (i) payment of all Proceeds to Beneficiaries upon the death of the Insured, and (ii) perfection of a claim including, at a minimum, the name, address, date of birth, Social Security number and telephone number of every Insured and Beneficiary of such Policy, Annuity Contract or Retained Asset Account, as applicable.

**Finding:** Five (5) of the documents supplied by the Company with regard to this subsection did not contain a place to provide all the information specified. As a result, the Companies do not appear to be in compliance with Section 2.1 of the RSA. The Company acknowledged the five (5) documents that were missing a place to request all information specified within this Section of the RSA. Subsequent to the Examiners identifying this Finding, the Company provided modified versions of the forms to the Examiners to address this Finding.

The Examiners inspection of certain Information Technology (IT)-related documentation associated with the RSA focused on the Companies' procedures and technologies asserted to be in-place for the purposes of supporting ongoing compliance with the RSA.

Examination procedures revealed that the Company had implemented a third-party relationship to support its updated procedures relative to meeting the requirements of the RSA.

Based on the procedures performed during this focused IT review of the Companies' technical approach to RSA compliance, it was concluded that the Companies appears to have adequate technology and supporting technical procedures in-place to adequately support its ongoing RSA compliance efforts.

## RECOMMENDATIONS

The recommendations made below identify corrective measures the Lead States find necessary as a result of the findings in the Report.

1. That the Companies establish, implement and complete procedures to ensure compliance with RSA Section 2 §§ b, f and 2.1 within 60 days of the issuance of the final examination report. This includes updating procedures and documents lacking effective dates so all procedures and documents include dates and version numbers to reflect compliance with the RSA in response to this Recommendation.
2. That the Companies conduct additional training to ensure compliance with RSA Section 2 §§ b and f within 60 days of the issuance of the final examination report. The additional training should include, but not be limited to, how to maintain documentation of all Through Search activities (e.g., telephone attempts) and ensuring that all Thorough Search activities are completed within one (1) year of the Date of Death Notice to comply with RSA Section 2 §§ b, and f.
3. That the Companies establish and implement a self-monitoring program, which includes Internal Audit, to ensure compliance with RSA Section 2 §§ b and f within 60 days of the issuance of the final examination report.
4. That the Companies provide the Lead States the additional procedures, documentation of additional training and details of the self-monitoring program within 90 days of the issuance of the final examination report to support compliance with RSA Section 2 §§ b and f.
5. That the Companies submit to the Lead States quarterly reports showing the results of all corrective action performed to address the findings included in this Report. The Lead States further recommend that the Companies provide a total of four (4) quarterly reports to the Lead States, with the first quarterly report submitted to the Lead States within 90 days of the issuance of the final examination report and the remaining quarterly reports submitted to the Lead States no later than 45 days after each quarter end.

## **EXAMINATION FINAL REPORT SUBMISSION**

The North Dakota Insurance Department hereby issues this Final Report based upon information from the examiner's draft report, additional research conducted by the Managing Lead State, and additional information provided by the Company.

## APPENDIX A

<b>Participating Jurisdictions</b>	
Alabama	Missouri
Alaska	Montana
Arizona	Nevada
Arkansas	New Hampshire
California	New Jersey
Colorado	New Mexico
Connecticut	North Carolina
Delaware	North Dakota
District of Columbia	Ohio
Florida	Oklahoma
Georgia	Oregon
Hawaii	Pennsylvania
Idaho	Rhode Island
Illinois	South Carolina
Indiana	South Dakota
Iowa	Tennessee
Kansas	Texas
Kentucky	Utah
Louisiana	Vermont
Maine	Virginia
Maryland	Washington
Massachusetts	West Virginia
Michigan	Wyoming
Minnesota	Guam
Mississippi	Puerto Rico

North Dakota Insurance Department  
Market Conduct Examination  
Minnesota Life Insurance Company  
Securian Life Insurance Company  
American Modern Life Insurance Company  
Southern Pioneer Life Insurance Company

## AFFIDAVIT

STATE OF MINNESOTA

COUNTY OF CARVER

Robert W. McManus, of lawful age, being first duly sworn, upon oath state that I have been charged with examining Minnesota Life Insurance Company, Securian Life Insurance Company, American Modern Life Insurance Company and Southern Pioneer Life Insurance Company, as of October 20, 2021. I have prepared and read the foregoing Report of Market Conduct Examination, that I am knowledgeable of the matters set forth therein, and I certify the Report is true and complete to the best of my knowledge and belief.

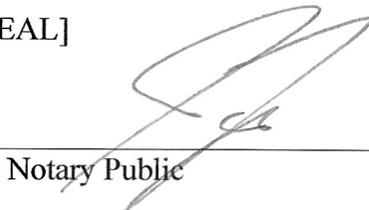
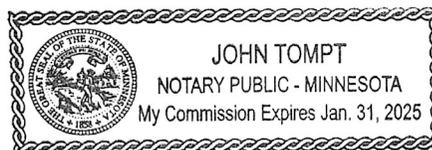


Robert W. McManus

Subscribed and sworn before me by Robert W. McManus

On this 20<sup>th</sup> day of October, 2021.

[SEAL]

  
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Notary Public

My commission Expires: 01/31/2025

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