



Illinois Department of Insurance

Bruce Rauner
Governor

Anne Melissa Dowling
Acting Director

October 26, 2015

Roger William Crandall, President
Massachusetts Mutual Life Insurance Company
1295 State Street
Springfield, MA 01111

Re: Massachusetts Mutual Life Insurance Company, NAIC# 65935
Market Conduct Examination Report Closing Letter

Dear Mr. Crandall:

The Department has reviewed your company's proof of compliance and deems it adequate and sufficient. Therefore, the Department is closing its file on this exam. I intend to ask the Director to make the Examination Report available for public inspection as authorized by 215 ILCS 5/132.

Please contact me if you have any questions.

Sincerely,

Michael P. Rohan
Deputy Director
Consumer Education and Protection
Illinois Department of Insurance
122 S. Michigan Avenue, 19th Floor
Chicago, IL 60603
Phone: (312) 814-8206
E-mail: Michael.Rohan@Illinois.gov

Cc: Antonio Scibelli, Assistant Vice President & Counsel

**MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY
EXAMINATION REPORT**

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: August 18, 2014 through March 12, 2015

EXAMINATION OF: Massachusetts Mutual Life Insurance Company
NAIC Number: 65935

LOCATION: 1295 State Street
Springfield, MA 01111

PERIOD COVERED
BY EXAMINATION: January 1, 2013 through December 31, 2013

EXAMINERS: Joseph S. Krug, CPA, AFE, EIC
Robert Lisson
Josephine Sitter, MCM

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I. SUMMARY

A comprehensive Market Conduct examination of Massachusetts Mutual Life Insurance Company was performed to determine compliance with Illinois Statutes and the Illinois Administrative Code.

The following table represents the general findings with the details of each review located in specific sections of the report.

<u>TABLE OF TOTAL VIOLATIONS</u>						
Crit #	Statute/Rule	Description of Violation	Population	Files Reviewed	Number of Violations	Error %
1	215 ILCS 5/143.14	Life Policy Terminated file did not contain a copy of the termination letter.	2,285	107	1	0.94%
2	215 ILCS 5/351A-9.2	Long Term Care Issued policies were not delivered to the policyholder within 30 days of approval.	135	50	8	16.00%
4	50 Ill. Adm. Code 917.60(b)(2)	Issued Annuity Contract did not contain the external replacement letter sent to the company being replaced.	831	90	1	1.11%
6	215 ILCS 5/132(2)	Company failed to provide 4 pieces of Sales Materials that they provide to Producers.	831	90	4	4.44%
8	50 Ill. Adm. Code 919.50(a)	Disability Income Claim Benefits under the Extended Term Rider were not paid correctly in August 2013.	2,499	18	1	5.55%
9	50 Ill. Adm. Code 919.50(a)	Life Insurance claims were not paid within thirty (30) days of receipt of an acceptable proof of loss.	1,308	32	2	6.25%

II. BACKGROUND

Massachusetts Mutual Life Insurance Company (MassMutual) was founded in 1851 in Springfield, Massachusetts. MassMutual Financial Group (MMFG) is a fleet name used to refer to MassMutual and its affiliates and subsidiaries. MMFG is a global, diversified financial services organization providing Life insurance, Disability Income insurance, Long Term Care insurance, Annuities, Retirement and Income products, investment management, mutual funds and trust services to individuals and institutional customers. MassMutual is organized as a mutual life insurance company. MassMutual is governed by a Board of Directors who maintain frequent and direct contact with management. Members, who are generally considered to be any insured with a life insurance policy issued by MassMutual, may attend and elect members of the Board of Directors at MassMutual's Annual Meeting. In 1996, MassMutual merged with Connecticut Mutual Life Insurance Company.

MassMutual's 2011, 2012 and 2013 Annual Statement Schedule T reflects the following Illinois premium:

Year	Life Insurance Premiums Direct	Annuity Considerations Direct	Accident and Health Insurance Premiums Direct	Other Considerations Direct
2011	\$139,068,482	\$69,192,312	\$22,710,772	\$361,521,805
2012	\$154,624,140	\$80,839,242	\$23,599,971	\$481,150,448
2013	\$195,175,161	\$147,666,188	\$23,896,347	\$554,509,635

III. METHODOLOGY

The Market Conduct Examination covered the business written from January 1, 2013 through December 31, 2013. Specifically, the examination focused on a review of the following areas.

1. Sales and Advertising
2. Producer Licensing
3. Underwriting Procedures
4. Claim Procedures
5. Appeals, Department Complaints and Complaints received directly from Consumers.

The review of these categories was accomplished through examination of producer lists, claim files, underwriting files and complaint files. Each category was examined for compliance with Department Regulations and applicable State laws.

The report concerns itself with improper practices performed by the Company which resulted in a failure to comply with Illinois statutes and/or administrative rules. Criticisms were prepared and communicated to the Company addressing violations discovered in the review process. All found violations are cited in the report.

The following methods were used to obtain the required samples and to ensure a methodical selection.

Producer Licensing

New business was reviewed to determine if solicitations were made by duly licensed persons.

Claims

1. Paid Claims – Payment for claims made during the examination period were reviewed.
2. Denied Claims – Denial of benefits during the examination period for losses not covered by policy provisions were reviewed.

All claims were reviewed for compliance with policy contracts and applicable sections of the Illinois Insurance Code (Section 5/1 *et seq.*) and the Illinois Administrative Code.

The period under review was January 1, 2013 through December 31, 2013.

Department Complaints and Consumer Appeals

The Company was requested to provide all files relating to complaints received by the Department of Insurance and those complaints received directly from consumers. The Company was also requested to provide all formal appeals handled during the survey period.

The period under review was January 1, 2013 through December 31, 2013.

IV. FINDINGS

A. COMPANY OPERATIONS AND MANAGEMENT

1. Company Procedures, Plans and Guidelines

A review was conducted of the Company's underwriting guidelines and procedures, internal audits, disaster recovery plan, anti-fraud program and third-party vendor contracts. No violations were noted.

2. Company's Privacy Procedures

A review of the Company's privacy procedures, including compliance with 215 ILCS 5/355b, which requires the implementation of policies and procedures to prevent the wrongful disclosure of certain data/identifiable information, was conducted. No violations were noted.

B. COMPLAINTS AND APPEALS

A review of the Complaints received by the Company, received by the Illinois Department of Insurance and all Appeals was undertaken. No violations were noted.

C. MARKETING AND SALES

A review of the Company's marketing and sales procedures, including samples of its advertising materials, was conducted. The Company only provided 86 of the 90 pieces of material that were requested for review. This is in violation of 215 ILCS 5/132(2).

D. PRODUCER LICENSING

A review of the Company's producer licensing guidelines and procedures was conducted, as well as a review of a random sample of the Company's licensed producers. No violations were noted.

E. FORMS

A review of the Company's form filing process, as well as verification of a random sample of approved forms, was conducted. No violations were noted.

F. UNDERWRITING AND RATING

1. Life Policies Terminated

Field Size	2,285
Sample Size	107
Files in Error	1
Error Rate	0.93%

FINDING: The Company provided one (1) file that was missing the termination letter. The Company failed to provide complete and accurate file documentation as required by 215 ILCS 5/143.14.

2. Annuity Contracts Issued

Field Size	831
Sample Size	90
Files in Error	1
Error Rate	1.11%

FINDING: The Company provided one (1) file that did not contain the external replacement letter to the company being replaced. The Company failed to provide complete and accurate file documentation as required by 50 Ill. Adm. Code 917.60(b)(2).

3. Long Term Care Policies Issued

Field Size	135
Sample Size	50
Files in Error	8
Error Rate	16.00%

FINDING: The Company failed to deliver eight (8) files within the thirty day limit after they were approved, thereby violating 215 ILCS 5/351A-9.2. It is also important to note that the Company had no receipt of delivery date for two (2) files. Best practice for the Company is to maintain a receipt of delivery date for all Long Term Care Policies issued.

G. CLAIMS

1. Life Insurance Claims Paid

Field Size	1,308
Sample Size	32
Files in Error	2
Error Rate	6.25%

A review of claims paid in excess of thirty days was conducted. The Company failed to pay two (2) of these claims within thirty days of receipt of an acceptable proof of loss. This is a violation of 50 Ill. Adm. Code 919.50(a).

2. Disability Income Claims Paid

Field Size	2,499
Sample Size	18
Files in Error	1
Error Rate	5.55%

The Company failed to pay Benefits under the Extended Term Rider. This is a violation of 50 Ill. Adm. Code 919.50(a).

V. INTERRELATED FINDINGS

ACTUARIAL REVIEW OF LONG TERM CARE PREMIUM RATES

As part of this examination, the examiners conducted a review of the Company's Long Term Care (LTC) rates in Illinois to determine whether or not these rates were excessive and complied with 50 Ill. Adm. Code 2012.110 and 50 Ill. Adm. Code 2012.112.

On August 15, 2014, the examiners submitted the following request to the Company:

- A chart showing the following: Illinois LTC Policy Forms, Issue Dates, Closed/Open, Number of Policyholders as of December 31, 2013 (Illinois), Average Premium as of December 31, 2013 (Illinois), Number of Policyholders as of December 31, 2013 (Nationwide), Average Premium as of December 31, 2013 (Nationwide)
- History of rate increases by LTC policy form in Illinois
- Cumulative rate increases as of December 31, 2013 by LTC policy form for both Illinois and Nationwide
- National and Illinois experience (incurred claims, earned premiums, loss ratio, actual to expected loss ratio, number of policyholders) by policy form for all calendar years through December 31, 2013; this information is typically provided in rate increase filings

The Company provided the requested information on August 22, 2014. The examiners used this information as part of the review of the Company's LTC rates. The examiners also performed experience projections to determine compliance with the pre-rate stability loss ratio of 60% [50 Ill. Adm. Code 2012.110(b)] and post-rate stability rate increase requirements [50 Ill. Adm. Code 2012.110(c)].

Based on the examiners' review and analysis of the information provided by the Company, it appears that the Company's LTC rates meet the requirements of the Illinois Long Term Care sections cited above.

DISABILITY INCOME CLAIMS

While reviewing the Disability Income Terminated sample, the examiners discovered that the Disability Income claim system had incorrectly calculated disability benefits for a claimant. The following is an excerpt from the letter MassMutual sent to the claimant describing the underpayment:

“Based on the terms of policy no. xxxxxxx, you were eligible to receive a combined monthly benefit of \$3,419.30 for the period of August 18, 2012 through September 17, 2012. Due to a calculation error by our claim system, your benefits were underpaid for this period. On September 5, 2012, a combined monthly payment of \$683.86 was processed electronically for this period. Upon discovering the error, subsequent payments in the amounts of \$2,480.00 and \$255.44 were made on September 12, 2012 and September 19, 2012.”

As a result of this finding, the examiners requested a list of all Disability Income benefit payments for 2013. During this review it was determined that MassMutual failed to pay benefits to a claimant in August 2013 under the Extended Term Rider. When questioned about this underpayment MassMutual provided the following response:

“Appears that benefits under the Extended Term Rider were not paid in August 2013. This was an examiner oversight. We are currently undertaking steps to provide the additional benefit plus applicable interest to the insured.”

In this instance, the Company included the following explanation in the letter to the claimant:

“As we discussed during our telephone conversation, during a review of your claim it was noted that there was an underpayment of benefits under the Extended Term Benefits Rider for the period from August 1, 2013 through August 31, 2013 in the amount of \$955.95. As such, on January 29, 2015 we issued a benefit check for the aforementioned period in the amount of \$1,077.63. This represented the underpayment amount of \$955.95 and interest in the amount of \$121.63.”

IT DATA VALIDITY REVIEW

The examiners conducted an IT Data Validity review of MassMutual during this examination. Initial steps included conducting a high-level risk assessment of MassMutual’s IT environment.

Scope, Inquiry, Review and Testing

After initial review of documentation supplied by the Company, as well as discussions with Company personnel, a decision was made to assess the Company’s controls over its perimeter security, privileged access, incident response, software patching, vulnerability assessment and data warehousing. The review consisted of reviewing documentation such as policies and procedures, performing inquiry interviews and conducting a limited amount of detail testing.

The reviews also included a high-level assessment of the security and controls associated with the Company's data warehousing environment. This assessment included performing inquiries and reviewing documentation associated with controls, such as balancing data inputs and data validity checks within the Company's data warehouse environment.

Additionally, the examiners conducted a Disability Income (DI) benefit payment assessment to determine the universe data validity and whether the Company had adequate controls over its DI benefit payment processes. To accomplish this, the examiners requested payment information for the years 2011, 2012 and 2013. MassMutual provided the examiners with a list of 6,947 payments that were reviewed. The review consisted of interviewing Company personnel in charge of the DI process, reviewing associated documentation within the DI process and performing data analysis steps to ensure DI payment amounts were being properly calculated and were in compliance with individual policy provisions and overall regulatory requirements.

Observations and Recommendations

Observation 1 - During the review of Disability Income payments there was an instance where the Company did not make a payment that was due. While performing follow-up assessment steps, it was determined that there were a limited number of automated controls in place to ensure payments are made in a timely manner.

Recommendation - The Company should implement automated data processing controls to determine when payment amounts are reduced after the insured's 65th birthday. This control should be utilized to determine whether or not such payment reductions are appropriate.

STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF:

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY, NAIC # 65935
1295 STATE STREET
SPRINGFIELD, MA 01111

STIPULATION AND CONSENT ORDER

WHEREAS, the Director ("Director") of the Illinois Department of Insurance ("Department") is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, Massachusetts Mutual Life Insurance Company ("Company"), NAIC # 65935, is authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by a duly qualified examiner of the Department pursuant to Sections 132, 401, 402, 403, 407, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, , 5/403, 5/407, and 5/425); and

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report which is an official document of the Department; and

WHEREAS, the Market Conduct Examination Report cited one area in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS nothing herein contained, nor any action taken by the Company in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Company; and

WHEREAS, the Company is aware of and understands its various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, and 407, 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Company understands and agrees that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and

WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order.

NOW, THEREFORE, IT IS agreed by and between the Company and the Director as follows:

1. The Market Conduct Examination indicated one area in which the Company was not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and
2. The Director and the Company consent to this Order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and Department Regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:

1. Institute and maintain procedures to ensure that Long Term Care insurance policies are delivered to the policy owner within thirty (30) days of approval and that the Company maintains proof of delivery of said policy, as required by 215 ILCS 5/351A-9.2.
2. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above order within 30 days of receipt of this Order.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code, including but not limited to levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY

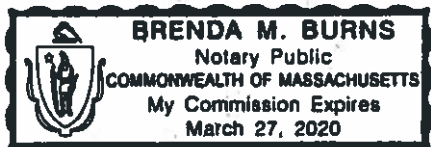
Christine S. Frederick
Signature

Christine Frederick
Name

Senior Vice President
Title

Subscribed and sworn to before me this
6th day of Oct 2015.

Brenda M. Burns
Notary Public



DATE 10/22/15

DEPARTMENT OF INSURANCE of the
State of Illinois:

Anne Melissa Dowling
Acting Director

STATE OF NEW YORK)
) ss
COUNTY OF CHENANGO

Joseph S. Krug, CPA, AFE, Examiner-in-Charge, being first duly sworn upon his/her oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of Massachusetts Mutual Life Insurance Company, (the "Company"), NAIC #69535;

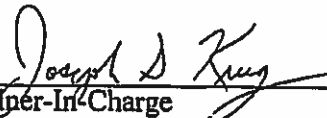
That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Company's business and affairs and the manner in which the Company conducts its business;

That neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as a policyholder or claimant under a policy or as an owner of shares in a regulated diversified investment company, and that neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

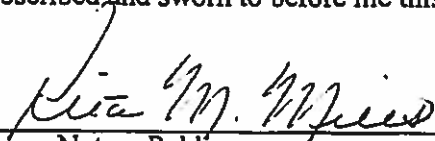
That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

That he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the Company.


Examiner-In-Charge

Subscribed and sworn to before me this 22nd day of April, 2015.


Notary Public

Rita M. Miles
Notary Public, State of New York
Qualified in Chenango County
No. 01M162B123B
Commission Expires May 13, 2017