



**STATE OF RHODE ISLAND
DEPARTMENT OF BUSINESS REGULATION
INSURANCE DIVISION**

**REPORT on the TARGETED MARKET CONDUCT EXAMINATION
OF**

METLIFE INVESTORS USA INSURANCE COMPANY

NAIC Company Code: #61050

For the period January 1, 2007 through December 31, 2008

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
INSURANCE DIVISION
1511 Pontiac Ave. – Bldg. 69-2
Cranston, RI 02920

IN THE MATTER OF:)

METLIFE INVESTORS USA INSURANCE COMPANY)

DBR No.

10-156

Respondent.
_____)

CONSENT AGREEMENT

It is hereby agreed between the Department of Business Regulation (“Department”) and the MetLife Investors USA Insurance Company (“Respondent”) as follows:

1. Pursuant to R.I. Gen. Laws § 27-71-7, the Department initiated a Market Conduct Examination (“Examination”) in order to evaluate Respondent’s compliance with applicable R. I. Gen. Laws and Rhode Island Insurance Regulations.
2. The Examination was completed and a report was issued on December 21, 2010.
3. On December 22, 2010, pursuant to R. I. Gen. Laws §27-13.1-5(b), Respondent submitted written comments to the report.

WHEREFORE, based on the foregoing, Respondent and the Department have decided to resolve this matter without further administrative proceedings and hereby agree to the following resolution:

1. The Examination concluded that Respondent failed to fully comply with Rhode Island Insurance Regulation 29 Section 6(A)(2) in 18 of the 50 annuity contracts reviewed and in 16 of the 50 replacements of annuity contracts, which requires that

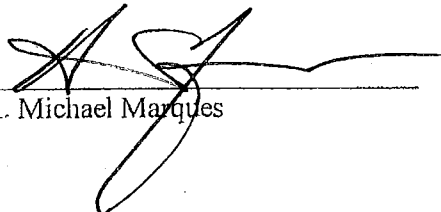
the existing insurer be notified of the proposed replacement of their in force annuity contracts. For the 34 violations detailed herein, Respondent is ordered to pay an administrative penalty of twenty-five thousand dollars (\$25,000).

2. The Respondent failed to properly comply with Rhode Island Insurance Regulation 29 Section 6 and Section 4C in 8 out of 50 replacement files reviewed, relative to the Company's failure to complete the "Notice of Replacement" and "Sales Material Disclosure" forms properly by denoting the writing company, and completing the statement as to whether each policy or contract will be replaced or whether a policy will be used as a source of financing for the new policy or contract. The Department and Respondent agree that Respondent will pay an administrative penalty of twenty-five thousand dollars (\$25,000) as a result of this violation.

For all of the violations detailed herein Respondent is ordered to pay an administrative penalty of fifty thousand dollars (\$50,000).

Department and Respondent hereby consent and agree to the foregoing on this 29 day of December, 2010.

Department of Business Regulation
By its Director,


A. Michael Marques

Respondent,


Name

Robert F. DiLorenzo
Print Name

Asst Vice President
Title

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Providence, Rhode Island

December 20, 2010

Honorable A. Michael Marques
Insurance Commissioner
State of Rhode Island

Commissioner:

In accordance with your instructions, and pursuant to the statutes of the State of Rhode Island, a Market Conduct Examination was conducted of the:

METLIFE INVESTORS USA INSURANCE COMPANY

5 Park Plaza
Irvine, CA 92614

Hereinafter referred to as the "Company". The examination was conducted at the Department of Business Regulation, Insurance Division, 1511 Pontiac Ave., Bldg. 69-2, Cranston, Rhode Island.

FOREWORD

Our Market Conduct Examination Report is, in general, a report by exception. Information relating to practices, procedures, and/or files subject to review during our examination has been omitted from the report if errors and/or improprieties were not evidenced.

SCOPE OF EXAMINATION

Authority for this examination is provided by R.I. Gen. Laws §27-71-7 and §27-71-15. The examination covered the period from January 1, 2007 through December 31, 2008, and was conducted in accordance with standards established by the National Association of Insurance Commissioners, and procedures developed by the Rhode Island Department of Business Regulation, Insurance Division.

The examination encompassed a review of the following areas: Compliance with Rhode Island Insurance Regulation 12, Suitability in Annuity Transactions and Rhode Island Insurance Regulation 29, Life Insurance and Annuities Replacement. The lines of business reviewed were Individual Annuities and Individual Life Insurance.

The test work performed during the examination satisfied this purpose, and forms the basis for the findings and recommendations presented in this report. The examination consisted of verification and evaluation, on a test basis, of information contained in the insurer's files.

PROFILE OF COMPANY

History

MetLife Investors USA Insurance Company ("MLI USA" or "the Company") was originally incorporated on September 13, 1960 in Delaware as Associated Traffic Clubs Insurance Corporation. In 1968, the Company was purchased by Union Fidelity Investment Corporation. The name was changed to National Consumers Life Insurance Company in 1972.

In July 1979, the Security First Group, Inc. ("SFG") of Los Angeles acquired the Company and changed the name to Security First Life Insurance Company ("Security First Life"). In January 1985, The Holden Group, Inc. became the direct parent of the Company and SFG, and in 1995 changed the name back to Security First Group.

On October 30 1997, SFG was sold to Metropolitan Life Insurance Company ("MLIC"), a New York domiciled life insurance company. In January 2001, Security First Life was changed to the present name and the holding company name was changed to MetLife Investors Group, Inc. ("MLIG"), then to MetLife, Inc. ("MetLife") the parent of MLIC on December 31, 2002.

MLI USA is licensed to offer life insurance, annuities, variable annuities and variable life in 49 states, the District of Columbia and Puerto Rico. It markets a wide range of MetLife branded products such as individual fixed and variable annuities, variable life, and fixed life insurance products, including universal life, whole life, and term life. Distribution is through financial intermediaries including broker dealers, banks, financial planners, and insurance agencies, on a nationwide basis.

Operations

The Company's Rhode Island direct written premium for the year 2008 was as follows:

<u>Line of Business</u>	<u>Written Premium</u>
Annuity Considerations	\$ 37,798,855

Management

At December 31, 2008, the Officers of the MetLife Investors USA Insurance Company were as follows:

Michael K. Farrell	President & Chief Executive Officer
Kevin J. Paulson	Senior Vice President
Eric T. Steigerwalt	Treasurer
Richard C. Pearson	Vice President, Associate General Counsel & Secretary
James J. Reilly, Jr.	Vice President of Finance

At December 31, 2008, the Directors of the MetLife Investors USA Insurance Company were as follows:

Susan A. Buffum	Michael K. Farrell
Margaret C. Fechtmann	Elizabeth M. Forget
George Foulke	Jay S. Kaduson
Richard C. Pearson	Paul A. Sylvester
Jeffrey A. Tupper	

ANNUITIES

New Business

A review of the Company's underwriting practices for suitability of annuity transactions was conducted to determine whether the company was in compliance with Rhode Island Insurance Regulation 12, Suitability in Annuity Transactions, for the period under examination.

The Company provided the examiner with a listing of 681 individual annuity contracts written, excluding annuity contracts exempt from the scope of R. I. Insurance Regulation 12, section 4. From this listing, a sample of 50 contracts was selected based on established NAIC sampling criteria. These contracts were reviewed for suitability in annuity transactions and proper disclosure of replacement of existing contracts.

Based on the examination work performed, the Company was found to have 18 violations (36%) of Rhode Island Insurance Regulation 29, section 6 A(2) relating to proper disclosure of replacement to the existing insurer.

LIFE and ANNUITIES

Replacements

A review of the Company's replacement practices of life insurance and annuity contracts was conducted to determine whether the company was in compliance with Rhode Island Insurance Regulation 29, Replacement of Life Insurance and Annuities, for the period under examination.

The Company provided the examiner with a listing of 522 replacements of life policies and annuity contracts, which were processed for the period under examination. From this listing, a sample of 50 files was selected for review, based on established NAIC sampling criteria.

Of the 50 replacement files reviewed in the sample, 16 files (32%) were found to be in violation of R. I. Insurance Regulation 29, sec. 6 A(2). The Company did not send separate letters to existing insurers notifying the companies of the proposed replacement of their in force annuity contracts in accordance with R. I. Insurance Regulation 29.

Recommendation #1: It is recommended that the company revise its procedure for processing replacement business for annuity contracts to include sending a separate replacement notification letter to any other existing insurer that may be affected by the proposed replacement within five business days of receipt of a completed application indicating replacement in accordance with Rhode Island Insurance Regulation 29, Section 6A(2).

Recommendation #2: It is recommended that the company begin sending the "Replacement Notification" letter developed by the company in January, 2010, to provide the existing insurer with advance notice of replacement of their annuity contract, and mail a copy of the available disclosure document for the proposed contract within five business days of a request from an existing insurer as defined in Rhode Island Insurance Regulation 29, Section 6 A(2).

There were eight additional violations, or 16%, of R. I. Insurance Regulation 29, Section 6 & Section 4, when the "Notice of Replacement" and the "Sales Material Disclosure Form" were not properly completed, as either the appropriate company name was not checked off on the form, or the replacement questions were not answered correctly.

Recommendation #3: It is recommended that the company revise its procedures where a replacement is involved in the transaction to include a review of forms for completeness and accuracy, in accordance with Rhode Island Insurance Regulation 29, Section 4.

Rec. #	Recommendations	Page #
1	It is recommended that the company revise its procedure for processing replacement business for annuity contracts to include sending a separate replacement notification letter to any other existing insurer that may be affected by the proposed replacement within five business days of receipt of a completed application indicating replacement in accordance with Rhode Island Insurance Regulation 29, Section 6A(2).	8
2	It is recommended that the company begin sending the "Replacement Notification" letter developed by the company in January, 2010, to provide the existing insurer with advance notice of replacement of their annuity contract, and mail a copy of the available disclosure document for the proposed contract within five business days of a request from an existing insurer as defined in Rhode Island Insurance Regulation 29, Section 6 A(2).	8
3	It is recommended that the company revise its procedures where a replacement is involved in the transaction to include a review of forms for completeness and accuracy, in accordance with Rhode Island Insurance Regulation 29, Section 4.	9

CONCLUSION

We have applied verification procedures to the data contained in this report using both subjective and statistical sampling techniques as deemed appropriate. While sampling techniques do not give complete assurance that all errors and irregularities will be detected, those that were detected during the course of this examination have been disclosed in this report. We were not informed of, and did not become aware of any other error or irregularity that could have a material effect on the market conduct condition of the Company as presented in this report.

Respectfully submitted,



Dorothy E. Wendoloski, CFE, MCM
Senior Insurance Examiner
Rhode Island Insurance Division

1095 Avenue of the Americas
New York, NY 10036
Tel: 212-578-0399



Robert DiLorenzo, MCM, FLMI
Assistant Vice President
Regulatory Affairs

Via Electronic Mail and Federal Express

December 22, 2010

Ms. Sharon K. Gordon
Chief Insurance Examiner
Rhode Island Department of Business Regulation
Insurance Division
1511 Pontiac Avenue, Bldg. 69-2
Cranston, RI 02920

Re: MetLife Investors USA Insurance Company ("MLI USA")
Targeted Market Conduct Examination

Dear Ms. Gordon:

This letter confirms receipt of the Market Conduct Examination Report for MetLife Investors USA Insurance Company for the period ended December 31, 2008 and Consent Agreement. Please be advised that MLI USA acknowledges the findings in the Report.

The Company has enhanced its existing annuity new business procedure to send a separate replacement notification letter to each existing insurer that may be affected by the proposed replacement within five business days of receipt of a completed application indicating replacement in accordance with Rhode Island Insurance Regulation 29, Section 6A(2) as suggested in Recommendation #1. Effective February 26, 2010, the Company began sending these letters to the existing insurers for all completed annuity applications indicating replacement as suggested in Recommendation #2.

As we have stated in our previous response to the Exception Memorandum, the Company believes that its transfer of existing contract assets request form met the notification requirements set forth in Rhode Island Insurance Regulation 29, Section 6A(2) since the form puts the existing insurer on notice of a proposed annuity replacement. However, as stated above, the Company has enhanced its procedures and now supplements the annuity transfer of existing contract assets request form through a separate notice letter to the existing insurer.

In response to Recommendation #3, the Company sent an e-mail reminder to the entire Replacement Team to reinforce existing procedures and advise the members of the Team to perform the actions outlined below:

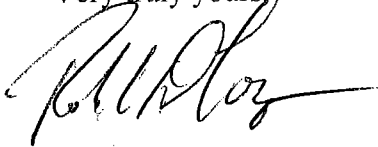
- Make sure when a transaction involves replacing multiple companies, that all companies receive their due disclosure notices.
- Make sure the two "Yes/No" questions have both been appropriately answered on the Important Notice of Replacement Form (EREPLDIS-NAIC).
- Make sure that it is clearly marked whether the policy is being replaced or financed on the same Important Notice of Replacement Form.
- Make sure the writing company's name is clearly marked at the top of the form. It is the Company's procedure to go back to the agency and ask that a writing company be selected whenever forms are received without such an indication.
- Make sure the Sales Material Disclosure Form is properly completed and not merely signed and the remainder of the document left blank.

Additional training will continue for the Replacement Team to ensure compliance with all Rhode Island replacement requirements. Since the examination period, the Company incorporated additional audits and case reviews of individual life replacement matters into the daily monitoring of Replacement Analysts. Ten random audits are conducted on every Replacement Analyst each month and the Company will emphasize the review of the items mentioned above. A Business Instructor conducts the audits and based on the results, presents training to the Replacement Team.

The Company is committed to doing business in an ethical and compliant manner and assures the Insurance Division that it has addressed all Recommendations and made arrangements to issue a check to satisfy the administrative penalty outlined in the Consent Agreement. A signed copy of the Consent Agreement is provided with this letter. A check in the sum of \$50,000 will be issued in January.

Please feel free to contact me if you require additional information on this matter. It has been a pleasure working with you and Ms. Debra Wendoloski on this market conduct examination.

Very truly yours,



Robert F. DiLorenzo
Assistant Vice President