


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

The attached Report of Examination as of December 31, 1995, of the condition and affairs of Metropolitan Life Insurance Company was recently completed by duly qualified examiners, pursuant to the provision of the Rhode Island Insurance Code.

Due consideration has been given to the comments of the examiners regarding the operation of Metropolitan Life Insurance Company and its market conduct condition as reflected from the report.

It is therefore ORDERED that said Report be, and it is hereby adopted and filed and made an official record of this department as of this date.

DEPARTMENT OF BUSINESS REGULATION



Barry G. Mittner
Director/Insurance Commissioner

ORDER NO. 97-0091

DATED: October 21, 1997

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
DIVISION OF INSURANCE
233 RICHMOND STREET
PROVIDENCE, RHODE ISLAND 02903-4233**

CONSENT ORDER

IN RE:

Metropolitan Life Insurance Company

It is hereby stipulated and agreed by Barry G. Hittner, Director of the Rhode Island Department of Business Regulation ("Department"), and Metropolitan Life Insurance Company ("Metropolitan") as follows:

WHEREAS, Barry G. Hittner is the Director of the Department ("Director") which is charged with administering and enforcing all laws in relation to insurance and insurance companies conducting business in the State of Rhode Island; and

WHEREAS, Metropolitan has been granted a certificate of authority to transact the business of insurance in the State of Rhode Island; and

WHEREAS, Metropolitan is subject to the jurisdiction of the Department by virtue of its Certificate of Authority to conduct insurance in the State of Rhode Island; and

WHEREAS, the Director conducted a market conduct examination of Metropolitan for the period January 1, 1994 through December 31, 1995, in accordance with Section 27-13 1-3 of the General Laws of Rhode Island; and

WHEREAS, the report on market conduct examination of Metropolitan has revealed that:

- 1) Metropolitan could not locate four (4) of the ninety-one (91) sales and advertising items requested for review;
- 2) Four (4) of the consumer complaints reviewed contained evidence that the original policy had been replaced with another policy, however the replacements were not processed as replacements of life insurance, in violation of Rhode Island Insurance Regulation 29;
- 3) Two (2) of the consumer complaints reviewed contained evidence that misrepresentation in the sales of life insurance (incomplete comparisons of the terms, conditions, and/or benefits) had occurred, in violation of Section 27-4-5 of the General Laws of Rhode Island;
- 4) Sixteen (16) of the consumer or other related complaints reviewed contained evidence of misrepresentation, in violation of Section 27-4-5 of the General Laws of Rhode Island, and evidence that the existing life insurance policies were replaced by Metropolitan without complying with the requirements Rhode Island Insurance Regulation 29;
- 5) Seventy-seven (77) of the eight-five (85) replacement of life insurance files reviewed were found to be in violation of one or more sections of Rhode Island Insurance Regulation 29, as follows: Nine (9) replacement files did not contain the "Important Notice Regarding Replacement", twenty-nine (29) replacement files contained incorrect notice forms, thirty-two (32) replacement files contained either incomplete or inaccurate "Comparative Information Forms", five (5) replacement files did not contain

"Comparative Information Forms", one (1) replacement file contained a certification which was not signed by the agent, one (1) replacement file contained a certification that was not signed by the applicant, sixty-five (65) replacement files indicate that the required letter to the existing insurer with a verified "Comparative Information Form" was not sent within three (3) working days of the date the application was received, thirty (30) replacement files revealed that Metropolitan did not verify the accuracy of the "Comparative Information Form", eight (8) replacement files did not contain a copy of all sales proposals used with the applicant, twenty-seven (27) replacement files indicated on the application that the new policy written was not a replacement, and twenty-one (21) replacement files indicated that Metropolitan failed to obtain from its agent a copy of the "Notice Regarding Replacement" signed by the applicant and a "Comparative Information Form" signed by the agent and applicant;

6) One (1) of the five (5) surrenders of life insurance reviewed contained evidence that an undisclosed replacement had occurred, in violation of Rhode Island Insurance Regulation 29;

7) A review of policy loan proceeds applied directly to other Metropolitan policies owned by the same person, revealed that seven (7) of the twenty-seven (27) loans were replacements of life insurance as defined by Rhode Island Insurance Regulation 29, however the purchase of the new life insurance policy had not been processed as a replacement of life insurance, in violation of Regulation 29.

WHEREAS, Metropolitan does not admit nor does it deny that its activities violated the statutes or regulations of the State of Rhode Island, however, in the interest of fully and finally resolving and settling all issues relating to the State of Rhode Island's market conduct examination, Metropolitan agrees to enter into this Consent Order; and

WHEREAS, Metropolitan hereby agrees to take remedial action towards assuring future compliance with the statutes and regulations of the State of Rhode Island, and agrees to maintain those corrective actions at all times; and

WHEREAS, Metropolitan does hereby voluntarily and knowingly waive any and all of its rights to certain procedural requirements, including notice and opportunity for a hearing, which may have otherwise applied to the above referenced market conduct examination; and

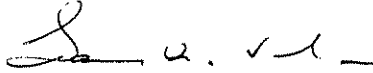
WHEREAS, Metropolitan, after being advised by legal counsel, agrees to the **ORDER OF DIRECTOR** set forth below and as a result of the market conduct examination further agrees voluntarily and knowingly to surrender and forfeit the sum of one hundred thousand dollars (\$100,000.) as an administrative penalty.

NOW THEREFORE, in lieu of the institution by the Director of other sanctions, Metropolitan does hereby voluntarily and knowingly waive all rights to any hearing in the aforementioned matter, consents to the **ORDER OF THE DIRECTOR** set forth below and forfeits the sum of one hundred thousand dollars (\$100,000) to the Department.

CONSENT AS TO FORM AND SUBSTANCE

I hereby consent to the form and substance of this Consent Order and certify that I have authority to do so on behalf of Metropolitan.

Metropolitan Life Insurance Company



Witness

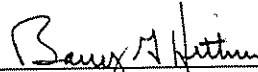
ORDER OF DIRECTOR
DEPARTMENT OF BUSINESS REGULATION
INSURANCE DIVISION

Pursuant to authority vested in me by the General Laws of the State of Rhode Island, I do hereby **ORDER** Metropolitan to implement procedures to place Metropolitan Life Insurance Company in full compliance with those statutes and regulations found to have been violated by Metropolitan as stated in the above **CONSENT ORDER**.

Furthermore, I accept and agree to the **CONSENT ORDER** and accept the voluntary forfeiture of an administrative penalty of one hundred thousand dollars (\$100,000.) as a sufficient means to ensure the compliance by such parties with the statutes and regulations of the State of Rhode Island.

IT IS SO ORDERED

IN WITNESS WHEREOF, I have hereunto set my hand in Providence, Rhode Island, this 21st day of October 1997.



Barry G. Hiltner, Director
Department of Business Regulation
State of Rhode Island

97-0090
Order Number

REPORT ON

MARKET CONDUCT EXAMINATION

OF

METROPOLITAN LIFE INSURANCE COMPANY

(NAIC COMPANY CODE 65978)

1 MADISON AVENUE
NEW YORK, NEW YORK 10010

AS OF

DECEMBER 31, 1995

INSURANCE DIVISION
DEPARTMENT OF BUSINESS REGULATION
STATE OF RHODE ISLAND

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PROVIDENCE, RHODE ISLAND

April 24, 1997

Honorable Barry G. Hittner
Insurance Commissioner
State of Rhode Island

Dear Sir:

In accordance with your instructions, and pursuant to Title 27, Chapters 13 and 13.1 of the General Laws of Rhode Island, a Market Conduct Examination was conducted of the Rhode Island business of:

Metropolitan Life Insurance Company
1 Madison Avenue
New York, New York 10010

referred to hereinafter as "MetLife" or "the Company." Our report is hereby submitted as follows:

FOREWORD

Our Market Conduct Examination Report is in general, a report by exception. Practices, procedures, and/or files subject to review during this examination may have been omitted from the report if errors and/or improprieties were not evidenced.

SCOPE OF EXAMINATION

We conducted our examination in accordance with Title 27 Chapters 13 and 13.1 of the General Laws of Rhode Island. The examination covers the period from January 1, 1994 through December 31, 1995. Performance of our examination was in accordance with procedures developed by the National Association of Insurance Commissioners, and standards established by the Rhode Island Department of Business Regulation, Insurance Division.

All areas of the examination, with the exception of sales and advertising, were performed at the Company's Rhode Island office, which is located at 700 Quaker Lane, Warwick, Rhode Island. Sales and advertising was reviewed in the Company's Law Department located at 315 Park Avenue South, New York, New York.

Areas examined include Certificate of Authority, Consumer or Other Related Complaints, Underwriting and Rate Application/Policy Forms and Filings, Replacement of Life Insurance, Policy Loans, Claim Practices, Policy Surrenders and Sales and Advertising.

The primary purpose of the examination was to evaluate the Company's compliance with Rhode Island Insurance Laws and Regulations. The examination was also performed to determine whether Rhode Island policyholders and claimants were treated equitably and fairly during the period under examination. The test work performed during the examination satisfied these purposes, and forms the basis for the findings and recommendations in this report.

COMPANY OVERVIEW

History

The Company, which is domiciled in New York, was incorporated on March 24, 1868, and commenced business on March 25, 1868 as a stock insurance company. In January 1915, MetLife changed its form of organization from a stock insurance company to a mutual insurance company.

Company Operations

MetLife operates in all fifty (50) states, the District of Columbia, Puerto Rico, and all provinces of Canada. The Company's field operations are divided into six (6) geographical regions on the branch office plan, utilizing approximately ten thousand (10,000) sales representatives and managers and five hundred (500) brokers.

The Company writes participating ordinary life insurance policies on individuals, group life insurance, group and individual annuities, disability, vision and dental care. MetLife also offers guaranteed interest contracts and funding arrangements for retirement and savings plans.

Based upon figures reported in MetLife's 1995 Annual Statement, the Company's individual life insurance new business issued has declined significantly over the last three years. The decline in sales of life insurance coincides with investigations performed by the Florida and Pennsylvania Insurance Departments regarding MetLife's practices in the solicitation and sales of life insurance falsely identified as a retirement plan by some MetLife agents, and the associated twenty million dollar (\$20,000,000) fine.

Individuals were allegedly misled by MetLife agents into believing that they were investing in a retirement plan, when they were actually induced into buying whole life insurance through dishonest sales practices. As a result of the allegations of agent misrepresentations, the Company also experienced high levels of agent turnover.

1995 RHODE ISLAND DIRECT PREMIUMS WRITTEN

Line of Business	Ordinary or Group	Rhode Island Premiums Written
Life Insurance	Ordinary	\$20,009,308
Life Insurance	Group	6,810,164
Annuity Considerations	Ordinary	859,974
Annuity Considerations	Group	2,083,506
Deposit-Type Funds	Ordinary	7,426,953
Deposit-Type Funds	Group	5,456,783
		\$42,646,688
Total 1995 Rhode Island Writings		

Management

The Company was managed by the following individuals at December 31, 1995:

Harry P. Kamen	Chairman of the Board, President and Chief Executive Officer
Theodossios Athanassiades	Vice Chairman of the Board
Stewart G. Nagler	Senior Executive Vice-President and Chief Financial Officer
Gerald Clark	Senior Executive Vice-President and Chief Investment Officer
Gary A. Beller	Executive Vice-President
Robert H. Benmosche	Executive Vice-President

Anthony C. Cannatella	Executive Vice-President
Robert J. Crimmins	Executive Vice-President
Frederick P. Hauser	Senior Vice-President and Controller
Carl R. Henrickson	Executive Vice-President
David A. Levene	Senior Vice-President and Chief Actuary
Christine N. Markussen	Vice-President and Secretary
John D. Moynahan, Jr.	Executive Vice-President
Catherine A. Rein	Executive Vice-President
John H. Tweedie	Executive Vice-President
Arthur G. Typermass	Senior Vice-President and Treasurer

CERTIFICATE OF AUTHORITY

The Company's Certificate of Authority was reviewed to determine which lines of business the Company was authorized to write in Rhode Island. The Company's writings were then compared to their Certificate of Authority, to determine whether the Company's writings were in accordance with their Rhode Island Certificate of Authority and Section 27-2-11 of the General Laws of Rhode Island.

The results of this review indicate that the Rhode Island operations of the Company during the examination period were in compliance with their Certificate of Authority.

SALES AND ADVERTISING

A review of MetLife's sales and advertising practices during the period under examination was performed to determine whether they were in compliance with Section 27-29-3 and Section 27-4-

5 of the General Laws of Rhode Island, and Rhode Island Insurance Regulation XXVII, Insurance Solicitation.

The Company provided a listing of 11,805 sales and advertising materials, which represents all materials in use by MetLife during the period under examination. The Company was asked to identify only sales and advertisement materials which applied to individual life insurance, but could not do so with their current system. Therefore, a selection of one hundred and eighty-three (183) items was made by reviewing the listing of 11,805 materials which the Company was able to provide. This was accomplished by selecting all of the items which, based upon the short description provided by the Company, appeared to relate to individual life insurance.

It is recommended that MetLife review their database of sales and advertising materials, and consider adding a field which identifies the lines of business for which each sales and advertising material might be used. This practice would assist in the examination of the Company's sales and advertising materials by allowing the Company to produce materials sorted by line of business.

From the one hundred and eighty-three (183) items found, a sample of ninety-one (91) sales and advertising materials was selected for review. Four (4) of the ninety-one (91) sales and advertising items requested could not be located by MetLife.

It is recommended that the Company review its controls over sales and advertising materials to determine why all sales and advertising materials requested for review were not retrievable as necessary for examination. It is also recommended that appropriate steps be taken to ensure that in the future, all materials requested for examination are retrievable.

CONSUMER OR OTHER RELATED COMPLAINTS

A review of MetLife's consumer or other related complaints for the period under examination was conducted to determine whether actions taken by MetLife regarding consumer or other related complaints were in compliance with applicable Rhode Island Insurance Laws, including Sections 27-2-19, 27-4-5, and 27-29-3, and Rhode Island Insurance Regulation XXIX, Replacement of Life Insurance.

The review was also performed to assess whether MetLife has adhered to its own complaint handling procedures and all applicable policy contract provisions, whether a pattern exists in the number and/or types of complaints generated by MetLife's operations, and whether complaints are processed and resolved in a timely manner.

For the years 1994 and 1995, forty (40) of the two hundred and eighteen (218) complaints relative to MetLife's individual life insurance operations were directed by the complainant to the Rhode Island Insurance Division. All forty (40) of these complaints were listed on MetLife's complaint register, as required by Section 27-29-4(13) of the General Laws of Rhode Island. Complaints are defined by Rhode Island Law as any written communication primarily expressing a grievance.

From the population of two hundred and eighteen (218) consumer or other related complaints, a sample of seventy-eight (78) complaints was selected for review.

Twelve (12) of the complaints reviewed revealed that the Company did not send an initial response to the complainant within the first two weeks of receipt of the complaint, in violation of the Company's established procedures for reviewing and resolving consumer complaints.

It is recommended that MetLife take appropriate actions to ensure that consumer complaints are processed in a timely manner in accordance with MetLife's established complaint handling procedures, regardless of the Company's complaint volume.

Four (4) of the consumer or other related complaint files tested contained evidence that the original policy had been replaced with another policy, without following the requirements of Rhode Island Insurance Regulation XXIX, Replacement of Life Insurance. Completed replacement forms are required and are to be retained by the Company for all replacements of life insurance not specifically exempted by the regulation. To resolve three (3) of these complaints, MetLife rescinded the new policy and refunded all premiums. To resolve one (1) of the complaints, the policyholder elected to retain the new policy.

It is recommended that proper actions be taken on the part of MetLife to ensure that all producing agents and all MetLife personnel involved in the processing of replacement policies are aware of the Requirements of Regulation XXIX, Replacement of Life Insurance. Strict monitoring of replacement activity and of adherence to Regulation XXIX should be conducted by MetLife.

Two (2) of the complaints reviewed demonstrated that misrepresentation in the sale of life insurance (incomplete comparisons of the terms, conditions, and/or benefits) had occurred. To resolve one (1) case of misrepresentation, the Company agreed to rescind a universal life policy and replace it with a whole life policy. To resolve the other misrepresentation complaint, MetLife rescinded a whole life policy and restored a term policy as requested by the policyholder.

It is recommended that proper action be taken by MetLife to ensure that producing agents of the Company do not issue, circulate or cause or permit to be circulated, any estimate, illustration,

circular, or statement of any sort misrepresenting the terms of any policy to be issued by the Company, or the benefits or advantages promised thereby.

In addition, it is recommended that proper action be taken to ensure that no producing agent of the Company orally, or in writing, make any misrepresentation or incomplete comparison regarding the cost, terms, conditions or benefits contained in any policy or contract of insurance to any person insured with any other insurer, for the purpose of inducing or tending to induce that person to lapse, forfeit, or surrender his or her insurance with that other insurer.

Sixteen (16) of the consumer or other related complaint files reviewed contained evidence that existing life insurance policies were replaced by MetLife agents with new life insurance policies, without complying with the requirements of Regulation XXIX. These sixteen (16) files also demonstrate that misrepresentation in the sales of life insurance (incomplete comparisons of terms, conditions and/or benefits) had occurred.

In twelve (12) of the sixteen (16) cases of misrepresentation, the Company rescinded the new policy and restored values to the original policy. In four (4) of the sixteen (16) cases of misrepresentation, the Company rescinded the new policy and refunded all premiums.

It is recommended that proper action be taken to ensure that all producing agents of MetLife and all personnel involved in the processing of new business, be made aware of the requirements of Regulation XXIX, Replacement of Life Insurance, and that strict adherence to the requirements of this regulation be followed.

UNDERWRITING AND RATE APPLICATION/POLICY FORMS AND FILINGS

A review of the Company's underwriting and rating of individual life insurance policies written during the period under examination was performed to determine whether the Company's underwriting and rating procedures were in compliance with Sections 27-4 and 27-2-17(c) of the General Laws of Rhode Island and Regulations XXVII, Life Insurance Solicitation, and XXIX, Replacement of Life Insurance. The examination was also performed to determine whether the new policies were underwritten and rated in compliance with the Company's formal underwriting and rating guidelines and procedures.

During the period under examination the Company issued 7,486 individual life insurance policies to Rhode Island residents. From this population, a sample of one hundred and twenty-two (122) policy files was selected for review.

All one hundred and twenty-two (122) policies reviewed indicated that the Company had properly underwritten and rated the policy in accordance with the Company's formal procedures, and all applicable Rhode Island Laws and Regulations.

A review of policy forms was conducted on a subset of policies within the underwriting sample selected. Ten (10) policies were reviewed to ensure that the application, policy and rider forms used by the Company had been approved for use in Rhode Island by the Rhode Island Department of Business Regulation. No exceptions were noted for this area of review.

REPLACEMENT OF LIFE INSURANCE

A review of the MetLife's replacement of life insurance practices was performed to determine whether MetLife was processing replacements of life insurance in compliance with Insurance

Regulation XXIX, Replacement of Life Insurance. The review was also performed to assess the Company's compliance with its own procedures and ethical guidelines pertaining to the replacement of existing life insurance for the period under examination.

From a population of three hundred and thirty-seven (337) replacements, a sample of eighty-five (85) policies was selected, consisting of twenty (20) non-exempt internal replacements (MetLife to MetLife replacements) and sixty-five (65) non-exempt external replacements (another company's policy replaced by MetLife).

The review revealed that seventy-seven (77) out of the eighty-five (85) replacements were not fully in compliance with Regulation XXIX. This constitutes an error in ninety-one percent (91%) of the replacement files reviewed. Twelve (12) of the twenty (20) internal replacements were not fully in compliance with Regulation XXIX, while all sixty-five (65) of the external replacements were not fully in compliance with the regulation. Many of the replacement files revealed multiple areas of non-compliance with Regulation XXIX.

Nine (9) policies did not have the required "Important Notice Regarding Replacement" as required by Section 6.B.1. of Regulation XXIX. In addition, twenty-nine (29) policies contained the incorrect notice form, one of which had not even been signed by the applicant for life insurance. Thirty-two (32) policies contained incomplete or inaccurate "Comparative Information Forms".

Five (5) policies files did not contain "Comparative Information Forms". On one (1) replacement file the agent did not sign the certification, and on another replacement the applicant didn't sign the certification.

There were sixty-five (65) instances of noncompliance with Section 7.C.4. of Regulation XXIX, which requires a letter to be sent to the existing insurer with a verified "Comparative Information Form" within three (3) working days of the date the application and a substantially accurate "Comparative Information Form" are received at the Company's home or regional office.

Twenty-eight (28) of the letters were more than three (3) working days late. Five (5) letters were sent within three days, but the letter stated that "Comparative Information Forms" will follow. Four (4) letters were sent within three (3) working days, but with inaccurate, incomplete, or illegible "Comparative Information Forms". No letters were sent to the existing insurer on five (5) replacements.

The remaining twenty-three (23) of the sixty-five (65) exceptions were sent within the three (3) day requirement, but the letter states that the proposals will be forwarded as soon as they have been examined for accuracy. The Company indicated that the letter sent to existing insurers regarding replacement was a form letter sent due to an error in MetLife's system which was discovered in late 1995 by MetLife.

The Company revised its system, and now has two letters which are used for notifying the other insurer of a replacement. A review of the letters reveals that the letter currently used by MetLife when the "Comparative Information Form" will be sent at a later date, is still not in compliance with Regulation XXIX. Regulation XXIX requires that a verified "Comparative Information Form" be sent to the existing insurer within three (3) working days of the date the application and a substantially accurate "Comparative Information Form" are received at the Company's home or regional office.

Thirty (30) policies reviewed were not in compliance with Section 7.C.2. of Regulation XXIX, which requires the Company to verify the accuracy of the "Comparative Information Form."

Eight (8) policies did not comply with Section 6.B.3. of Regulation XXIX which requires the agent to leave the original or a copy of all sales proposals used, with the applicant.

Twenty-seven (27) replacement files indicated on the application for life insurance that the new policy was not a replacement. Section 7.B. of Regulation XXIX requires the agent and applicant to sign a statement which acknowledges that a replacement is involved. There were no amendments to these applications, although they clearly were replacements, and required the affirmative statement on the application, or an amendment to the application.

Section 7.C.1. of Regulation XXIX requires the replacing insurer to obtain from the agent, with the application, a copy of the "Notice Regarding Replacement" signed by the applicant, a copy of the "Comparative Information Form" signed by the agent and the applicant, and a copy of all Sales Proposals used for presentation to the applicant. Twenty-one (21) exceptions were noted in this area of review.

Although the Company's procedures require a "Replacement Checklist" to be completed for all replacement applications dated October 2, 1995, or later, four (4) policies did not contain evidence of compliance with this Company procedure.

The review of MetLife's replacements of life insurance reveals an extremely high level of non-compliance with Regulation XXIX. It is therefore recommended that the Company institute and maintain the controls necessary to ensure that replacements of life insurance are processed in full compliance with all of the requirements of Regulation XXIX.

**POLICY SURRENDER PROCEEDS USED TO PURCHASE NEW METLIFE
INSURANCE POLICIES**

A review of this area of MetLife's operations was performed to evaluate whether policy surrenders, specifically to purchase new MetLife policies, were in compliance with Rhode Island Insurance Regulation XXIX, Replacement of Life Insurance, Section 27-29-3 of the Rhode Island General Laws, and the Company's own procedures relative to cash surrenders.

From a population of thirty-six (36) cash surrenders, a sample of five (5) surrenders was selected for review.

One (1) of the five (5) surrender files tested contained evidence that a replacement had taken place, however, the replacement was not disclosed on the application for life insurance. Rhode Island Insurance Regulation XXIX, Replacement of Life Insurance, requires replacement forms to be completed and retained in all replacement of life insurance transactions, unless the transaction is specifically exempted in the regulation.

It is recommended that MetLife take the action necessary to ensure that surrenders for the purpose of purchasing new MetLife policies are disclosed on the application for life insurance, all of the necessary replacement forms are provided to the applicant, and that copies of all of the required forms are maintained in the policy file.

POLICY LOANS

A review of the Individual Life Policy Loans for the period under examination was performed to determine whether the actions taken by the Company with respect to policy loan practices were

in compliance with Sections 27-29-3 and 27-29-4(1) of the General Laws of Rhode Island. The review was also conducted to assess the Company's compliance with its written procedures for handling policy loan requests and the provisions of applicable policy contracts.

During the period under examination, the Company processed 1,847 individual life policy loans. From the population of policy loans, a sample of sixty (60) loans was selected for review.

The sixty (60) policy loan files reviewed indicated that the Company had processed the loans in compliance with applicable Rhode Island Law, in accordance with its own formal procedures, and in compliance with applicable policy contract provisions.

POLICY LOANS USED TO FUND PREMIUMS OF OTHER METLIFE POLICIES

A review was performed of individual life policy loans processed by the Company, whereby the loan proceeds were applied directly to pay the premiums due on other MetLife policies owned by the policyholder. The review was performed to determine whether loans processed by the Company during the period under examination were processed in compliance with Section 27-29-3 of the General Laws of Rhode Island, and Rhode Island Insurance Regulation XXIX, Replacement of Life Insurance. The review was also conducted to assess the Company's compliance with its formal procedures for handling policy loan requests, and to ensure that policy loans were properly documented and paid in accordance with the applicable policy contract.

During the period under examination, the Company processed a total of twenty-seven (27) individual life policy loans whereby the proceeds were applied directly to pay the premiums due on other MetLife policies owned by the policyholder. All twenty-seven (27) loans were examined.

Rhode Island Insurance Regulation XXIX requires each Company to inform its field representatives of the applicable requirements of Regulation XXIX. One of these requirements is that an agent must recognize and process a new policy as a replacement policy if it is known, or should be known to the agent, that twenty-five percent 25% or more of the cash value of an existing policy will be subjected to borrowing to fund the premiums of a new policy.

Seven (7) of the twenty-seven (27) loans reviewed contained documentation that the loans were applied directly to pay premiums (on new policies) which were individually or in the aggregate, more than twenty-five percent (25%) of the existing policy's cash value. In all seven (7) cases, the agents did not process the sale of the new policy as a replacement of life insurance, as required by Regulation XXIX, Section 6.

It is recommended that the Company take appropriate action to ensure that its agents process new policies as replacement policies if it is known, or should be known to the agent, that in excess of twenty-five percent (25%) of the cash value of an existing policy will be used to pay premiums for a new policy through the use of policy loans. This practice would serve to inform policyholders of the fact that their existing policy is being replaced by a new policy, through the use of loans against the existing policy's cash value.

CLAIM PRACTICES

A review of the individual life death claims for the period under examination was performed to determine whether actions taken by the Company with respect to claim practices were in compliance with Sections 27-4-26 and 27-9.1-4 of the General Laws of Rhode Island. The examination was also conducted to assess whether the Company's claim handling procedures

were followed in processing claims, all claims were properly documented, and all claims were paid in accordance with the provisions of the applicable in-force policy contract.

During the period under examination, the Company processed a total of 3,229 individual death claims. A sample of one hundred and nineteen (119) claims was selected for review.

The review of one hundred and nineteen (119) claims resulted in no exceptions. Therefore, it appears that during the period under examination, claims were processed by the Company in accordance with the Company's established claim handling procedures and all applicable Rhode Island Insurance Laws.

SUMMARY OF RECOMMENDATIONS

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It is recommended that MetLife review their database of sales and advertising materials, and consider adding a field which identifies the lines of business for which each sales and advertising material might be used. This practice would assist in the examination of the Company's sales and advertising materials by allowing the Company to produce materials sorted by line of business.

It is recommended that the Company review its controls over sales and advertising materials to determine why all sales and advertising materials requested for review were not retrievable as necessary for examination. It is also recommended that appropriate steps be taken to ensure that in the future, all materials requested for examination are retrievable.

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It is recommended that MetLife take appropriate actions to ensure that consumer complaints are processed in a timely manner in accordance with MetLife's established complaint handling procedures, regardless of the Company's complaint volume.

It is recommended that proper actions be taken on the part of MetLife to ensure that all producing agents and all MetLife personnel involved in the processing of replacement policies are aware of the Requirements of Regulation XXIX, Replacement of Life Insurance. Strict monitoring of replacement activity and of adherence to Regulation XXIX should be conducted by MetLife.

SUMMARY OF RECOMMENDATIONS (CONTINUED)

Page 10

It is recommended that proper action be taken by MetLife to ensure that producing agents of the Company do not issue, circulate or cause or permit to be circulated, any estimate, illustration, circular, or statement of any sort misrepresenting the terms of any policy to be issued by the Company, or the benefits or advantages promised thereby.

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In addition, it is recommended that proper action be taken to ensure that no producing agent of the Company orally, or in writing, make any misrepresentation or incomplete comparison regarding the cost, terms, conditions or benefits contained in any policy or contract of insurance to any person insured with any other insurer, for the purpose of inducing or tending to induce that person to lapse, forfeit, or surrender his or her insurance with that other insurer.

It is recommended that proper action be taken to ensure that all producing agents of MetLife and all personnel involved in the processing of new business, be made aware of the requirements of Regulation XXIX, Replacement of Life Insurance, and that strict adherence to the requirements of this regulation be followed.

Page 15

The review of MetLife's replacements of life insurance reveals an extremely high level of non-compliance with Regulation XXIX. It is therefore recommended that the Company institute and maintain the controls necessary to ensure that replacements of life insurance are processed in full compliance with all of the requirements of Regulation XXIX.

SUMMARY OF RECOMMENDATIONS (CONTINUED)

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It is recommended that MetLife take the action necessary to ensure that surrenders for the purpose of purchasing new MetLife policies are disclosed on the application for life insurance, all of the necessary replacement forms are provided to the applicant, and that copies of all of the required forms are maintained in the policy file.

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It is recommended that the Company take appropriate action to ensure that its agents process new policies as replacement policies if it is known, or should be known to the agent, that in excess of twenty-five percent (25%) of the cash value of an existing policy will be used to pay premiums for a new policy through the use of policy loans. This practice would serve to inform policyholders of the fact that their existing policy is being replaced by a new policy, through the use of loans against the existing policy's cash value.

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 which could have a material effect on the market conduct condition of the Company as presented in this report.

Assisting the undersigned in the conduct of this examination from the Rhode Island Insurance Division were Deborah A. Bradford, Market Conduct Examiner, Ronald R. Radtke, Senior Market Conduct Examiner, Robert G. Arrow, FLMI, AIE, Senior Market Conduct Examiner, and John P. Carr, CPCU, AIE, Principal Market Conduct Examiner.

Respectfully submitted,



Sharon K. Gordon, CPA, CFE

Insurance Examiner-In-Charge