



# Illinois Department of Insurance

---

JB Pritzker  
Governor

Dana Popish Severinghaus  
Director

VIA ELECTRONIC MAIL

July 5, 2022

Mr. Charles F. Lowrey, President  
c/o Jonathan P. Morris  
Prudential Insurance Company of America  
Pruco Life Insurance Company  
751 Broad Street  
Newark, NJ. 07102

**Re: Prudential Insurance Company of America, NAIC 68241**  
**Pruco Life Insurance Company, NAIC 79227**  
***Market Conduct Examination Report Closing Letter***

Dear Mr. Lowrey:

The Department has received your Company's proof of compliance. Therefore, the Department is closing its file on this exam.

I intend to ask the Director to make the Examination Report and Stipulation and Consent Order available for public inspection as authorized by 215 ILCS 5/132. At the Department's discretion, specific content of the report may be subject to redaction for private, personal, or trade secret information prior to making the report public. However, any redacted information will be made available to other regulators upon request.

Please contact me if you have any questions.

Sincerely,

Erica Weyhenmeyer  
Chief Market Conduct Examiner  
Illinois Department of Insurance  
320 West Washington St., 5th Floor  
Springfield, IL 62767  
Phone: 217-782-1790  
E-mail: Erica.Weyhenmeyer@Illinois.gov

**Illinois Department of Insurance  
Market Conduct Examination of  
Prudential Insurance Company of America**

## MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: August 27, 2021

EXAMINATION OF: Prudential Insurance Company of America  
NAIC Number: 68241

STATUTORY HOME  
OFFICE: 751 Broad Street  
Newark, NJ 07102-3777

PERIOD COVERED  
BY EXAMINATION: September 1, 2019 through August 31, 2020  
COMPLAINTS: March 1, 2019 through August 31, 2020

EXAMINERS: Alan Klinc, MCM  
John Drake, AIE, MCM, APIR, ChFC, CLU, RHU, FLMI, HIA  
Chris Heisler, Examiner-in-Charge, CIE, MCM, FLMI, ARC

## INDEX

	Page
I. FOREWORD	4
II. SCOPE OF EXAMINATION	5
III. COMPANY PROFILE	6
IV. SUMMARY	7
V. METHODOLOGY	8
VI. SELECTION OF SAMPLES	10
VII. FINDINGS	11
A. Claim Practices	11
B. New Business	12
C. Policyholder Services	12
D. Complaints and Litigation	13

## **I. FOREWORD**

This is a comprehensive market conduct examination report of the Prudential Insurance Company of America (PICA) (NAIC Code 68241). The Illinois Department of Insurance (“Department”) also examined Pruco Life Insurance Company (PRUCO) (a wholly owned subsidiary of PICA) (NAIC Code 79227) and Prudential Annuities Life Assurance Corporation (PALAC) (NAIC Code 86630) at the same time. Separate market conduct exam reports were prepared for each company. This report is specifically for Prudential Insurance Company of America. Samples were selected *pro rata* across the three companies.

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures or files does not constitute approval thereof by the Illinois Department of Insurance.

During this examination, examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

## **II. SCOPE OF THE EXAMINATION**

The Department has the authority to conduct this examination pursuant to, but not limited to, 215 ILCS 5/132.

The purpose of the examination was to determine if the Company complied with Illinois statutes, and Illinois Administrative Code and to consider whether the Company's operations are consistent with public interest. The primary period covered by this review was September 1, 2019 through August 31, 2020 for claims and March 1, 2019 through August 31, 2020 for complaints unless otherwise noted. Errors discovered outside the time period of the examination may also be included in the report.

The examination was a comprehensive examination involving the following business functions of the individual life insurance and individual annuity lines of business: new business, replacements, policy service, claims handling practices and handling of consumer and Department complaints.

In performing this examination, the examiners reviewed a sample of the Company's practices, procedures, extra-contractual claim adjudication guidelines, and files. Therefore, some noncompliant events may not have been discovered. As such, this report may not fully reflect all the practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdiction does not constitute acceptance of such practices.

### III. COMPANY PROFILE

#### History:

Prudential Financial, Inc. (“Prudential Financial”) with over 145 years in financial services, has operations in the United States, Asia, Europe and Latin America. Through its subsidiaries and affiliates, they offer a wide array of financial products and services, including life insurance, annuities, retirement-related products and services, mutual funds and investment management. They offer these products and services to individual and institutional customers through proprietary and third-party distribution networks. Their principal executive offices are located in Newark, New Jersey, and Prudential Financials’ Common Stock is publicly traded on the New York Stock Exchange under the ticker symbol “PRU”.

Prudential Insurance Company of America (“PICA”) is a direct subsidiary of Prudential Financial and is domiciled in New Jersey. Its principal insurance regulatory authority is the New Jersey Department of Banking and Insurance (“NJDOBI”). They conduct their business and home office functions in locations throughout the U.S, and also conduct back-office functions outside the U.S.

#### Operations:

The Company maintains operations globally with policy services being performed domestically and internationally.

Written premium and market share in Illinois per the NAIC Market Analysis Review System for PICA are as follows:

<b>Line of Business</b>	<b>2019 Premiums Written</b>	<b>2019 Market Share</b>	<b>2018 Premiums Written</b>	<b>2018 Market Share</b>
Individual Life	\$58,552,046	0.923%	\$62,613,153	1.147%
Individual Annuity	\$7,112,079	0.086%	\$4,083,076	0.056%

#### IV. SUMMARY

A comprehensive market conduct examination of Prudential Insurance Company of America (PICA) was performed to determine compliance with Illinois statutes and Illinois Administrative Code.

During the examination, the Department noted a consistent failure of the Company to maintain records of correspondence to and records of searches for potential beneficiaries of both Life and Annuity policies, in violation of 215 ILCS 5/154.6(c)(d).

The following represents a summary of findings; however specific details are found in each section of the report.

<b>TABLE OF TOTAL VIOLATIONS</b>						
<b>Prudential Insurance Company of America</b>						
<b>Crit #</b>	<b>Statute /Rule</b>	<b>Description of Violations</b>	<b>Files Reviewed</b>	<b>Number of Violations</b>	<b>Findings Section</b>	<b>Error %</b>
8	IAC 919.70(a)(2); 919.40	Paid Claims Individual Life - Failure to provide Notice of Availability of the Department of Insurance on delay letter.	105	17	A1	16%
10	215 ILCS 5/224(1)(l)	Paid Claims Individual Life - Failure to notify beneficiary at time of claim of statutory interest provision.	105	40	A1	38%
14	215 ILCS 5/154.6 (c) (d)	Paid Claims Individual Life - Failure to adopt reasonable standards to fulfil contractual obligations by contacting beneficiaries.	105	11	A1	11%
12	IAC 919.70(a)(2)	Paid Claims Individual Annuity - Failure to provide delay letter within 45 days.	22	8	A4	36%
13	IAC 919.70(a)(2); 919.40	Paid Claims Individual Annuity - Failure to provide Notice of Availability of the Department of Insurance on delay letter.	22	1	A4	5%
14	215 ILCS 5/154.6 (c) (d)	Paid Claims Individual Annuity - Failure to adopt reasonable standards to fulfil contractual obligations by contacting beneficiaries.	22	6	A4	28%



## V. METHODOLOGY

The market conduct examination covered the business written for the period of September 1, 2019 through August 31, 2020. Complaints covered the period of March 1, 2019 through August 31, 2020. Specifically, the examination focused on a review of the following areas:

1. Claims Analysis
2. New Business
3. Policy Service (policy loans, cash surrenders and non-forfeitures)
4. Consumer Complaints, Insurance Department Complaints and Litigation

The review of these categories was accomplished through examination of paid and denied claim files, underwritten and declined new business files, policy loans, cash surrendered policy files, extended term and reduced paid-up policy files, Insurance Department and consumer complaint files. Each of these categories was examined for compliance with Department Regulations and applicable State Laws.

The report concerns itself with improper practices performed by the Company, resulting 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 valid criticisms were incorporated in this report.

The following methods were used to obtain the required samples and to assure a methodical selection. Samples were selected *pro rata* across the three companies.

### Claims Analysis

Claim surveys were selected using the following criteria:

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

All claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and the Illinois Administrative Code (50 Ill. Adm. Code 101 *et seq.*).

All median payment periods were measured from the date necessary proofs of loss were received to the date of payment or denial to the insured or the beneficiary. The examination period for the claims review was September 1, 2019 through August 31, 2020.

## New Business

New Business surveys were selected using the following criteria:

1. Issued New Business – New policies underwritten and issued during the examination period.
2. Not Issued – Applications taken but not issued with a declination letter.

All files were reviewed for compliance with applicable sections of the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and the Illinois Administrative Code (50 Ill. Adm. Code 101 *et seq.*).

## Policy Service

Policy service surveys were selected using the following criteria:

1. Policy Loans – Loans made during the examination period.
2. Cash Surrenders – Surrenders made during the examination period.
3. Non-forfeiture Options – Policies that lapsed due to non-payment of premiums and exercised the option to Reduced Paid-Up Insurance or Extended Term Insurance.

## Consumer, Insurance Department Complaints and Litigation

The Company provided all files relating to complaints received via the Department of Insurance as well as those received directly by the Company from the insured or his/her representative. A copy of the Company's complaint register was also reviewed.

The Company provided a listing of all open and closed litigation files. A review was performed on the closed litigation files.

Median periods were measured from the date of notification of the complaint to the date of response by the Company. The period of review was March 1, 2019 through August 31, 2020.

## VI. SELECTION OF SAMPLES

### Prudential Insurance Company of America

<u>Survey</u>	<u>#Reviewed</u>	<u>%Reviewed</u>
CLAIMS ANALYSIS		
Paid Individual Life	105	1%
Paid Individual Life Waiver of Premium	24	50%
Denied Individual Life Waiver of Premium	2	100%
Paid Individual Annuity	22	10%
NEW BUSINESS		
Individual Annuity Issued	1	14%
Individual Annuity Replacements	1	25%
Individual Annuity Withdrawn	2	100%
POLICY SERVICES		
Policy Loans In Force	93	4%
Non-Forfeiture Options	84	9%
Cash Surrenders Individual Life	99	2%
Cash Surrenders Individual Annuity	13	4%
CONSUMER COMPLAINTS	130	50%
DEPARTMENT OF INSURANCE COMPLAINTS	44	100%
CLOSED LITIGATION (Company-wide)	16	100%

## VII. FINDINGS

### A. Claims Practices

The examiners reviewed the Company's claim practices to determine its efficiency in handling complaints, accuracy of payment, adherence to contract provisions and compliance with Illinois laws and regulations.

#### 1. Paid Individual Life Claims

A review of 105 paid individual life claims produced four (4) criticisms. Criticism 8 was issued to the Company. The Company failed to provide the Notice of Availability of the Department of Insurance on the delay letter for 17 claims as required by 50 Ill. Adm. Code 919.70(a)(2) and 919.40.

Criticism 10 was issued to the Company. The Company failed to notify beneficiary at time of claim of statutory interest provision for 40 claims as required by 215 ILCS 5/224(1)(1).

Criticism 14 was issued to the Company for 11 instances of failure to adopt reasonable standards to fulfill contractual obligations when the Company was aware of a deceased policyholder and did not contact the beneficiary on file to begin claims processing in violation of prompt investigation under 215 ILCS 5/154.6 (c) (d).

The median for payment was six (6) days.

#### 2. Paid Individual Life Waiver of Premium

A review of 24 paid individual life waiver of premium claims produced no criticisms.

The median for payment was 10 days.

#### 3. Denied Individual Life Waiver of Premium

A review of two (2) denied individual life waiver of premium claims produced no criticisms.

The median for denial was four (4) days.

#### 4. Paid Individual Annuity

A review of 22 paid individual annuity claims produced three (3) criticisms. Criticism 12 was issued to the Company. The Company failed to notify the insured's beneficiary with a reasonable written explanation for the delay beyond 45 days for eight (8) claims as required by 50 Ill. Adm. Code 919.70(a)(2).

Criticism 13 was issued to the Company. The Company failed to provide the Notice of Availability of the Department of Insurance on the delay letter for one (1) claim as required by 50 Ill. Adm. Code 919.70(a)(2).

Criticism 14 was issued to the Company for 6 (six) instances of failure to adopt reasonable standards to fulfil contractual obligations when the Company was aware of a deceased policyholder and did not contact the beneficiary on file to begin claims processing in violation of prompt investigation under 215 ILCS 5/154.6 (c) (d).

The median for payment was one (1) day.

#### B. New Business

##### 1. Individual Annuity Replacements

A review of one (1) issued replacement contract produced no criticisms.

##### 2. Individual Annuity Issued

A review of one (1) issued contract produced no criticisms.

##### 3. Individual Annuity Withdrawn

A review of two (2) withdrawn applications produced no criticisms.

#### C. Policyholder Services

##### 1. Policy Loans

A review of 93 policy loan files produced no criticisms.

##### 2. Non-Forfeiture Options

A review of 84 non-forfeiture option files produced no criticisms.

##### 3. Individual Life Cash Surrender

A review of 99 individual life cash surrender files produced no criticisms.

The median for surrender was five (5) days.

4. Individual Annuity Cash Surrender

A review of 13 individual annuity cash surrender files produced no criticisms.

The median for surrender was two (2) days

D. Complaints and Litigation

A review of 130 consumer complaints produced no criticisms.

A review of 44 Illinois Department of Insurance complaints produced no criticisms.

A company-wide review of 16 closed litigation files produced no criticisms.

**Illinois Department of Insurance  
Market Conduct Examination of**

**Pruco Life Insurance Company**

## MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: August 27, 2021

EXAMINATION OF: Pruco Life Insurance Company  
NAIC Number: 79227

STATUTORY HOME  
OFFICE: 8601 North Scottsdale Road, Suite 300  
Scottsdale, AZ 85253-2738

PERIOD COVERED  
BY EXAMINATION: September 1, 2019 through August 31, 2020  
COMPLAINTS: March 1, 2019 through August 31, 2020

EXAMINERS: Alan Klinc, MCM  
John Drake, AIE, MCM, APIR, ChFC, CLU, RHU, FLMI, HIA  
Chris Heisler, Examiner-in-Charge, CIE, MCM, FLMI, ARC



## INDEX

	Page
I. FOREWORD	4
II. SCOPE OF EXAMINATION	5
III. COMPANY PROFILE	6
IV. SUMMARY	7
V. METHODOLOGY	8
VI. SELECTION OF SAMPLES	10
VII. FINDINGS	11
A. Claim Practices	11
B. New Business Practices	12
C. Policyholder Services	12
D. Complaints and Litigation	13

## **I. FOREWORD**

This is a comprehensive market conduct examination report of the Pruco Life Insurance Company (PRUCO) (NAIC Code 79227). The Illinois Department of Insurance (“Department”) also examined Prudential Insurance Company of America (PICA) (NAIC Code 68241) and Prudential Annuities Life Assurance Corporation (PALAC) (NAIC Code 86630) at the same time. Separate market conduct exam reports were prepared for each company. This report is specifically for Pruco Life Insurance Company. Samples were selected *pro rata* across the three companies.

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures or files does not constitute approval thereof by the Illinois Department of Insurance.

During this examination, examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

## **II. SCOPE OF THE EXAMINATION**

The Department has the authority to conduct this examination pursuant to, but not limited to, 215 ILCS 5/132.

The purpose of the examination was to determine if the Company complied with Illinois statutes, and Illinois Administrative Code and to consider whether the Company's operations are consistent with public interest. The primary period covered by this review was September 1, 2019 through August 31, 2020 for claims and March 1, 2019 through August 31, 2020 for complaints unless otherwise noted. Errors discovered outside the time period of the examination may also be included in the report.

The examination was a comprehensive examination involving the following business functions of the individual life insurance and individual annuity lines of business: new business, replacements, policy service, claims handling practices and handling of consumer and Department complaints.

In performing this examination, the examiners reviewed a sample of the Company's practices, procedures, extra-contractual claim adjudication guidelines and files. Therefore, some noncompliant events may not have been discovered. As such, this report may not fully reflect all the practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdiction does not constitute acceptance of such practices.

### III. COMPANY PROFILE

#### History:

Prudential Financial, Inc. (“Prudential Financial”) with over 145 years in financial services, has operations in the United States, Asia, Europe and Latin America. Through its subsidiaries and affiliates, they offer a wide array of financial products and services, including life insurance, annuities, retirement-related products and services, mutual funds and investment management. They offer these products and services to individual and institutional customers through proprietary and third-party distribution networks. Their principal executive offices are located in Newark, New Jersey, and Prudential Financials’ Common Stock is publicly traded on the New York Stock Exchange under the ticker symbol “PRU”.

Pruco Life Insurance Company (“Pruco Life”) is a wholly-owned subsidiary of PICA. Pruco Life is a stock life insurance company organized in 1971 under the laws of the State of Arizona. It is licensed to sell life insurance and annuities in the District of Columbia, Guam and in all states except New York, and sells such products primarily through affiliated and unaffiliated distributors. Pruco Life has one wholly-owned insurance subsidiary, Pruco Life Insurance Company of New Jersey (“PLNJ”). PLNJ is a stock life insurance company organized in 1982 under the laws of the State of New Jersey. It is licensed to sell life insurance and annuities in New Jersey and New York only. The Company sells or has sold variable annuities, variable life, universal life and term life insurance primarily through affiliated and unaffiliated distributors in the United States.

#### Operations:

The Company maintains operations globally, with policy services being performed domestically and internationally.

Written premium and market share in Illinois per the NAIC Market Analysis Review System for PRUCO are as follows:

<b>Line of Business</b>	<b>2019 Premiums Written</b>	<b>2019 Market Share</b>	<b>2018 Premiums Written</b>	<b>2018 Market Share</b>
Individual Life	\$225,378,811	3.552%	\$213,581,579	3.911%
Individual Annuities	\$351,246,447	4.245%	\$309,005,424	4.222%

#### IV. SUMMARY

A comprehensive market conduct examination of Pruco Life Insurance Company was performed to determine compliance with Illinois statutes and Illinois Administrative Code.

During the examination, the Department noted a consistent failure of the Company to maintain records of correspondence to and records of searches for potential beneficiaries of both Life and Annuity policies, in violation of 215 ILCS 5/154.6(c)(d).

The following represents a summary of findings; however specific details are found in each section of the report.

<b>TABLE OF TOTAL VIOLATIONS</b>						
<b>Pruco Life Insurance Company</b>						
<b>Crit #</b>	<b>Statute /Rule</b>	<b>Description of Violations</b>	<b>Files Reviewed</b>	<b>Number of Violations</b>	<b>Findings Section</b>	<b>Error %</b>
10	215 ILCS 5/224(1)(l)	Paid Claims Indiv Life - Failure to notify beneficiary at time of claim of statutory interest provision.	4	1	A1	25%
12	IAC 919.70(a)(2)	Paid Claims Indiv Annuity - Failure to provide delay letter within 45 days.	63	15	A4	24%
13	IAC 919.70(a)(2); 919.40	Paid Claims Indiv Annuity - Failure to provide Notice of Availability of the Department of Insurance on delay letter.	63	7	A4	11.1%
14	215 ILCS 5/154.6 (c) (d)	Paid Claims Individual Annuity - Failure to adopt reasonable standards to fulfil contractual obligations by contacting beneficiaries.	63	30	A4	48%
3	IAC 919.50(a)(1); 919.40	Denied Claims Indiv Life - Failure to provide Notice of Availability of the Department of Insurance on denial letter.	3	1	A2	33%
4	IAC 919.70(a)(2); 919.40	Denied Claims Indiv Life - Failure to provide Notice of Availability of the Department of Insurance on delay letters.	3	3	A2	100%
5	IAC 917.70(a)	New Business Indiv Annuity - Failure to require a statement signed by the agent and the applicant as to whether or not any existing life insurance or annuity will be replaced by the new policy.	58	3	B4	5.2%

## V. METHODOLOGY

The market conduct examination covered the business written for the period of September 1, 2019 through August 31, 2020. Complaints covered the period of March 1, 2019 through August 31, 2020. Specifically, the examination focused on a review of the following areas:

1. Claims Analysis
2. New Business
3. Policy Service (policy loans, cash surrenders and non-forfeitures)
4. Consumer Complaints, Insurance Department Complaints and Litigation

The review of these categories was accomplished through examination of paid and denied claim files, underwritten and declined new business files, policy loans, cash surrendered policy files, extended term and reduced paid-up policy files, Insurance Department and consumer complaint files. Each of these categories was examined for compliance with Department Regulations and applicable State Laws.

The report concerns itself with improper practices performed by the Company, resulting 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 valid criticisms were incorporated in this report.

The following methods were used to obtain the required samples and to assure a methodical selection. Samples were selected *pro rata* across the three companies.

### Claims Analysis

Claim surveys were selected using the following criteria:

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

All claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and the Illinois Administrative Code (50 Ill. Adm. Code 101 *et seq.*).

All median payment periods were measured from the date necessary proofs of loss were received to the date of payment or denial to the insured or the beneficiary. The examination period for the claims review was September 1, 2019 through August 31, 2020.

## New Business

New Business surveys were selected using the following criteria:

1. Issued New Business – New policies underwritten and issued during the examination period.
2. Not Issued – Applications taken but not issued with a declination letter.

All files were reviewed for compliance with applicable sections of the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and the Illinois Administrative Code (50 Ill. Adm. Code 101 *et seq.*).

## Policy Service

Policy service surveys were selected using the following criteria:

1. Policy Loans – Loans made during the examination period.
2. Cash Surrenders – Surrenders made during the examination period.
3. Non-forfeiture Options – Policies that lapsed due to non-payment of premiums and exercised the option to Reduced Paid-Up Insurance or Extended Term Insurance.

## Consumer, Insurance Department Complaints and Litigation

The Company provided all files relating to complaints received via the Department of Insurance as well as those received directly by the Company from the insured or his/her representative. A copy of the Company's complaint register was also reviewed.

The Company provided a listing of all open and closed litigation files. A review was performed on the closed litigation files.

Median periods were measured from the date of notification of the complaint to the date of response by the Company. The period of review was March 1, 2019 through August 31, 2020.

## VI. SELECTION OF SAMPLES

### Pruco Life Insurance Company

<u>Survey</u>	<u>#Reviewed</u>	<u>%Reviewed</u>
CLAIMS ANALYSIS		
Paid Individual Life	4	1%
Denied Individual Life	3	100%
Paid Individual Life Waiver of Premium	5	46%
Paid Individual Annuity	63	10%
NEW BUSINESS		
Individual Life Issued	69	2%
Individual Life Replacements	45	2%
Individual Life Declined	84	21%
Individual Life Not Taken/Withdrawn	20	3%
Individual Annuity Issued	58	5%
Individual Annuity Replacements	31	5%
Individual Annuity Declined	19	100%
Individual Annuity Withdrawn	15	50%
POLICY SERVICES		
Policy Loans In Force	23	4%
Non-Forfeiture Options	2	7%
Cash Surrenders Individual Life	16	2%
Cash Surrenders Individual Annuity	75	4%
CONSUMER COMPLAINTS	69	50%
DEPARTMENT OF INSURANCE COMPLAINTS	17	100%
CLOSED LITIGATION (Company-wide)	16	100%



## VII. FINDINGS

### A. Claims Practices

The examiners reviewed the Company's claim practices to determine its efficiency in handling complaints, accuracy of payment, adherence to contract provisions and compliance with Illinois laws and regulations.

#### 1. Paid Individual Life Claims

A review of four (4) paid individual life claims produced one (1) criticism. Criticism 10 was issued to the Company. The Company failed to notify beneficiaries at the time of claim of statutory interest provision as required by 215 ILCS 5/224(1)(l).

The median for payment was five (5) days.

#### 2. Denied Individual Life Claims

A review of three (3) denied individual life claim files produced two (2) criticisms.

Criticism 3 was issued to the Company. The Company failed to provide the Notice of Availability of the Department of Insurance on the denial letter for one (1) claim as required by 50 Ill. Adm. Code 919.50(a)(1) and 919.40.

Criticism 4 was issued to the Company. The Company failed to provide the Notice of Availability of the Department of Insurance on the delay letter for three (3) claims as required by 50 Ill. Adm. Code 919.70(a)(2) and 919.40.

The median for denial was 10 days.

#### 3. Paid Individual Life Waiver of Premium

A review of five (5) paid individual life waiver of premium claims produced no criticisms.

The median for payment was 20 days.

#### 4. Paid Individual Annuity

A review of 63 paid individual annuity claims produced three (3) criticisms. Criticism 12 was issued to the Company. The Company failed to notify the insured's beneficiary with a reasonable written explanation for the delay beyond 45 days for 15 claims as required by 50 Ill. Adm. Code 919.70(a)(2).

Criticism 13 was issued to the Company. The Company failed to provide the Notice of Availability of the Department of Insurance on the delay letter for seven (7) claims as required by 50 Ill. Adm. Code 919.70(a)(2).

Criticism 14 was issued to the Company for 30 instances of failure to adopt reasonable standards to fulfil contractual obligations when the Company was aware of a deceased policyholder and did not contact the beneficiary on file to begin claims processing in violation of prompt investigation under 215 ILCS 5/154.6 (c) (d).

The median for payment was one (1) day.

## B. New Business

The examiners reviewed the Company's new business issued, declination and withdrawn practices to determine its compliance with Illinois laws and regulations.

### 1. Individual Life Issued

A review of 69 paid individual life policies issued produced no criticisms.

### 2. Individual Life Replacements Issued

A review of 45 individual life replacement policies issued produced no criticisms.

### 3. Individual Life Declined Applications

A review of 84 individual life declined applications produced no criticisms.

### 4. Individual Annuity Issued

A review of 58 individual annuity contracts issued produced one (1) criticism. Criticism 5 was issued to the Company for failure to require a statement signed by the agent and the applicant as to whether or not any existing life insurance or annuity will be replaced as required by 50 Ill. Adm. Code 919.70(a) in three (3) contracts.

### 5. Individual Annuity Declined Applications

A review of 19 individual annuity declined applications produced no criticisms.

### 6. Individual Annuity Withdrawn

A review of 15 individual annuity withdrawn applications produced no criticisms.

## C. Policyholder Services

### 1. Individual Life Cash Surrender

A review of 16 individual life cash surrender files produced no criticisms.

The median for surrender was three (3) days

## 2. Individual Annuity Cash Surrender

A review of 75 individual annuity cash surrender files produced no criticisms.

The median for surrender was two (2) days

## D. Complaints and Litigation

A review of 139 consumer complaints produced no criticisms.

A review of 17 Illinois Department of Insurance complaints produced no criticisms.

A company-wide review of 16 closed litigation files produced no criticisms.

# STATE OF ILLINOIS

## DEPARTMENT OF INSURANCE



IN THE MATTER OF:

**PRUDENTIAL INSURANCE COMPANY OF AMERICA  
PRUCO LIFE INSURANCE COMPANY  
751 BROAD STREET  
NEWARK, NJ 07102**

### STIPULATION AND CONSENT ORDER

WHEREAS, the 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, Prudential Insurance Company of America, NAIC 68241, and Pruco Life Insurance Company, NAIC 79227 (“the Company”) 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, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403, and 5/425); and

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report covering the examination period of March 1, 2019 to August 31, 2020, which is an official document of the Department; and

WHEREAS, the Market Conduct Examination Report cited various areas 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 their various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407, and 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, they waive 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 various areas 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 policies and procedures whereby the Company shall notify beneficiary at time of claim of statutory interest provision. 215 ILCS 5/224(1)(l)
2. Institute and maintain policies and procedures whereby the Company shall provide delay letter within 45 days. Ill. Admin Code 919.70(a)(2)
3. Institute and maintain policies and procedures whereby the Company shall provide Notice of Availability of the Department of Insurance on delay letter. Ill. Admin. Code 919.70(a)(2) and Ill. Admin Code 919.40.
4. Institute and maintain policies and procedures whereby the Company shall adopt reasonable standards to fulfil contractual obligations to begin the claims process by contacting beneficiaries. 215 ILCS 5/154.6(c)(d)
5. Institute and maintain policies and procedures whereby the Company shall provide Notice of Availability of the Department of Insurance on denial letter. Ill. Admin. Code 919.50(a)(1) and Ill. Admin. Code 919.40
6. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above five (5) orders within thirty (30) days of execution of this Order.
7. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$44,055.00 to be paid within ten (10) days of execution 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 PRUDENTIAL INSURANCE COMPANY OF AMERICA and PRUCO LIFE INSURANCE COMPANY

DocuSigned by:  
**SCOTT HAGGERTY**  
5056E93ED4074EE

Signature

SCOTT HAGGERTY

Name

VP, Operations

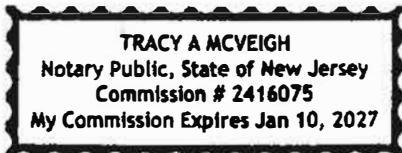
Title

Subscribed and sworn to before me this  
11<sup>th</sup> day of May 2022.

Tracy A. McVeigh  
Notary Public



*Notarial act was performed remotely and using communication technology.*



DEPARTMENT OF INSURANCE of the State of Illinois:

Dana Popish-Severinghaus

Dana Popish-Severinghaus  
Director

DATE \_\_\_\_\_

