

JUL 18 2007

DEPT OF INSURANCE
BY 

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

Docket No. 07A-134-INS

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4 In the Matter of:)
5 **AMERICAN GENERAL LIFE INSURANCE COMPANY,**)
6 NAIC # 60488)
7 Respondent)
8)

CONSENT ORDER

9 Examiners for the Department of Insurance (the "Department") conducted a
10 market conduct examination of AMERICAN GENERAL LIFE INSURANCE COMPANY
11 ("American General"). The Report of Targeted Examination of the Market Conduct
12 Affairs of American General Life Insurance Company alleges that American General
13 has violated A.R.S. §§ 20-1241.04 (E), (G) and (H); and 20-1241.05 (C).

14 American General wishes to resolve this matter without formal proceedings,
15 neither admits nor denies the following Findings of Fact and Conclusions of Law and
16 consents to the entry of the following Order.

17 **FINDINGS OF FACT**

- 18 1. American General is authorized to transact life and disability insurance
19 pursuant to a Certificate of Authority issued by the Director.
- 20 2. The Director authorized the Examiners to conduct a targeted market
21 examination of American General. The examination covered the time period from
22 October 1, 2004 through March 31, 2005 and concluded on January 5, 2007. Based
23 on the examination findings, the Examiners prepared the "Report of Targeted
24 Examination of American General Life Insurance Company", dated March 31, 2005.
- 25

1 3. a. American General failed to either obtain the required replacement
2 notice , or accepted an incomplete replacement notice on 10 of the 85 life internal and
3 external replacement files reviewed;

4 b. American General failed to determine if the sales materials and
5 illustrations used in connection with the replacements met the requirements of the
6 article and were complete and accurate for the proposed policy on 51 of the 85 life
7 internal and external replacement files reviewed;

8 c. American General failed to either obtain the required replacement
9 notice, or accepted an incomplete replacement notice, or failed to determine if the
10 sales materials and illustrations used in connection with the replacements met the
11 requirements of the article and were complete and accurate for the proposed policy,
12 and either failed to notify the producer and applicant that outstanding requirements
13 needed to be fulfilled or did not fulfill the incomplete requirements in 52 of the 85 life
14 internal and external replacement files reviewed;

15 d. American General failed to notify the existing insurer that may be
16 affected by the proposed replacement within five business days of receipt of a
17 completed application indicated replacement in eight of 64 life external new business
18 files reviewed.

19 **CONCLUSION OF LAW**

20 1. a. American General violated A.R.S. § 20-1241.04(E) by failing to
21 either obtain the required replacement notice, or accepting an incomplete replacement
22 notice;

23 b. American General violated A.R.S. § 20-1241.04(G) by failing to
24 determine if the sales materials and illustrations used in connection with the
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1 replacements met the requirements of the article and were complete and accurate for
2 the proposed policy;

3 c. American General violated A.R.S. § 20-1241.04(H) by failing to
4 notify the producer and applicant of the outstanding replacement requirements that
5 needed to be fulfilled, or did not fulfill the incomplete requirements;

6 d. American General violated A.R.S. § 20-1241.05(C) by failing to
7 notify the existing insurer that may be affected by the proposed replacement within five
8 business days of the receipt of a completed application indicating replacement.

9 **ORDER**

10 **IT IS ORDERED THAT:**

11 1. American General Life Insurance Company shall cease and desist from:

12 a. failing to either obtain the required replacement notice, or accepting
13 an incomplete replacement notice;

14 b. failing to determine if the sales materials and illustrations used in
15 connection with the replacements met the requirements of the article and were
16 complete and accurate for the proposed policy;

17 c. failing to either obtain the requirement notice, or accepting an
18 incomplete replacement notice and either failing to notify the producer and applicant
19 that outstanding requirements need to be fulfilled, or not fulfilling the incomplete
20 requirements;

21 d. failing to notify the existing insurer that may be affected by the
22 proposed replacement within five business days of a completed application which
23 indicated replacement.

24 2. Within 90 days of filed date of this Order, American General shall submit
25 to the Arizona Department of Insurance, for approval, evidence that corrections have

1 been implemented and communicated to the appropriate personnel, regarding all of
2 the items listed above in Paragraph 1 of the Order section of this Consent Order.
3 Evidence of corrective action includes but is not limited to memos, bulletins, E-mails,
4 correspondence, procedures manuals, print screens and training materials.

5 3. The Department shall be permitted, through authorized representatives,
6 to verify that American General has complied with all provisions of this Order.

7 4. American General shall pay a civil penalty of \$30,000.00 to the Director
8 for deposit in the State General Fund in accordance with A.R.S. § 20-220(B). This civil
9 penalty shall be provided to the Market Conduct Examinations Section of the
10 Department prior to the filing of this Order.

11 5. The Report of Targeted Examination of the Market Conduct Affairs of
12 American General Life Insurance Company dated March 31, 2005 including the letter
13 submitted in response to the Report of Examination, shall be filed with the Department
14 after the Director has filed this Order.

15 DATED Arizona this 18th day of July, 2007.

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18 Christina Urias
19 Director of Insurance

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CONSENT TO ORDER

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2 1. American General Life Insurance Company has reviewed the foregoing
3 Order.

4 2. American General Life Insurance Company admits the jurisdiction of the
5 Director of Insurance, State of Arizona, neither admits nor denies the foregoing
6 Findings of Fact and Conclusions of Law, and consents to the entry of the Order.

7 3. American General Life Insurance Company is aware of its right to a
8 hearing, at which it may be represented by counsel, present evidence, and cross-
9 examine witnesses. American General Life Insurance Company irrevocably waives its
10 right to such notice and hearing and to any court appeals related to this Order.

11 4. American General Life Insurance Company states that no promise of any
12 kind or nature whatsoever was made to it to induce it to enter into this Order and that it
13 has entered into this Consent Order voluntarily.

14 5. American General Life Insurance Company acknowledges that the
15 acceptance of this Order by the Director of Insurance, State of Arizona, is solely to
16 settle this matter against it and does not preclude any other agency or officer of this
17 state or its subdivisions or any other person from any other civil or criminal
18 proceedings, whether civil, criminal, or administrative, as may be appropriate now or in
19 the future.

20 6. Matthew E. Winter, who holds the office of President and Chief Executive
21 Officer of American General Life Insurance Company, is authorized to enter into this
22 Order for it and on its behalf.

23
24 July 11, 2007

25 _____
Date

AMERICAN GENERAL LIFE INSURANCE COMPANY

By: _____

Matthew E. Winter

1 COPY of the foregoing mailed/delivered
2 this 18th day of July, 2007, to:

3 Gerrie Marks

Deputy Director

4 Mary Butterfield

Assistant Director

5 Consumer Affairs Division

6 Paul J. Hogan

Market Oversight Administrator

7 Market Oversight Division

Dean Ehler

8 Assistant Director

Rates & Regulations Division

9 Steve Ferguson

Assistant Director

10 Financial Affairs Division

Alan Griffieth

11 Chief Financial Examiner

12 Alexandra Schafer

Assistant Director

13 Life and Health Division

Terry L. Cooper

14 Fraud Unit Chief

15 DEPARTMENT OF INSURANCE

16 2910 North 44th Street, Suite 210

17 Phoenix, AZ 85018

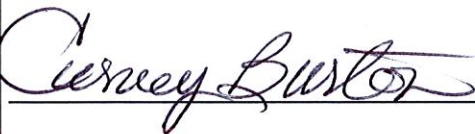
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19
20 Wilma J. Heineman, Market Conduct Examination Coordinator

21 AIG American General Domestic Life Operations

American General Life Insurance Company

22 2727-A Allen Parkway, 2-G7

23 Houston, TX 77019

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