

MARKET CONDUCT EXAMINATION REPORT

of

**MASSACHUSETTS MUTUAL LIFE INSURANCE
COMPANY**

of

SPRINGFIELD, MASSACHUSETTS

As of

December 31, 2003

By

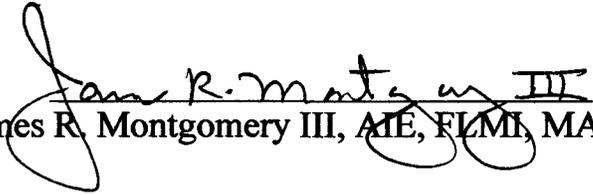
**VERMONT DEPARTMENT OF BANKING,
INSURANCE, SECURITIES AND HEALTH CARE
ADMINISTRATION**



CERTIFICATION

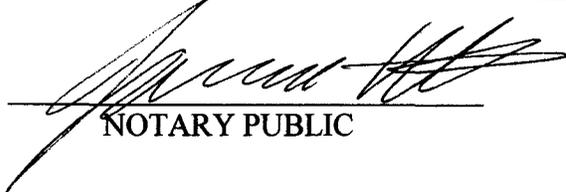
James R. Montgomery III, AIE, FLMI, MAAA, Robbie L. Kriplean, CIE, AIRC and Jennifer E. Greenway, AIRC participated in this examination.

I, James R. Montgomery III, AIE, FLMI, MAAA, being duly sworn, do hereby affirm that the foregoing report of the Market Conduct Examination of the Massachusetts Mutual Life Insurance Company is true and correct to the best of my knowledge and belief.


James R. Montgomery III, AIE, FLMI, MAAA

Notary Seal

Subscribed and sworn to before me this 13 day of October, 2005.


NOTARY PUBLIC



Jamie White
Commission # DD475111
Expires September 22, 2009
Bonded Troy Fain - Insurance, Inc. 800-385-7019

CERTIFICATION

James R. Montgomery III, AIE, FLMI, MAAA, Robbie L. Kriplean, CIE, AIRC and Jennifer E. Greenway, AIRC participated in this examination.

I, Robbie L. Kriplean, CIE, AIRC, being duly sworn, do hereby affirm that the foregoing report of the Market Conduct Examination of the Massachusetts Mutual Life Insurance Company is true and correct to the best of my knowledge and belief.

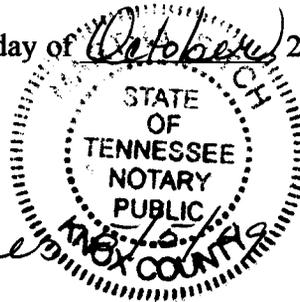

Robbie L. Kriplean, CIE, AIRC

Notary Seal

Subscribed and sworn to before me this 4th day of October 2005.


NOTARY PUBLIC

My commission expires 10/5/09

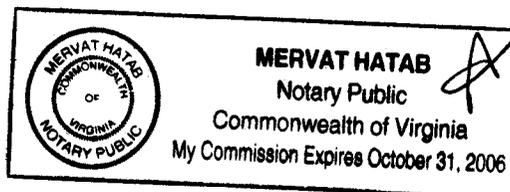


CERTIFICATION

James R. Montgomery III, AIE, FLMI, MAAA, Robbie L. Kriplean, CIE, AIRC and Jennifer E. Greenway, AIRC participated in this examination.

I, Jennifer E. Greenway, being duly sworn, do hereby affirm that the foregoing report of the Market Conduct Examination of the Massachusetts Mutual Life Insurance Company is true and correct to the best of my knowledge and belief.


Jennifer E. Greenway, AIRC



Notary Seal

Subscribed and sworn to before me this 12th day of October, 2005.

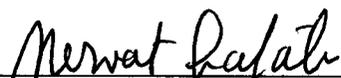

NOTARY PUBLIC

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October 6, 2005

**The Honorable John Crowley
Commissioner
Vermont Department of Banking, Insurance,
Securities and Health Care Administration
89 Main Street, Drawer 20
Montpelier, Vermont 05620**

Dear Commissioner Crowley:

Pursuant to your instructions and in compliance with the provisions of 8 V.S.A. § 3565 et seq. and procedures promulgated by the National Association of Insurance Commissioners, an examination of the market conduct activities has been conducted of:

Massachusetts Mutual Life Insurance Company, NAIC # 65935

**Mail Address:
1295 State Street
Springfield, Massachusetts 01111**

**Statutory Home Office:
1295 State Street
Springfield, Massachusetts 01111**

The report thereon, as of December 31, 2003, is respectfully submitted.

FOREWORD

This target market conduct examination report is written generally by exception and additional practices, procedures and files subject to review during the examination were omitted from the report if no improprieties were observed.

Massachusetts Mutual Life Insurance Company is referred to throughout this report as the “Company”, unless specifically mentioned by name. The Vermont Department of Banking, Insurance, Securities and Health Care Administration is referred to as the “Department” or the “Vermont Department”.

The Company’s responses, with respect to the findings of this examination, will be made available upon written request to the Vermont Department.

The examiners wish to acknowledge the exceptional cooperation of the Company’s Compliance Specialist, Breeda A. Beattie and Antonio Scibelli, Counsel, in facilitating the examination process.

SCOPE OF EXAMINATION

EXAMINATION AUTHORITY

The examination of Massachusetts Mutual Life Insurance Company was conducted pursuant to applicable Vermont statutes and regulations.

TIME FRAME

The examination generally covers the period from January 1, 2001 through December 31, 2003.

SAMPLING METHODOLOGY

The examiners used random sampling techniques, utilizing ACL software.

EXAMINATION SITUATION

The Company's statutory home office is located at, 1295 State Street, Springfield, MA 01111, however, this examination was conducted entirely off-site. Information, documents and other materials were provided directly to the examiners in hard copy and/or computer diskettes.

MATTERS EXAMINED

- Claims administration
- Replacements
- Complaints

PREVIOUS EXAMINATIONS

PRIOR REPORT SUMMARY AND CONCLUSIONS

The Vermont Department did not conduct an examination of the Company during the last five years.

EXECUTIVE SUMMARY

Claims Procedures and Processing

The examiners reviewed a total of sixty-two (62) claim files out of a population of four hundred thirty-one (431) individual life claims. One of the death claim payment options, referred to as "Settlement Option D/3", is contrary to the requirements of 8 V.S.A. § 3665 (c) (2). Under this payment option, the Company retains the proceeds of the life insurance policy and applies the interest rate for proceeds left on deposit (which varies from year to year) in an interest bearing account. The effective date of the account is the date of death and interest is credited from this date on the proceeds applied under the option. Historically, the interest rates applied to the proceeds under this option have been less than the required 6% interest pursuant to 8 V.S.A § 3665 (c) (2). The sample of death claims reviewed contained six (6) claims representing fifteen (15) individual life insurance policies, which were placed under Settlement Option D/3 and found to be in violation of Vermont statutes. The examiners recommend that the Company go back as far as the Vermont Department deems appropriate and recalculate those claims paid under "Interest Option D/3" and pay the difference between the rate of interest paid and the required 6% interest, plus additional interest.

A review of the policy forms currently in use in the state of Vermont and in use during the examination period revealed that thirteen (13) contain language which is noncompliant with 8 V.S.A. § 3665 (c) (2). The policy provides that the amount of interest to be paid on death benefits, "will be the same as would be paid under Option D" (described above), which is less than 6% interest as required by the statute. The examiners recommend that the policy language be amended or an endorsement be issued to the affected policyholders so as to conform to the requirements of 8 V.S.A. § 3665 (c) (2).

Eleven (11) claim files, representing seventeen (17) policies, contained additional violations of 8 V.S.A. § 3665 (c) (2). Ten (10) were cases in which the Company's rate of interest paid on death claims was less than the required 6%. In addition, there was one (1) claim file in which the Company used an incorrect date of death resulting in an underpayment of the claim. The Company stated that, in preparation for the market conduct examination, it conducted a preliminary review of the life claims paid during the examination period and identified thirty-three (33) policies for which claims were paid at an interest rate less than 6%. The Company undertook corrective action by paying each claimant the additional amount due plus 3% interest from the initial payment date until September 1, 2004 (the date of the corrective action). Furthermore, the Company stated that they reviewed the state regulation with their claims examiners and included Vermont as one of the states that an internal audit team will schedule for an annual review.

The Company stated that there were no group life claims to report for the state of Vermont for the examination period. The examiners observed however, that the Vermont State pages of the Annual Statement reported group death benefits of \$1,449,561 for 2002 and \$2,160,240 for 2003. The Company explained the reason for the discrepancy was that the claims were inadvertently reported on the Vermont State pages based on the mailing address of the owner instead of the Company's usual practice of reporting claims based on the legal residence of the insured at date of death. The examiners recommend that the Company take steps to ensure that group life claims are accurately reported.

Lastly, the Company identified one (1) group life claim, paid in 2001, that was omitted from the Vermont State page. The review of the claim file revealed that the Company failed to pay the statutorily required rate of 6% interest in violation of 8 V.S.A. § 3665 (c) (2). The Company subsequently paid the beneficiary \$1,247.94 which represented the amount of underpayment plus 3% interest. The examiners recommend that the Company take steps in order to ensure that all group life claims involving Vermont certificate holders are afforded the statutorily required rate of 6% interest.

Replacement Sample Selection

The examiners encountered difficulties in securing appropriate samples for the replacement review as described in the text of this report.

Replacements Review

The replacement phase of the examination consisted of a review of sixty (60) life replacement files and twenty-six (26) annuity replacement files. Furthermore, a sample of fifty (50) issued life files, out of an approximate population of four hundred and seventy-eight (478) and a sample of fifty (50) issued annuity files, out of an approximate population of one hundred seventy-nine (179), were reviewed for compliance with Vermont replacement regulations. These replacement reviews revealed ten (10) violations of replacement regulations, which were found in four (4) of the annuity files and one (1) life file. A Company representative stated that associates and managers completed replacement training during July through September of 2004, as part of the Company's corrective action. Additionally, the Company asserted that they would continue their Quality Assurance initiative to review replacement cases and ensure compliance with Vermont laws and regulations.

Complaints

The overall number of complaints was small and none were of a serious nature. It was noted, however, that, in one instance, a complaint to the Company via the Vermont Department was promptly acknowledged yet the Company failed to address the specifics of the Department's inquiry for a period of two (2) months and thirteen (13) days, notwithstanding the fifteen (15) working day time limit of Vermont Regulation 79-2. Additionally, an error in reporting complaints was noted.

The examiners are recommending that the Company conform to the fifteen (15) working day time limit of Vermont Regulation 79-2 in each instance where the Department sends an inquiry or complaint for their response.

COMPANY PROFILE

HISTORY

Massachusetts Mutual Life Insurance Company was incorporated under the laws of the Commonwealth of Massachusetts on May 15, 1851, and commenced business on August 1, 1851.

The Company has two significant wholly-owned life insurance subsidiaries, MML Bay State Life Insurance Company and C.M. Life Insurance Company, both domiciled in Hartford, Connecticut. It also has a 100% majority interest in a number of direct and indirect non-life insurance subsidiaries, including Oppenheimer Funds Inc. and Babson Capital Management, LLC.

Effective February 29, 1996, Connecticut Mutual Life Insurance Company merged with and into Massachusetts Mutual Life Insurance Company. On March 31, 1996, WellPoint Health Networks, Inc. acquired the Company's Life and Health Benefits Management business.

The Company is authorized to conduct the business of life insurance, including fixed and variable life, annuities and disability insurance, in all states and the District of Columbia, Puerto Rico and some provinces of Canada.

As of December 31, 2002, the Company had a 4.18% market share of total life insurance in Vermont ranking it as the fourth largest in the state.

STATUTORY HOME OFFICE

1295 State Street
Springfield, Massachusetts 01111

VERMONT REPORTED PREMIUMS

Direct written premiums in Vermont for the years indicated are as follows:

	2001	2002	2003
Individual Life	7,749,139	7,499,714	7,548,633
Individual Annuities	1,680,107	2,615,170	4,860,976
Group Life	29,665	1,676,877	3,156,552
Group Annuities	487,184	431,620	375,878
Other Considerations	4,179,357	14,808,867	5,515,326
Accident & Health	874,250	942,168	952,072
Deposit Type	0	0	4,217
Totals	14,999,702	27,974,416	22,413,654

(I) CLAIMS PROCEDURES AND PROCESSING

(A) INDIVIDUAL LIFE CLAIMS

The examiners requested a listing of all Vermont individual life claims that were paid during the examination period. From a population of four hundred and thirty-one (431) records a sample of fifty-five (55) claim files was randomly selected for the initial review. Subsequently, an additional eight (8) claim files were added to the sample as the examiners observed that these eight (8) files appeared to be non-compliant with Vermont statutes in that a rate of interest of less than the statutorily required rate of 6% was paid. Therefore, a total of sixty-three (63) claim files was selected for the review in order to determine if the Company was in compliance with Vermont statutes and regulations. One (1) of the sixty-three (63) claim files in the sample was disallowed as the policy was not applied for or issued in the state of Vermont and therefore not subject to the review.

(1) Direct Claims & Benefits Paid

The Company's reported death claims for individual life are displayed below.

Vermont Reported Death Benefits Paid (Individual Life)

Year	Death Benefits
2001	1,909,960
2002	2,133,267
2003	2,660,541

(B) SETTLEMENT OPTION D/3

The Company offers the beneficiary of a death claim multiple payment options, one of which is referred to as "Settlement Option D/3". An example of the language contained in the "Claim Packet" sent to the beneficiary offering this option is copied, in pertinent part, below.

Interest Option

This option allows you to leave the proceeds with MassMutual and accumulate interest. Our current rate of interest for the year 2003 is 4.00% per annum. The interest rate is determined annually and historically has remained the same from January through December. To place the proceeds under Interest option, complete Part IV of this packet (Emphasis added).

It is the Company's practice, if the beneficiary elects the "Interest Option (D/3)", to retain the proceeds of the life insurance policy and apply the interest rate for proceeds left on deposit, which varies from year to year. According to the Company that rate was 5.55% in 2001, 5.00% in 2002, 4.00% in 2003 and 3.00% in 2004.

The effective date of the account is the date of death and interest is credited from this date on the proceeds applied under the option. The beneficiary has the right to make four (4) partial withdrawals in any one installment year, or they may withdraw any balance at any time upon their signed written request.

The Company's practice of applying a rate of interest based upon the interest rate of proceeds left on deposit, in those cases where the beneficiary elected Settlement Option D/3, is in violation of 8 V.S.A. § 3665 (c) (2) since the statute requires that: **"the interest rate shall be the rate paid on proceeds left on deposit, or six percent whichever rate is greater"** (Emphasis added). As discussed above, the "Interest Option" rate was less than the required rate of 6% for the reported years, 2001 through 2004.

The Company upholds its practice by stating:

MassMutual's good faith interpretation of this provision is that it does not apply to death proceeds that are retained by an insurer, at the beneficiary's election, to be applied under an option. Section 3665 (c) (2) applies to payments of claims and, in the case of proceeds retained by MassMutual to be placed under Settlement Option D/3, no payment is made. Accordingly, MassMutual applied, from the date of death (which is the date used by MassMutual as the effective date of the option), the interest rate for proceeds left on deposit for proceeds it retained and placed under Settlement Option D/3 (Emphasis added).

The examiners' contend that constructive payment occurs when the Company establishes the account for the beneficiary on its books and therefore a minimum 6% interest should be applied to the funds from the date of death until the date the account is actually established. If that were not the case, Settlement Option D/3 would be inequitable since beneficiaries electing lump sum settlements would receive 6% interest starting from the date of death whereas those selecting the D/3 Option would receive a lower rate of interest over the same period in contravention of 8 V.S.A. § 3665 (c) (2).

(1) Recommendation

The examiners recommend that the Company go back as far as the Vermont Department deems appropriate and recalculate those claims placed under "Interest Option D/3", paying the difference between the rate applied to the option and the required 6% interest rate plus additional interest.

Additionally, it is recommended that the Company amend its procedures with regard to “Interest Option” (D/3) by applying the interest rate pursuant to 8 V.S.A. § 3665 (c) (2) for those cases subject to Vermont laws and regulations.

(2) Claims Under Option D/3

The following table identifies those claims placed under Settlement Option D/3 and found to be in violation of Vermont statutes.

Claims Under Settlement Option D/3

Policy #	Comments
3148240, 5031036 & 7426152 (Same insured)	Violation of 8 V.S.A. § 3665 (c) (2) in that the Company failed to apply 6% interest to the proceeds
6679843, 6852490, 7248925 & 7254507 (Same insured)	Violation of 8 V.S.A. § 3665 (c) (2) in that the Company failed to apply 6% interest to the proceeds
5985071, 4377399, 4501837 & 6002582 (Same insured)	Violation of 8 V.S.A. § 3665 (c) (2) in that the Company failed to apply 6% interest to the proceeds
8601845	Violation of 8 V.S.A. § 3665 (c) (2) in that the Company failed to apply 6% interest to the proceeds
3077948	Violation of 8 V.S.A. § 3665 (c) (2) in that the Company failed to apply 6% interest to the proceeds
01615699 & 01865688 (Same insured)	Violation of 8 V.S.A. § 3665 (c) (2) in that the Company failed to apply 6% interest to the proceeds

(C) POLICY LANGUAGE IRREGULARITY

The examiners observed that the claim file for policies numbered 3148240, 5031036 and 7426152 (same insured) contained a form entitled *Election of Interest Option "D/3" Contract*, form # F5208. The Company requires completion of this form if the beneficiary elects Option D/3 as the method of payment of the death claim. The following language appears, in pertinent part, within the contract:

Rules and Regulations for Option "D/3"

1. This election of Option "D/3" shall be subject to the provisions of the Optional Methods of Settlement of said policy or policies and the Company's rules and regulations.

A follow up request was made by the examiners for copies of the policies' provision entitled "Optional Methods of Settlement" (referenced in the contract) and copies of the filings and approval by the Vermont Department of the policy forms.

The Company responded by furnishing copies of the provision and copies of the filing and approval of the policy forms with the exception of policy # 3148240, Ordinary Life Policy, (approved in 1947, according to the Company). The Company was unable to locate a copy of the filing and approval letter.

- With respect to policy # 7426152, the following language was observed in *Part 4, The Death Benefit* (Form # 110-1A-8600) :

Interest On Death Benefit

If the death benefit is paid in one sum, we will add interest from the date of death to the date of payment. The amount of interest will be the same as would be paid under Option D of the payment options for that period of time. See "Part 5. Payment Options" for a description of Option D (Emphasis added).

Refer to the discussion under (I) (B) Settlement Option D/3 pages 10, 11, 12 and 13 which indicates that the interest rates applied under Option D were less than the statutorily required rate of 6%.

- With respect to policy # 5031036, the following language was observed in the section of the policy entitled *General Provisions* (Form # A20-7200 dated 5-1-72) :

Death Benefit

If the death benefit is payable in one sum, interest on the amount payable for the period from the date of death to the date of payment, but not for a period of more than one year, will be paid to the beneficiary. Such interest will be at the rate applicable to Option D of the Optional Methods of Settlement (Emphasis added).

The policy language contained in the above referenced policies and underlined for emphasis does not conform to the requirements of 8 V.S.A. § 3665 (c) (2) in that it does not state that *the interest rate shall be the rate paid on proceeds left on deposit, or six percent whichever rate is greater* (with respect to Vermont business). Additionally, the statement *not for a period of more than one year* contrary to 8 V.S.A. § 3665 in that the time limitations described in the policy are not provided for nor allowed by the statute.

It should be noted that policy # 5031036 was issued prior to 1987, the effective date of 8 V.S.A. § 3665, however, policy # 7426152 (covering the same insured) was issued after 8 V.S.A. § 3665 became effective. The fact that policy # 5031036 was issued prior to the effective date of the statute does not preclude the Company from amending the policy language to reflect the requirements of the statute once it became effective. The Company advised the examiners that the referenced policy forms are no longer in use.

A subsequent review of the policy forms currently in use in the state of Vermont and those in use during the examination period revealed that thirteen (13) of the policy forms provided for the review contain substantially the same language as in the older policies and that they continue to be noncompliant with 8 V.S.A. § 3665 (c) (2).

See Appendix

Eighteen (18) of the policy forms provided for the review, contain acceptable policy language and are in compliance with the statute. For example, policy form # P8-01 contains the following language:

Interest On Death Benefit

If the death benefit is paid in one sum, we will add interest from the date of the insured's death to the date of payment. The amount of interest will be the same as would be paid under Option D of the payment options for that period of time, or if greater, the interest rate established by applicable state law.

The examiners criticized the Company for continuing the use of forms which do not comply with 8 V.S.A. § 3665 and recommended that the Company either amend the policy language or provide an endorsement to all policyholders in the state of Vermont reflecting compliant language.

The Company disagreed with the examiners recommendation for the following stated reasons:

First, the policies noted above, as well as all forms currently in use in Vermont, were issued on forms that were filed with and approved by the Vermont Department of Banking, Insurance, Securities & Health Care Administration. In addition, these two particular policy forms are part of a "closed block" and are no longer offered in Vermont. Second, Criticism 11 states that the policy language of the policies listed above does not conform to Section 3665. Section 3665 is not a forms-related section nor is it a required standard provision for policy forms. Rather, Section 3665 provides guidance to

insurers on how to process death claims. Insurers are required to comply with and pay death claims in accordance with the provision of § 3665, notwithstanding what a particular policy form may provide. Third, we found no basis in Vermont law, regulation or other authority that would require an insurer to amend Vermont policy forms whenever a statute or regulation was enacted or amended. Notwithstanding the foregoing, the Company has taken a number of steps to ensure accurate processing of Vermont death claims. For example, management of the death claims organization met with claims processing teams to review and enforce Vermont claims processing rules. New training was conducted with these teams to reinforce these rules. The claims organization's internal audit program was revised to be able to specifically audit for those states that have specific claims processing requirements, such as Vermont. Lastly, every Vermont claim is being audited internally to ensure compliance with Vermont claims processing rules.

The examiners contend that the recommendation of amending the policy language or providing an endorsement to the affected policyholders is necessary in order to avoid statutory conflict between the policy language and Vermont statutes. If corrective action is not initiated the affected Vermont policyholders would not be apprised of their rights under Vermont law.

For example, the language contained in the policy summary directed to the policy owner reads: *We will, subject to the terms of this policy, pay the death benefit to the Beneficiary when due proof of the Insured's death is received at our Home Office* (Emphasis added). As previously discussed, the language under the provision entitled **Interest on Death Benefit** indicates that the Company will add interest based on proceeds left on deposit as determined by the Company, which has been historically less than the required rate of 6%. The consumer could be harmed by relying on this language in that they would not be made aware of their right to receive 6% interest on the proceeds of the policy.

**(D) INDIVIDUAL PAID LIFE CLAIMS - VIOLATIONS OF
8 V.S.A. § 3665 (c) (2)**

The review of the sixty-two (62) individual paid life claim files in the sample revealed that eleven (11) claim files, representing seventeen (17) policies, contained violations of 8 V.S.A. § 3665 (c) (2). This does not include the findings previously described in the section entitled (B) *SETTLEMENT OPTION D/3* of this report.

The following table identifies those claims which were found to contain violations of 8 V.S.A § 3665 (c) (2).

Policy #	Comments
8934198, 08902023 & 08967554 (Same insured)	Violation of 8 V.S.A. § 3665 (c) (2) Did not pay 6% interest
03579125 & 06049480 (Same insured)	Violation of 8 V.S.A. § 3665 (c) (2) Did not pay 6% interest
03128756 & 05220410 (Same insured)	Violation of 8 V.S.A. § 3665 (c) (2) Did not pay 6% interest
01448273	Violation of 8 V.S.A. § 3665 (c) (2) Did not pay 6% interest
00753367	Violation of 8 V.S.A. § 3665 (c) (2) Did not pay 6% interest
00779789	Violation of 8 V.S.A. § 3665 (c) (2) Did not pay 6% interest
03129934	Violation of 8 V.S.A. § 3665 (c) (2) Did not pay 6% interest
02364677 & 03827306 (Same insured)	Violation of 8 V.S.A. § 3665 (c) (2) Did not pay 6% interest
02216453	Violation of 8 V.S.A. § 3665 (c) (2) Did not pay 6% interest
** 02169393	The insured's date of death was <u>3/17/02</u> , date proof of loss received was 11/20/03 with claim being paid on 11/25/03. The company is in violation of 8 V.S.A. § 3665 (c) (2) in that interest did not accrue <u>from the date of death</u> (3/17/02) to date of payment. The company paid interest from <u>3/17/03</u> to 11/25/03.
01556924 & 02193774 (Same insured)	Violation of 8 V.S.A. § 3665 (c) (2) Did not pay 6% interest

The Company stated in response to the examiners' criticism that, in preparation for the market conduct examination, a preliminary review of the life claims, which were paid during the examination period, was conducted and the Company identified thirty-three (33) policies which were paid at a rate of interest less than the required 6%. The

Company undertook corrective action by paying each claimant the additional amount due plus 3% interest from the initial payment date to September 1, 2004 (date the corrective action was taken).

The Company further stated that in order to prevent this situation going forward we have reviewed the state regulation with the claims examiners at staff meetings and have followed up with an email reminder attaching the regulation. We will also include Vermont as one of the states that our internal quality audit team will schedule for an annual review.

It should be noted that policies numbered 3128756 and 5220410 (same insured) were not included in the corrective action until the examiners brought this to the attention of the Company. Subsequently, on November 5, 2004, the Company issued checks for the additional interest due.

****** With respect to policy # 02169393, the amount of interest applied to the proceeds was 6%, however, the Company used an incorrect date of death which resulted in an underpayment. Upon calling this error to the Company's attention, a check was issued to the beneficiaries on November 5, 2004, for the underpaid amount plus 3% interest.

(E) INDIVIDUAL CLAIMS-IRREGULAR PROCESSING PROCEDURE

The examiners observed an irregularity with respect to policy # 00779789 as described below.

The Company's letter of acknowledgement of claim and statement as to the requirements for settlement was sent to the beneficiary September 21, 2001. There were no more communications with the beneficiary until December 9, 2002, a period of more than one year. Additionally, the proofs of loss had an incorrect date stamp, indicating receipt of proofs as January 1, 2002 instead of January 1, 2003.

(F) GROUP CLAIMS

(1) Group Life Claims Reporting

In a letter dated May 27, 2004, the Company stated, with regard to “Life Claims Paid”, that there were no group life claims to report for the period. The examiners, however, observed the following when reviewing the Vermont State pages of the Annual Statements for the years 2002 and 2003:

Year	Column 3 (Group), line 9. (Death benefits)
2002	\$ 1,449,561
2003	\$ 2,160,240

The Company offered the following explanation as to the discrepancy in reporting group life claims in the Vermont State pages:

When reviewing these claims, it was discovered that they were reported inadvertently on the Vermont State pages based on the mailing address of the owner. MassMutual reports claims on the state pages based on the legal residence of the insured at time of death.

Additionally,

The MassMutual internal code for capturing the state for the state pages was incorrectly entered at the time of payment. It appears the mailing address of the owner was entered instead of the legal residence of the insured at date of death.

The Company further stated *we are currently assessing what corrective actions need to be taken.*

The examiners recommend that the Company take steps in order to ensure that group life claims are accurately reported.

(2) Group Life Claim Violation of 8 V.S.A. § 3665 (c) (2)

The Company subsequently identified one (1) group life claim which was paid in 2001 but not reported on the Vermont State page for the year 2001.

The review of the claim file (policy # 00 035 497) revealed that the Company failed to pay the statutorily required rate of 6% in violation of 8 V.S.A. § 3665 (c) (2). After the examiners criticized the Company for its failure to pay the required rate of interest, corrective action was taken by the Company on November 3, 2004. A check was drafted in the amount of \$1,247.94 payable to the beneficiary, which included the amount owing plus 3% interest.

It is recommended that the Company take steps in order to ensure that group life claims are paid at the statutorily required rate of 6% interest for those claims involving Vermont certificate holders.

(II) REPLACEMENTS

The examination period for this report runs from January 1, 2001 through December 31, 2003. Vermont Regulation 2001-3 became effective on March 1, 2002, and replaced Regulation 88-2, which was in effect prior to that time. Tests were performed in order to determine compliance with these regulations as described below.

(A) SAMPLE SELECTION

Initially the examiners requested listings representing populations of all life replacements, annuity replacements, issued life policies and issued annuity contracts for the period January 1, 2001 through December 31, 2003.

(1) Life Replacements Sample

The initial listing contained fifty-five (55) life replacement records for the examination period. The examiners requested the entire population for the review, with the Company responding by furnishing all the requested sample files with the exception of five (5). Five (5) were duplicates. One (1) of the five (5) duplicate files (# 11212424) could not be located.

Upon review of the remaining fifty (50) life replacement files, it was observed that five (5) were written by C.M. Life Insurance Company, a wholly owned subsidiary of Massachusetts Mutual Life Insurance Company. Additionally, policy # 15556399 was not applied for in the State of Vermont and therefore not subject to the review. At this point, a total of forty-four (44) life replacement files represented the life replacements sample.

It should be noted, however, that the examiners' review of the issued life sample revealed that the Company failed to report three (3) replacements occurring in 2001, in violation of Regulation 2001-3 § 4 B. The Company's response was that the replacement register furnished for the examination excluded any contracts replaced in 2001 due to an error in the "programming query". Subsequently, the examiners requested the "excluded" replacement files that were not included in the initially requested replacement register. Therefore, the total number of life replacements subject to examination and reported on the corrected replacement register was sixty-one (61). Note that the actual sample size was sixty (60) as one (1) file could not be located.

(2) Annuity Replacements Sample

The examiners requested the entire population of twenty-six (26) annuity replacement files for the review. No problems were encountered in this sample selection.

(3) Issued Life Policies Sample

The initially provided listing representing life policies issued during the examination period, contained an approximate population of four hundred and ninety-eight (498) policy files from which a sample of fifty (50) was selected. Upon review of the sample files it was determined that six (6) were not subject to the review as they were not applied for in the State of Vermont. Six (6) additional files were subsequently requested in order to achieve a total of fifty (50) sample files.

It was later determined that three (3) of the fifty (50) sample files were C.M. Life policies, (as encountered with the life replacement samples) therefore, an additional three (3) policy files were selected for the final review. The Company furnished a revised listing excluding the C.M. Life policies, leaving an approximate total population of four hundred and seventy-eight (478).

(4) Issued Annuity Sample

The examiners encountered similar difficulties in obtaining the sample for the issued annuity review. Initially, the listing contained an approximate total of two hundred and three (203) annuity contracts from which a sample of fifty (50) annuity files was selected. Upon review of the sample files, it was determined that nine (9) samples out of the fifty (50) were written outside the examination period and therefore disallowed. The Company subsequently furnished a revised listing excluding the annuity contracts that were incorrectly included (written outside the examination period) in the initial listing. Thus, the corrected population representing annuity contracts, which were issued during the examination period, was an approximate total of one hundred and seventy-nine (179). Nine (9) files were selected from the corrected population to replace those that were outside the examination period, thereby bringing the total sample size back to fifty (50).

(B) REPLACEMENT REVIEW

The examiners review regarding life replacement policies did not reveal any violations. The findings of the review of the twenty-six (26) annuity replacement files are detailed below.

Annuity Replacements

Contract Number	Violations (Numbers are keyed to legend)	Comment
SPA8509116	1	
TRC44751809	2,3	Name of existing insurer omitted from Replacement Notice
TRC44754757	2,3	

LEGEND

- 1** No evidence that written communication to existing insurer was sent within 5 business days- Reg. 88-2 § 8 B (2).
- 2** Unable to produce copies of the notification regarding replacement- Reg. 2001-3 § 5 A (3).
- 3** Failure to verify that the required forms are received and are in compliance with the Regulation- Reg. 2001-3 § 5 A (1).

A company representative informed the examiners that associates and managers completed replacement training during July through September of 2004, that they have in place a Quality Assurance initiative to review replacement cases and will continue the initiative to ensure compliance with Vermont laws and regulations.

(C) ISSUED LIFE AND ANNUITY REVIEW

The review of the issued life samples revealed that one (1) file contained three (3) violations of Vermont Regulation 2001-3, out of fifty (50) files reviewed by the examiners. Policy number 11247967 contained an incomplete Notice Regarding Replacement in violation of Regulation 2001-3 § 5 A (3). In addition, the Company failed to verify that the required forms were received and were in compliance with the Regulation as required by Regulation 2001-3 § 5 A (1) and failed to notify the producer and the applicant of the outstanding requirements of the replacement regulation and to fulfill these requirements in accordance with Regulation 2001-3 § 4 G.

The examiners' review of the issued annuity samples revealed one (1) contract containing two (2) violations of Regulation 2001-3 out of fifty (50) contract files. Specifically, contract TRC44756380 did not contain a statement signed by both the applicant and the producer as to whether the applicant had existing policies or contracts in violation of Regulation 2001-3 § 4 (C). Since the statement was omitted, the Company was required to notify the producer and the applicant of the outstanding requirements of the replacement regulation and to fulfill these requirements in accordance with Regulation 2001-3 § 4 G, however failed to do so.

The Company responded that as a corrective action, during July through September of 2004, associates and managers completed replacement training. Furthermore, the Company stated that they have a Quality Assurance initiative in order to monitor compliance with Vermont laws and regulations.

The overall result of the review of the fifty (50) issued life insurance policy files and fifty (50) issued annuity contract files resulted in two (2) policies containing five (5) violations.

(III) COMPLAINTS

According to records furnished the examiners by the Company, the numbers of Vermont complaints received by them during the examination period were as follows:

2001 **	2002	2003
5	4	3

****Note:** The Company initially included in error a complaint for C.M. Life Insurance Company for the year 2001. Refer to the discussion in section II (A).

The examiners noted that four (4) of the five (5) complaints received during 2001 resulted from various processing errors where the Company appeared to be at fault but made the necessary corrections with letters of apology to the consumers. The numbers declined downward to four (4) received during 2002 and three (3) received during 2003. There was only one (1) where the company was clearly at fault and this involved the sending of an incorrect 1099R.

The overall number of complaints was small and not of a serious nature, however, the examiners did note a concern with regard to the Company's handling of ID # 429. In that case the insured directed their complaint to the Vermont Department, which in turn faxed a letter or inquiry to the Company on April 6, 2001. Although the Company sent the Vermont Department a brief letter of acknowledgement on April 13, 2001, they failed to furnish a response to the Department addressing the specifics of the inquiry until their letter dated June 19, 2001, a period of two (2) months and thirteen (13) days, notwithstanding the fifteen (15) working day requirement of the Regulation 79-2 and the Department's follow-up letters dated May 11, 2001 and June 3, 2001.

It is recommended that the Company conform strictly to the fifteen (15) working day time limit of Vermont Regulation 79-2 in each instance where the Department sends an inquiry or complaint for their response.

SUMMARY OF RECOMMENDATIONS

1.

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The examiners recommend that the Company go back as far as the Vermont Department deems appropriate and recalculate the interest on those claims placed under “Interest Option D/3” and pay the beneficiaries the difference between the rate applied to the option and the required 6% interest rate plus additional interest on such amounts.

2.

Page 12

It is recommended that the Company amend its procedure with regard to “Interest Option D/3” by applying the interest rate pursuant to 8 V.S.A. § 3665 (c) (2) on those cases subject to Vermont laws and regulations.

3.

Pages 14 & 15

The examiners reiterate their recommendation made during the examination, with which the Company does not agree, that they either amend the policy language or provide an endorsement to all affected Vermont policyholders reflecting compliant language as discussed in the report.

4.

Page 18

The examiners recommend that the Company take steps in order to ensure that group life claims are accurately reported in the Company’s annual statements.

5.

Pages 18 & 19

It is recommended that the Company take steps in order to ensure that group life claims are paid at the statutorily required rate of 6% interest for those claims involving Vermont certificate holders.

6.

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It is recommended that the company comply with the fifteen (15) working day time limit of Vermont Regulation 79-2 in each instance where the Department sends an inquiry or complaint for their response.

APPENDIX

Note: The following attachments:

Form # 110-1A-8600 (Reference: **“Interest On Death Benefit”**)

Form # A20-7200 (Reference: **“Death Benefit”**)

If extended term insurance is in force, we add a pro rata share of any dividend allocated for the year of death.

If paid-up life insurance is in force, we add any paid-up additions, any dividend accumulations and a pro rata share of any dividend allocated for the year of death. Then we deduct any policy debt.

See "Lapse Benefits" in Part 3 for a discussion of extended term and paid-up life insurance.

Interest On Death Benefit

If the death benefit is paid in one sum, we will add interest from the date of death to the date of payment. The amount of interest will be the same as would be paid under Option D of the payment options for that period of time. See "Part 5. Payment Options" for a description of Option D.

If the death benefit is applied under a payment option, interest will be paid from the date of death to the effective date of that option. It will be paid in one sum to the Beneficiary living on that effective date. The amount of interest will be the same as would be paid under Option D for that period of time.

Suicide Exclusion

If the Insured commits suicide, while sane or insane, within two years from the Issue Date, and while this policy is in force, we will pay a limited death benefit in one sum to the Beneficiary. The limited death benefit will be the amount of premiums paid for this policy, less any policy debt.

Part 5. Payment Options

These are Optional Methods of Settlement. They provide alternate ways in which payment can be made.

Availability Of Options

All or part of the death benefit or cash surrender value may be applied under any payment option. If this policy is assigned, any amount due to the assignee will be paid in one sum. The balance, if any, may be applied under any payment option.

Minimum Amounts

If the amount to be applied under any option for any one person is less than \$2,000, we may pay that amount in one sum instead. If the payments under any option come to less than \$20 each, we have the right to make payments at less frequent intervals.

Description Of Options

Our payment options are described below. Any other payment option agreed to by us may be elected. The payment options are described in terms of monthly payments. Annual, semiannual, or quarterly payments may be requested instead. The amount of these payments will be determined in a way which is consistent with monthly payments and will be quoted on request.

If the Schedule Page shows that this policy was issued on a unisex rate basis, the female rates shown in the Option C, E and F Tables apply in all cases. The male rates in those tables do not apply to unisex rate policies.

Option A

Fixed Amount Payment Option. Each monthly payment will be for an agreed fixed amount. The amount of each payment may not be less than \$10 for each \$1,000 applied.

110-1A-9600

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GENERAL PROVISIONS

DEATH BENEFIT The death benefit is the Sum Insured if death occurs while this policy is in full force; otherwise, the death benefit is the amount provided under the applicable non-forfeiture benefit. Any paid-up additions and dividend accumulations will be added to the death benefit and any indebtedness will be deducted from the death benefit.

If the death benefit is payable in one sum, interest on the amount payable for the period from the date of death to the date of payment, but not for a period of more than one year, will be paid to the beneficiary. Such interest will be at the rate applicable to Option D of the *Optional Methods of Settlement*.

The pro rata part of any premium paid or waived which is applicable to a period beyond the date of death will be added to the death benefit. If death occurs within the grace period, the pro rata part of any unpaid premium for the period from the premium due date to the date of death will be deducted from the death benefit.

RIGHTS OF OWNER During the lifetime of the insured and with the written consent of any irrevocable beneficiary (except as otherwise specifically provided herein) the owner may exercise and enjoy every right, privilege, option and benefit granted by this policy or allowed by the Company and may change the succession of ownership from time to time. An "irrevocable beneficiary" is any beneficiary whose consent is required by the terms of this policy to change the beneficiary designation hereunder.

The rights of the owner are subject to any written assignment received at the Home Office.

CHANGE OF OWNER OR BENEFICIARY During the lifetime of the insured, the owner or beneficiary may be changed from time to time. Any request for change of the owner or the beneficiary must be written and satisfactory to the Company. No change of the owner or the beneficiary will take effect unless such request is received at the Home Office. When such request is received, the change will relate back to and take effect as of the date the request was signed, whether or not the insured is living when the request for change is received; provided, however, that such change will be subject to any payment made or other action taken by the Company before the request is received.

ASSIGNABILITY This policy may be assigned but the Company will not be charged with notice of any assignment unless it is in writing and until the original or a true copy thereof is received at the Home Office. The Company does not assume responsibility for the validity of any assignment. The interest of any beneficiary and of any other person shall be subject to any written assignment received by the Company. Any assignment shall be subject to any indebtedness under this policy.

ENTIRE CONTRACT This policy and the application constitute the entire contract between the parties. All statements made by the insured or on his behalf shall be deemed representations and not warranties, and no such statement shall be used in defense to a claim under this policy unless it is contained in the application and a copy of the application is attached to this policy when issued.

ALTERATION OF POLICY No alteration of this policy or waiver of any of its conditions shall be valid unless made in writing and signed by the President, a Vice President, the Secretary or an Assistant Secretary.

INCONTESTABILITY This policy, except for non-payment of premiums, shall be incontestable after two years from the date of issue.

SUICIDE If the insured, whether sane or insane, commits suicide within two years following the date of issue and while this policy is in force, the Company will be liable only for the amount of the premiums paid hereunder less any indebtedness, which amount shall be paid in one sum to the beneficiary.

MISSTATEMENT OF AGE OR SEX If the age or sex of the insured has been misstated, the amount payable hereunder shall be such as the premium paid would have purchased at the correct age and sex according to the Company's rates effective when this policy was issued.

PROOF OF AGE Proof of the date of birth of the insured may be filed at the Home Office at any time. If such proof is satisfactory to the Company, a statement to this effect will be issued by the Company.

DATES Policy years, policy anniversaries and premium due dates are computed from the Policy Date. The date of issue of this policy is the Policy Date unless an earlier Date of Issue is indicated on the Schedule Page. The first number in any date shown in numerals in this policy represents the month of the calendar year; the second number, the day of the month; and the third number, the calendar year.

DEFINITIONS The words "Home Office" mean the principal office of the Company located in Springfield, Massachusetts 01101. The word "indebtedness" means indebtedness to the Company under this policy. The reference to "age" under Annual Premiums on the Schedule Page means the policy anniversary on which the age of the insured at nearest birthday is the age stated.

A20-7200

6-1-72