

July 19, 2006

VIA OVERNIGHT MAIL

David Cassetty, Enforcement Attorney
State of Vermont Department of Insurance
89 Main Street, Drawer 20
Montpelier, VT 05620-3101

Re: Massachusetts Mutual Life Insurance Company Market Conduct Examination Report

Dear Mr. Cassetty:

This letter responds to Department of Insurance (“Department”) letter dated May 22, 2006, wherein you enclosed a copy of the Market Conduct Examination Report (“Report”) of Massachusetts Mutual Life Insurance Company (“MassMutual” or “Company”). The examination of MassMutual was conducted for the period January 1, 2001 through December 31, 2003 and covered claims administration, replacements and complaints. The Company thanks the Department for allowing until July 21, 2006 to respond to the Report.

Claims Administration

1. On pages 11 and 12 of the Report, the Department made the following 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 therequired 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.

Response. MassMutual accepts the recommendation to amend our current procedures with regard to “Interest Option” D/3 by applying the interest rate pursuant to 8 V.S.A. § 3665(c)(2) from the date of death up to the effective date the proceeds are placed under the Option. This change will be implemented not later than October 1, 2006.

2. On page 14 of the Report, the Department made the following recommendation:

The examiners criticized the Company for continuing the use of forms which do not comply with 8 V.S.A. § 3665 and recommend that the company either amend the policy language or

provide an endorsement to all policy holders in the state of Vermont reflecting compliant language.

- **Response.** The Company notes that the policy forms identified in the examination, as well as all forms currently in use in Vermont, were issued on forms that were filed with and approved by the Department. The examiners indicated in the Report that the policy language of those forms examined did 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 Section 3665, notwithstanding what a particular policy form may provide. The Department's response to these arguments focus on a potential conflict between policy language and the statutes and policyholders not being apprised of their rights under law. If MassMutual amended this policy language, there is no guarantee that the affected persons (i.e., the beneficiaries) would be apprised of their rights, as the endorsement would be sent to the policyowner. MassMutual does not contend that any policy endorsement is warranted. However, in the interest of apprising beneficiaries of their rights under Vermont law, and complying with the spirit of the recommendation, MassMutual will inform beneficiaries in writing at the time of claim that they will receive interest on the proceeds at the rate established by state law. This change will be implemented not later than September 1, 2006.
3. On page 14 of the Report, the Department observed that the Company did not communicate timely with the beneficiary.
- **Response.** The examiners identified one case within their sampling where the Company did not communicate timely with the beneficiary. In 2004, reminders were given to the Company's claims examiners during team meetings regarding the importance of following up with beneficiaries in a timely manner. In addition, monitoring mechanisms have been put in place. For example, claims examiners pull daily reports to see what is due each day and management runs monthly reports and address any overdue follow-ups with individual examiners. Lastly, on June 27, 2006, another email was sent out to claims examiners reminding them of the importance of maintaining their follow-ups in a timely manner.
4. On page 18 of the Report, the Department made the following recommendation:

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

- **Response.** In December, 2004, a reconciliation process was put in place to verify that our state reporting of group claims matches the general ledger. For all group death claims, the group life business area indicates the contract and premium state on the internal worksheet when a notice of death is submitted to Claim Administration. In 2005, the group life business area performed a quality audit review of all initial death claim notifications to verify that the proper contract and premium state had been noted on the worksheet prior to forwarding to Claim Administration for handling.

5. On page 19 of the Report, the Department made the following recommendation:

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

- **Response.** The Claim Administration department has committed to complete quality assurance reviews of all Vermont paid claims (group life and individual life). The quality assurance reviews are conducted on a quarterly basis to verify, among other things, that the statutorily required rate is paid on such claims.

Replacements

6. On page 22 of the Report, the Department found that, for three of the annuity replacements examined:

No evidence of written communication to existing insurer was sent within 5 business days; Unable to produce copies of the notification regarding replacement; and Failure to verify that the required forms are received and are in compliance with the Regulation.

- **Response.** In addition to the corrective actions already taken and noted in the Report, additional replacement training was conducted in 2005 and 2006. In addition, the Quality Assurance program has remained in effect with reviews being conducted on a regular basis. Moreover, internal procedural documentation for annuity replacements requires that replacement letters must be sent to the transferring company within 3 business days and that a copy of the letter must be scanned into the application file.

7. On page 23 of the Report, the Department found that one of the fifty files examined:

[C]ontained an incomplete Notice Regarding Replacement; failed to verify that the required forms were received and were in compliance with the Regulation; 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 the Regulation.

- **Response.** In addition to the corrective actions already taken and noted in the Report, additional procedures have been implemented whereby prior to underwriting, Case Managers review and process replacement requirements within 48 hours of receiving the application in the home office. In order to verify compliance with internal procedures, the Company periodically audits the replacement process whereby a percentage of files are reviewed. Moreover, the following actions have been taken or implemented:
 - Enhanced new associate replacement training as well as refresher replacement training for other associates;
 - Published replacement educational articles for the benefit of employees, agents and other agency associates;

- Enhanced performance measurement criteria to include processing transactions in compliance with applicable state laws and regulations; and
 - Committed to placing all new business associates through replacement refresher training by the end of December, 2006.
8. In the Replacements section of the Report, the Department noted instances where the Company provided certain information that was non-responsive.
- **Response.** The Company's Life, Annuity and Compliance organizations have implemented procedures and quality assurance reviews to ensure that examination specifications are adhered to and that responsive data is produced and provided to examiners.

Complaints

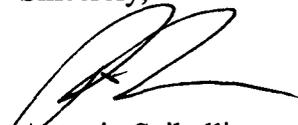
9. On page 24 of the Report, the Department made the following recommendation:

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.

Response. The Company has implemented procedures to comply with the applicable regulation. On a weekly basis, responses to regulatory complaints that are due during the current or following week (i.e., complaints due within the next 14 days) are identified. The person responsible for the response is issued a reminder of the response due date. For complaints being responded to by departments outside of Customer Relations, the reminder is followed by a phone call.

Please feel free to contact me if you have any questions or wish to discuss this letter.

Sincerely,



Antonio Scibelli
Counsel