

MARKET CONDUCT
EXAMINATION REPORT OF
TRANSAMERICA PREMIER LIFE INSURANCE COMPANY
CEDAR RAPIDS, IOWA
AS OF DECEMBER 31, 2015

Des Moines, Iowa
June 21, 2016

HONORABLE NICK GERHART
Commissioner of Insurance
State of Iowa
Des Moines, Iowa

Commissioner:

In accordance with your authorization and pursuant to Iowa statutory provisions, a market conduct examination has been made of the records, business and marketing practices of

TRANSAMERICA PREMIER LIFE INSURANCE COMPANY

CEDAR RAPIDS, IOWA

AS OF DECEMBER 31, 2015

The examination was conducted at the Company's Home Office located at 4333 Edgewood Road Northeast, Cedar Rapids, Iowa and at the office of the Iowa Insurance Division in Des Moines.

INTRODUCTION

The report of this examination, containing applicable comments, explanations and findings is presented herein. Additional practices, procedures and files subject to review during the examination have been omitted from the report if no improprieties were found.

SCOPE OF EXAMINATION

Transamerica Premier Life Insurance Company, hereinafter, the "Company", was previously examined as of December 31, 2010. This regular market conduct examination covered the period from January 1, 2010 to the close of business on December 31, 2015. It was conducted and performed by the Iowa Insurance Division by its examiners. A general review and survey was made of the Company's marketing operations and treatment of policyholders for statutory compliance during the stated period. Other supporting evidences have been examined and evaluated to the extent deemed necessary.

HISTORY

The Company was originally incorporated as a mutual insurance company in 1858 under the name Maryland Mutual Life and Fire Insurance Company. The name was changed in 1870 to Mutual Life Insurance Company of Baltimore. In 1928, the Company was converted to a stock company, and in 1935, the name Monumental Life Insurance Company was adopted. The Company was formed to issue pension, annuity and endowment contracts and policies of insurance in various forms on life, accident, sickness and disability risks. On September 3, 1998, the Company's Charter was amended to include other contracts and policies such as, but not limited to, guaranteed investment contracts, funding agreements, and deposit administration contracts.

Effective November 30, 1998, three indirect subsidiaries of Commonwealth General Corporation, Commonwealth Life Insurance Company, Peoples Security Life Insurance Company and Capital Security Life Insurance Company, were merged into the Company. As a result of these mergers, the direct owner of the merged subsidiaries, Capital General Development Corporation, was issued 7,444 shares of capital stock of the Company. Capital General Development Corporation became the owner of 73.23% of the Company with First AUSA Life Insurance Company's ownership of the Company being reduced from 100% to 26.77%. Capital General Development Corporation was owned 100% by Commonwealth General Corporation, a Delaware holding company.

During 2004, First AUSA Life Insurance Company merged into AEGON USA, Inc., an Iowa holding company that conducts substantially all of its insurance operations through its subsidiary companies, with AEGON USA, Inc. becoming the surviving company. Prior to the merger, all business reported by First AUSA was recaptured by its affiliates whom had originally ceded the corresponding business. First AUSA did not write direct business. As a result, as of December 31, 2004, the Company was owned 73.23% by Capital General Development Corporation and 26.77% by AEGON USA, Inc. AEGON USA, Inc. was indirectly owned by AEGON N.V., a holding company organized under the laws of the Netherlands, which in turn is ultimately controlled by Vereniging AEGON Membership Association.

The Company redomiciled to Iowa on April 1, 2007. On October 1, 2007, Peoples Benefit Life Insurance Company was merged into the Company with the Company being the sole survivor.

Pursuant to the approvals of the Iowa Insurance Division and the New York Insurance Department, the Transamerica Reinsurance Division was sold by TLIC, TFLIC and other affiliates to SCOR S.E., a global reinsurance company in 2011.

On April 10, 2014, AEGON USA, LLC contributed 100% of the stock it owned of Monumental Life Insurance Company (Now Transamerica Premier Life Insurance Company) to Commonwealth General Corporation ("CGC"). As a result of the contribution the Company is 100% owned by CGC.

Pursuant to the approval of the Iowa Insurance Division, Monumental Life Insurance Company changed its name to Transamerica Premier Life Insurance Company on July 31, 2014.

Pursuant to the approval of the Iowa Insurance Division and the Ohio Insurance Department, Western Reserve Life Assurance Co. of Ohio merged into the Company on October 1, 2014.

Organizational Chart

The Company has numerous affiliates. A partial organizational chart follows:

ULTIMATE PARENT

VERENIGING AEGON, NETHERLANDS MEMBERSHIP ASSOCIATION

SUBSIDIARY OF VERENIGING AEGON, NETHERLANDS MEMBERSHIP ASSOCIATION

AEGON N.V. - Netherlands Corporation 32.126%

SUBSIDIARIES OF AEGON N.V.

AEGON NEDERLAND N.V. - Netherlands Corporation

AEGON NEVAK HOLDING B.V. - Netherlands Corporation

BLUE SQUARE RE N.V. - Netherlands Corporation
AEGON DERIVATIVES N.V. - Netherlands Corporation
AEGON INTERNATIONAL B.V. - Netherlands Corporation

SUBSIDIARIES OF AEGON INTERNATIONAL B.V.

THE AEGON TRUST - Delaware Corporation
AEGON DMS HOLDING B.V. - Netherlands Corporation

SUBSIDIARY OF THE AEGON TRUST

TRANSAMERICA CORPORATION - Delaware Corporation

SUBSIDIARIES OF TRANSAMERICA CORPORATION

TRANSAMERICA FINANCIAL LIFE INSURANCE COMPANY (TFLIC) - New York Corporation
(1)

TRANSAMERICA ADVISORS LIFE INSURANCE COMPANY (TALIC) - Arkansas Corporation

TRANSAMERICA CASUALTY INSURANCE COMPANY - Ohio Corporation

COMMONWEALTH GENERAL CORPORATION - Delaware Corporation

SUBSIDIARIES OF COMMONWEALTH GENERAL CORPORATION

TRANSAMERICA LIFE INSURANCE COMPANY (TLIC) - Iowa Corporation (2)

TRANSAMERICA PREMIER LIFE INSURANCE COMPANY (TPLIC) - Iowa Corporation

SUBSIDIARY OF Transamerica Life Insurance Company

TLIC OAKBROOK REINSURANCE, INC. - Iowa Corporation

TLIC RIVERWOOD REINSURANCE, INC. - Iowa Corporation

- (1) 15,067 shares common stock and 40,415 shares preferred stock owned by TRANSAMERICA CORPORATION; 2075 shares common stock and 5,566 shares preferred stock owned by Transamerica Life Insurance Company
- (2) 676,190 shares common stock owned by Commonwealth General Corporation; 117,154 shares preferred stock owned by Commonwealth General Corporation.

TERRITORY AND PLAN OF OPERATION

The Company sells a full line of products, including individual, credit, and group coverages under life, annuity and accident and health policies as well as investment products, including guaranteed investment contracts and funding agreements. Sales of the Company's products are primarily through agents, brokers, financial institutions and direct response methods. The Company is licensed in 49 states, the District of Columbia, Guam and Puerto Rico.

The top five states for direct premiums in 2015 were: (omit \$000)

<u>State</u>	<u>Direct Premium Collected</u>	<u>Percent of Total</u>
California	\$ 568,659	17.9%
Texas	226,926	7.2
Florida	204,736	6.5
Pennsylvania	145,773	4.6
New Jersey	139,905	4.4
Total All States	\$ 3,172,862	100.0%

MARKETING AND SALES

Advertising

A review of the advertising procedures was performed. The advertising file maintained at the Company's home office was found to be in compliance with the applicable regulations of the Iowa Administrative Code. No areas of noncompliance were noted.

The Company's internet website at www.premier.transamerica.com was reviewed for content and compliance. No exceptions were noted.

Producer Training and Appointments

A review of producer training procedures were completed. Producer procedures are in compliance with state statutes and regulations.

Replacements

A review of replacement procedures was performed. The Company has procedures in place to identify producers with ten or more replacement sales in a quarter, with sixty percent or more sales resulting from replacements. Distributors are asked to review the producer's sales and notify the company of any trends or patterns and to take any corrective action the distributor deems appropriate. The Company has additional replacement sales monitoring procedures. Procedures are in compliance with state statutes and regulations.

Suitability Determination Process Review

The Company's Compliance Department has developed and maintains an Annuity Suitability Supervision and Monitoring Program designed to detect and prevent inappropriate annuity transactions. This program relies upon agents, third party distributors and internal staff to perform supervision of annuity transactions submitted by producers. The main components of this supervision program include agent training and tools to assist in the recommendation of products that are suitable based upon the customer's individual financial needs and objectives, annuity transaction reviews to identify any red flag indicators and sales monitoring for unusual sales activities or suitability concerns.

A review of the Company's suitability documentation was performed with a sample of 114 annuity policies. The company has sufficient documentation to support the annuity recommendations and to comply with the requirements of Iowa Code section 507B.4B, and the Iowa Administrative Code subrules 15.68 through 15.73 and equivalent annuity suitability regulations for the states where the annuities were issued.

Third Party Administrators

The Company has contracted with third party administrators (TPA) to perform essential functions including but not limited to application processing, preparing and disseminating certificates, preparing and mailing notices, collecting and remitting premium, policy administration, customer service, process routine correspondence, claims adjudication, claims processing, distribution of marketing materials, billing, and commission payment.

The Company has procedures in place to complete due diligence prior to contracting with a TPA as well as to audit the TPA during the contract period; however, during the exam period, the Company did not have adequate follow up procedures to mitigate any issues identified during an audit. The Company is currently working to strengthen its oversight procedures of the TPAs.

A reconciliation of the Company's premiums file to the annual statement was completed; no material difference were noted.

COMPLAINT HANDLING

The Company's complaint registers for the years 2010 through 2015 were reviewed. The complaint registers are in compliance with applicable statutes and regulations.

The Company's complaint handling policies and procedures were reviewed. Subsequent to the exam period, the company developed enterprise-wide procedures which included additional detailed procedures and procedural training for complaint handling staff. Additionally, the Company has procedures in place for complaints received by TPAs and identifying complaint issues in TPA audits; however, the company does not have an effective process in place to ensure that the issues are remediated by the TPA. The company is in the process of implementing new TPA procedures to mitigate this issue.

A sample of 100 complaints filed directly with the Company for the years 2010 through 2015 were reviewed. The following exceptions did not follow the Company's complaint handling procedures: in five instances the company was not completing the complaint log correctly.

A sample of 39 complaints were evaluated for compliance with the Company's time standards. Nine were responded to within the Company's timeframe. Thirty of the complaints were responded to within eleven and thirty days. A detailed review of complaints that took 31 days or longer was completed and the Company was unable to provide a reason for the delay in seven of the nine instances. Subsequent to the exam period, the Company implemented a new process to monitor the timeliness of complaint responses.

Based on the results of this review, it was determined that complaints were not handled within the Company's internal guidelines for timeliness. Complaints were handled in an appropriate manner and there was adequate documentation to support the Company's resolution of the complaint.

UNDERWRITING

The Company's underwriting policies and procedures were reviewed for reasonableness and to verify management approval. The Company has appropriate authority levels in place. The company is in the process of implementing an underwriting training program for new staff.

Declined Policy Applications

A review of declined policy applications found 1 declination letter was sent to the applicant after 100 days. Upon review, this application was completed during the Company's timeframe. The Company is in the process of automating the process and providing additional training to staff.

The reasons for declination were not discriminatory and were in compliance with applicable statutes, regulations, Company procedures and guidelines. In all cases, applicants were provided appropriate reasons for the declination of the applications.

CLAIM HANDLING

Time Payment Study

A group sample of Transamerica Life and Transamerica Premier Life claims were selected to test data accuracy in the claims administration system and perform a time payment study. The sample was not limited to Iowa claims and included claims from other states. A portion of the original sample was not able to be sampled due to the selection of annuitizations and structured settlements which were unable to be identified as such during the sampling procedures. The remaining samples tested are as follows:

<u>Days to Pay</u>	<u>Number of Claims</u>	<u>Percentage</u>
0 - 7	15	16%
8 - 14	25	26
15 - 21	30	32
22 - 30	15	16
31+	<u>9</u>	<u>10</u>
TOTAL	94	<u>100%</u>

* The claims exceeding 30 days were isolated to an identified segment of Transamerica Premier Life and the Company has implemented new procedures within the segment. Interest was paid as appropriate

CONCLUSION

The cooperation and assistance extended by the officers and employees of the Company during the course of this examination is hereby acknowledged.

In addition to the undersigned, Alex Matovu, Randy Guzman, Bob Wong, and Jerry Cihota, examiners for the Iowa Insurance Division, participated in the examination and preparation of this report.

Respectfully submitted,

/s/ Lindsay J. Bates
LINDSAY J. BATES, CFE, MCM
Insurance Company Examiner Specialist
Iowa Insurance Division