

MARKET CONDUCT
EXAMINATION REPORT OF
TRANSAMERICA 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 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 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 licensed on March 19, 1962, following incorporation on April 19, 1961, in the state of Wisconsin, as a legal reserve life insurance company. The Company's original name was American Public Life Insurance Company, Inc. and it operated as a member of the Northwestern National Insurance Group. At the annual meeting of the shareholders held on April 9, 1968, the name change to NN Investors Life Insurance Company, Inc. was approved.

Life Investors Insurance Company of America acquired 100 percent of the outstanding stock of the Company from NN Corporation on December 31, 1975 and the executive office was moved to Cedar Rapids, Iowa. On June 30, 1976, the domicile of the Company was changed from the state of Wisconsin to the state of Iowa pursuant to the provisions of Chapter 508, Code of Iowa.

At a special meeting of the shareholders on June 28, 1982, Articles of Merger between the Company and Investors Fidelity Life Insurance Company were approved with the Company being the survivor. The effective date of the merger was June 30, 1982, and the assets were transferred at their pre-merger book value.

During 1984, the directors of the Company declared a stock dividend on the then issued capital stock of the Company of 150,000 common shares at par value of \$10 per share to the Company's sole stockholder.

At a special meeting of the shareholders on September 30, 1985, Articles of Merger between the Company and Investors Life of Florida Insurance Company were approved with the Company being the survivor. The effective date of the merger was January 24, 1986, with assets transferred at their book value before the merger.

At the annual meeting on April 26, 1990, the shareholders approved changing the name of the Company to PFL Life Insurance Company effective January 1, 1991. The Company merged with two affiliated life insurers, National Old Line Life Insurance Company, domiciled in the state of Arkansas, and Pacific Fidelity Life Insurance Company, domiciled in the state of California, with the Company being the surviving entity. Effective dates of these mergers were January 1, 1991 and March 31, 1991, respectively. The requisite approvals by the appropriate regulatory authorities were obtained.

Effective March 1, 2001, the Company's name was changed to Transamerica Life Insurance Company. The requisite approvals by the appropriate regulatory authorities were obtained.

Effective October 1, 2004, an affiliated Missouri-domiciled life insurer, Transamerica Assurance Company, was merged into the Company. All the necessary Board approvals were given and the requisite domiciliary regulatory approvals were received.

Effective October 1, 2005, the common stock of Transamerica Life Insurance Company that was owned by AEGON USA, Inc. was transferred to Transamerica Occidental Life Insurance Company.

Effective October 1, 2005, Transamerica Life Insurance and Annuity Company merged into Transamerica Life Insurance Company. In exchange for its agreement to merge Transamerica Life Insurance and Annuity Company into Transamerica Life Insurance Company, Transamerica Occidental Life Insurance Company received 316,955 shares of Transamerica Life Insurance Company common stock. The 223,500 shares of Transamerica Life Insurance Company common stock that were held by AEGON USA, Inc. were exchanged for 87,755 shares of Series B preferred stock. As a result, Transamerica Occidental Life Insurance Company owned all of the outstanding common stock (316,955 shares) of Transamerica Life Insurance Company and AEGON USA, Inc. owned all of the preferred stock (42,500 shares of Series A and 87,755 shares of Series B) of Transamerica Life Insurance Company.

Effective December 26, 2006, the series A preferred stock (42,000 shares) of the Company owned by AEGON USA, Inc., was redeemed.

Effective December 19, 2007, 57,340 series B preferred shares of the Company owned by AEGON USA, Inc. were redeemed leaving AEGON USA, Inc. with 30,415 series B preferred shares of the Company.

Effective October 1, 2008, an affiliated Iowa-domiciled life insurer, Transamerica Occidental Life Insurance Company (TOLIC) was merged into the Company. As a result, 100% of the Company's common stock owned by Transamerica Occidental Life Insurance Company (TOLIC) (316,955 shares) was transferred to Transamerica

International Holdings, Inc. and Transamerica Corporation (sole shareholder of TOLIC preferred stock) was issued 86,590 Series B preferred shares of the Company in exchange for the merger. Effective October 2, 2008, an affiliated Iowa-domiciled life insurer, Life Investors Insurance Company of America, was also merged into the Company. Effective October 1, 2009, an affiliated Arizona-domiciled life insurer, Iowa Fidelity Life Insurance Company, was merged into the Company. As a result, 149 series B preferred shares of the Company were issued to AEGON USA, LLC (sole shareholder of Iowa Fidelity Life) in exchange for the merger. All three mergers were given all the necessary Board approvals and received the requisite domiciliary regulatory approvals.

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

Effective September 30, 2015, an affiliated Delaware-domiciled holding company, Transamerica International Holdings, Inc. was merged into Commonwealth General Corporation, an affiliated Delaware-domiciled holding company. As a result, 100% of the Company's common stock owned by Transamerica International Holdings, Inc. was transferred to Commonwealth General Corporation.

Effective October 1, 2015, an affiliated Vermont-domiciled life insurer, Stonebridge Life Insurance Company, was merged into the Company. All the necessary Board approvals were given and the requisite domiciliary regulatory approvals were received.

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 non-participating whole life, endowment, and term contracts structured settlements, and pension products, as well as a broad line of single fixed and flexible premium annuity products, guaranteed interest contracts and funding agreements. In addition, the Company offers group life, universal life, and individual and specialty health coverage. Sales of its products are primarily through a network of agents, brokers and financial institutions. The Company is licensed to transact business in 49 states (not New York), the District of Columbia, Guam, Puerto Rico, and the US Virgin Islands.

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	\$ 1,229,723	10.2%
Florida	1,181,626	9.8
Missouri	1,156,312	9.6
New Jersey	778,968	6.4
Texas	607,619	5.0
Total All States	\$12,079,071	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.

Additionally, the Company's internet website at www.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.

A sample of 100 terminated agents was compared to the appointed agent list in the insurance department database. In two instances the Iowa Insurance Division was not given the required notice of agent appointment termination which is a violation of Iowa Administrative Code 191-10.17.

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 did not have an effective process in place to ensure that the issues are remediated by the TPA

during the exam period. 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 one instance a complaint was responded to via phone call and in eight 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 37 declination letters were sent to the applicants after 100 days. Upon review, 33 of the 37 applications were completed during the Company's timeframe. The remaining four declination letters were sent after 50 days. The Company was unable to provide an explanation for the delay. 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