



Report on
Market Conduct Examination

of

SECU Life Insurance Company
Raleigh, North Carolina

by Representatives of the
North Carolina Department of Insurance

as of

February 12, 2025

TABLE OF CONTENTS

SCOPE OF EXAMINATION	2
Previous Examination Findings	2
EXECUTIVE SUMMARY	3
POLICYHOLDER TREATMENT	3
Consumer Complaints	3
MARKETING	4
Sales and Advertising	4
Producer Licensing-Terminations	4
UNDERWRITING	5
Individual Non-Variable Life Issued Standard	5
Individual Non-Variable Life Replacements	5
Individual Non-Variable Annuity Issued Standard	6
NONFORFEITURE BENEFITS	6
Individual Life Cash Surrenders	6
CLAIMS	7
Individual Life Claims Paid	7
Individual Life Claims Denied	8
COMMENTS, RECOMMENDATIONS, AND DIRECTIVES	8
CONCLUSION	8

Raleigh, North Carolina
February 12, 2025

Honorable Michael Causey
Commissioner of Insurance
Department of Insurance
State of North Carolina
3200 Beechleaf Court
Raleigh, North Carolina 27604

Honorable Commissioner:

In accordance with the provisions of North Carolina General Statutes 58-2-131 through 58-2-134, a compliance examination has been made of the market conduct activities of the following entity:

SECU Life Insurance Company
(NAIC # 14924)
Raleigh, North Carolina
NAIC Exam Tracking System Exam Number: NC-HOWENC-9

hereinafter generally referred to as "the Company," at the North Carolina Department of Insurance (Department) office located at 3200 Beechleaf Court, Raleigh, North Carolina. A report thereon is respectfully submitted.

SCOPE OF EXAMINATION

This compliance examination commenced on June 27, 2024, and covered the period of July 1, 2022, through June 30, 2023. Analyses of certain operations of the Company were concluded during the Wrap Up Conference which was held November 25, 2024. This action was taken due to previous examination findings contained in the September 1, 2021, Market Conduct Report of the Company. All comments made in this report reflect conditions observed during the period of examination.

This examination was performed in accordance with auditing standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC). The scope of this examination was not comprehensive and consisted of an examination of the Company's practices and procedures in policyholder treatment, marketing, underwriting, nonforfeiture benefits, and claims. The findings and conclusions contained within the report are based on the work performed and are referenced within the appropriate sections of the examination report.

It is the Department's practice to cite companies in violation of a statute or rule when the results of a sample show errors/noncompliance that fall outside certain tolerance levels. The Department applied a 0 percent tolerance level for consumer complaints, producers who were not appointed and/or licensed, and the use of forms and rates/rules that were neither filed with nor approved by the Department; 7 percent for claims; and 10 percent for all other areas reviewed. When errors are detected in a sample, but the error rate is below the applicable threshold for citing a violation, the Department issues a reminder to the company.

Previous Examination Findings

A general examination covering the period January 1, 2017, through December 31, 2019, was performed on the Company and a report dated September 1, 2021, was issued. The general examination report identified concerns in the areas of policyholder treatment, marketing,

underwriting, nonforfeiture benefits, and claims. Specific previous violations relating to these areas are listed within the appropriate sections of this report.

EXECUTIVE SUMMARY

This market conduct examination revealed concerns with Company procedures and practices in the following area:

Underwriting –

- Unappointed producers signed an application and a replacement notice.

Specific violations are noted in the appropriate sections of this report. All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be viewed on the North Carolina Department of Insurance Web site <https://www.ncdoi.gov/insurance-industry/market-regulation>.

The Company is directed to take immediate corrective action to demonstrate their ability and intention to conduct business in North Carolina according to its insurance laws and regulations. All statutory violations may not have been discovered or noted in this report. Failure to identify statutory violations does not constitute acceptance of such violations.

POLICYHOLDER TREATMENT

Consumer Complaints

The Company's complaint handling practices were reviewed for accuracy, adherence to Company guidelines, and compliance with North Carolina statutes and rules. The previous examination revealed:

The Company did not log each departmental complaint and did not include the required information into the register. The Company was deemed to be in violation of the provisions of Title 11 of the North Carolina Administrative Code (NCAC) Chapter 19, Section 0103.

For the current examination, the Company provided the one complaint that was submitted to the Department. The Company was deemed to be in compliance with the provisions of 11 NCAC 19 .0103 as the complaint was properly logged into the Company complaint register.

MARKETING

Sales and Advertising

The Company provided sales and advertising materials that displayed evidence of control over content, form, and method of dissemination of all advertisements of its policies.

The previous examination revealed:

It was noted that the producer training manuals made a misrepresentation by using the term Illustration. The Company was deemed to be in violation of the provisions of 11 NCAC 12.0426(a) and 12.0427(b).

For the current examination, the Company provided seventeen files were submitted for review for agent training and solicitation. All seventeen files were reviewed. The Company was deemed to be in compliance with the provisions of 11 NCAC 12 .0426(a) and 12 .0427(b) as there was no evidence of misrepresentation using the term Illustration.

Producer Licensing-Terminations

The Company's producer licensing practices were reviewed to determine accuracy, adherence to company guidelines, and compliance with applicable North Carolina statutes and rules. The previous examination revealed:

Ten files (20% error ratio) did not contain evidence that a termination letter was sent to the terminated producer. The Company was deemed to be in violation of the provisions of were deemed to be in violation of [sic] NCGS 58-33-56(d).

For the current examination, the Company provided a listing of 825 producer terminations. Fifty files were randomly selected for review. The Company was deemed to be in compliance with the provisions of NCGS 58-33-56(d) as termination letters were sent to each terminated producer.

UNDERWRITING

Individual Non-Variable Life Issued Standard

The Company's underwriting practices were reviewed to determine adherence to Company guidelines and compliance with applicable North Carolina statutes and rules. The previous examination revealed:

Fifty-four files (54% error ratio) referenced an illustration had been used during the sale of the policy. However, a box on the application was checked "yes" when there was no illustration provided to the applicant. The company was deemed to be in violation of the provisions of NCGS 58-58-40.

For the current examination, the Company provided a listing of 5,501 files of which 100 files were randomly selected for review. The Company was deemed to be in compliance with the provisions of NCGS 58-58-40 as there were no errors regarding an illustration. However, the Company was deemed to be in violation of NCGS 58-33-40(a) and NCGS 58-33-26(i) as one file (1.0% error ratio) contained an application signed by an unappointed producer.

Individual Non-Variable Life Replacements

The Company's underwriting practices were reviewed to determine accuracy, adherence to Company guidelines, and compliance with the applicable North Carolina statutes and rules.

The previous examination revealed the following:

Five files (10%) contained evidence that the Company failed to send a replacement letter notifying any other existing insurers that may be affected by the proposed replacement. The Company was deemed to be in violation of the provisions of 11 NCAC 12 .0612(a)(2).

and:

Six files (12% error ratio) referenced an illustration had been used in the sale of the policy. However, a box on the application was checked "yes" when there was no illustration provided to the applicant. The Company was deemed to be in violation of the provisions of NCGS 58-58-40.

For the current examination, the Company provided a list of 164 individual non-variable life replacement files. Fifty files were randomly selected for review. A review of the files revealed the following:

The Company was deemed to be in compliance with the provisions of 11 NCAC 12 .0612(a)(2) as all files reviewed contained evidence that the Company sent a replacement letter notifying any other existing insurers that may be affected by the proposed replacement.

The Company was deemed to be in compliance with the provisions of NCGS 58-58-40 as there were no errors regarding an illustration.

The Company was deemed to be in violation of the provisions of NCGS 58-33-40(a) and NCGS 58-33-26(i) as 3 files reviewed (6.0 % error ratio) contained an application and a replacement notice signed by an unappointed producer.

The Company was reminded of the provisions of 11 NCAC 12 .0612(a)(2) as 1 file reviewed (2.0 % error ratio) did not provide the replaced company with 5 days' notice.

The Company was reminded of the provisions of NCGS 58-58-235, 11 NCAC 19 .0102(a), 11 NCAC 19 .0106(b)(4)(e)(g) as two files reviewed (4.0 % error ratio) did not contain the replacement notice.

Individual Non-Variable Annuity Issued Standard

The Company's underwriting practices were reviewed to determine accuracy, adherence to Company guidelines, and compliance with the applicable North Carolina statutes and rules.

The previous examination revealed:

Fourteen files (28% error ratio) contained evidence that the Company made a misrepresentation to the insured by using a form titled "illustration". The Company was deemed to be in violation of the provisions of NCGS 58-58-40 and NCGS 58-63-15(1).

For the current examination, the Company provided a list of 293 individual annuity non-variable issued standard files. Fifty files were randomly selected for review. The Company was deemed to be in compliance with the provisions of NCGS 58-58-40 and NCGS 58-63-15(1) as there were no policy files reviewed that contained evidence that the Company made a misrepresentation to the insured by using a form titled "illustration".

NONFORFEITURE BENEFITS

Individual Life Cash Surrenders

The Company's nonforfeiture practices were reviewed to determine accuracy, adherence to Company guidelines, and compliance with the applicable North Carolina statutes and rules. The previous examination revealed the following:

Twenty-two files (66.7% error ratio) contained evidence that the Company made a misrepresentation by using a Notice of Cancellation form in place of the Non-Forfeiture Option form. The Company was deemed to be in violation of the provisions of NCGS 58-63-15(1).

and:

Five files (15.2% error ratio) were incomplete as the Non-Forfeiture Option form was not included in the file. The Company was deemed to be in violation of the provisions of 11 NCAC 19 .0102 and 19 .0106.

For the current examination, the Company provided a list of 104 individual life cash surrender files for review. Fifty files were randomly selected for review. A review of the files revealed the following:

The Company was deemed to be in compliance with the provisions of NCGS 58-63-15(1) as all files reviewed did not use a Notice of Cancellation form in place of a Non-Forfeiture Option form.

The Company was deemed to be in compliance with the provisions of 11 NCAC 19 .0102 and 19 .0106 as all files reviewed contained the Non-Forfeiture Option form.

CLAIMS

Individual Life Claims Paid

The Company's claims practices were reviewed to determine accuracy, adherence to Company guidelines, and compliance with the applicable North Carolina statutes and rules.

The previous examination revealed:

Four (12.1% error ratio) files revealed that the insurer failed to acknowledge and act reasonably promptly within 30 days upon receipt of the claim. The Company was deemed to be in violation of the provisions of NCGS 58-3-100(c) and NCGS 58-63-15(11)(b).

For the current examination, the Company provided a list of 63 individual life paid claims. Fifty files were randomly selected for review. The Company was deemed to be in compliance with the provisions of NCGS 58-3-100(c) and NCGS 58-63-15(11)(b) as it acknowledged and acted reasonably promptly within 30 days upon receipt of all paid claims reviewed.

Individual Life Claims Denied

The Company's claims practices were reviewed to determine accuracy, adherence to Company guidelines, and compliance with the applicable North Carolina statutes and rules.

The previous examination revealed:

Four files (50% error ratio) revealed that the insurer failed to acknowledge and act reasonably promptly within 30 days upon receipt of the claim. The Company was deemed to be in violation of the provisions of NCGS 58-3-100(c) and NCGS 58-63-15(11)(b).

For the current examination, the Company provided a list of 12 individual non-variable life issued standard files. Since the population submitted for review was less than fifty the entire population was reviewed. The Company was deemed to be in compliance with the provisions of NCGS 58-3-100(c) and NCGS 58-63-15(11)(b) as it acknowledged and acted reasonably promptly within 30 days upon receipt of all denied claims reviewed.

COMMENTS, RECOMMENDATIONS, AND DIRECTIVES

The Company is directed to ensure that all applications and replacement notices are signed by a producer appointed with the Company.

Upon acceptance of the Report the Company shall provide the Department with a statement of corrective actions to address the violations identified during the examination. The Department will conduct a future investigation, if warranted, to determine if the Company successfully implemented their statement of corrective actions.

CONCLUSION

A compliance examination has been conducted on the market conduct affairs of SECU Life Insurance Company for the period July 1, 2022, through June 20, 2023, with analyses of certain operations of the Company being conducted through November 25, 2024.

This examination was conducted in accordance with the North Carolina Department of Insurance and the National Association of Insurance Commissioners Market Regulation

Handbook procedures, including analyses of Company operations in the areas of policyholder treatment, marketing, underwriting, nonforfeiture benefits, and claims.

In addition to the undersigned, Valerie Grimes, HIA, North Carolina Market Conduct Examiner, participated in this examination and in the preparation of this report.

Respectfully submitted,

A handwritten signature in cursive script that reads "David A. Howell".

David A. Howell, LUTCF, MCM
Examiner-In-Charge
Market Regulation Division
State of North Carolina

I have reviewed this examination report, and it meets the provisions for such reports prescribed by this Division and the North Carolina Department of Insurance.

A handwritten signature in cursive script that reads "Teresa Knowles".

Teresa Knowles, MCM, ACS
Deputy Commissioner
Market Regulation Division
State of North Carolina