



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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Notice of Adoption and Filing of Examination Report

Take notice that the proposed report of the market conduct examination of the

Thrivent Financial For Lutherans
625 Fourth Avenue South
Minneapolis MN 55415

dated October 28-November 11, 2002, and served upon the company on April 3, 2003, has been adopted as the final report, and has been placed on file as an official public record of this Office.

Dated at Madison, Wisconsin, this 7th day of May, 2003.

Jorge Gomez
Commissioner of Insurance

**STATE OF WISCONSIN
OFFICE OF THE COMMISSIONER OF INSURANCE**

MARKET CONDUCT EXAMINATION

OF

**THRIVENT FINANCIAL FOR LUTHERANS
APPLETON, WISCONSIN**

OCTOBER 28 - NOVEMBER 8, 2002

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November 8, 2002

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Honorable Jorge Gomez
Commissioner of Insurance
State of Wisconsin
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Commissioner:

Pursuant to your instructions and authorization, a targeted market conduct examination was conducted October 28, 2002 to November 8, 2002 of:

THRIVENT FINANCIAL FOR LUTHERANS
Appleton, Wisconsin

and the following report of the examination is respectfully submitted.

I. INTRODUCTION

Thrivent Financial for Lutherans, FKA, Aid Association for Lutherans was organized November 24, 1902, under the Wisconsin laws applicable to fraternal benefit societies. Thrivent Financial for Lutherans offers a broad range of financial products and fraternal benefits to its members and other Lutherans. Thrivent Financial for Lutherans currently ranks as the largest fraternal benefit society in terms of admitted assets and total individual life insurance in force.

The major products marketed by Thrivent Financial for Lutherans include flexible and single premium deferred annuities and single premium immediate annuities, traditional and universal life insurance, as well as disability income, long-term care, and Medicare supplement insurance. In June 1995, Thrivent Financial for Lutherans began selling flexible premium deferred variable annuities. The flexible premium deferred variable annuity has become one of the major products for Thrivent Financial for Lutherans. On January 20, 2003, Thrivent

Financial for Lutherans will withdraw from the long-term care insurance market, but continue to service all in-force long-term care insurance contracts.

Effective January 1, 2002, the fraternal benefit society, Lutheran Brotherhood merged into Aid Association for Lutherans. On May 21, 2002, Aid Association for Lutherans changed its name to Thrivent Financial for Lutherans. The financial information below is for Aid Associations for Lutherans only.

As of December 31, 2001, the company was licensed in all 50 states and the District of Columbia. As of December 31, 2001, the company's total policies issued and in-force in Wisconsin as compared to the total policies issued and in-force nationally was as follows:

	Life Insurance & Annuities Issued	Amount of Life Insurance & Annuities Issued	No. Life Insurance & Annuities In Force	Amount of Life Insurance & Annuities In Force	Deposit Type Contract Funds
Wisconsin	8,816	\$934,633,712	255,765	\$13,094,883,221	\$39,139,060
National	56,922	\$7,160,761,152	1,641,712	\$94,553,159,031	\$255,637,699

The majority of the premium written by the company in 2001 was for annuities. In 2001, the company ranked as the 7th largest writer of annuity business in Wisconsin with 3.1% of the market share. In addition, the company ranked as the 2nd largest writer of life insurance business in Wisconsin with 4.7% of the market share even though the majority of premium written was for annuities. As of December 31, 2001, the company reported the following premium written and benefits paid organized by line of business in Wisconsin:

Direct Premiums & Annuity Considerations	Life & Annuities
Life Insurance	\$78,427,628
Annuity Considerations	\$105,848,225
Deposit Type Contract Funds	\$39,139,060
Other Considerations	-
Total	\$223,414,913

Direct Claims & Benefits Paid	Life & Annuities
Death Benefits	\$45,899,691
Matured Endowments	\$249,484
Annuity Benefits	\$106,582,874
Surrender Values & Withdrawals for Life Contracts	\$19,196,245
All Others Except Accident & Health	\$688,279
Total	\$172,616,573

The Office of the Commissioner of Insurance received 46 complaints against the company between January 1, 2000 through September 18, 2002. Of those 46 complaints, 30 involved underwriting. The majority of the 30 underwriting complaints (14) dealt with suitability. The company was not on OCI's above-average complaint list for life insurance and annuities in either 2000 or 2001. A complaint is defined as "a written communication received by the Commissioner's Office that indicates dissatisfaction with an insurance company or agent." The following table categorizes the complaints received against the company by type of policy and complaint reason. There may be more than one type of coverage and/or reason for each complaint.

Complaints Received

2002		Reason Type			
Coverage Type	Underwriting	Marketing & Sales	Claims	Policyholder Service	Other
Life					
Individual Life	5			1	
Group Life					
Individual Annuity	2			2	
Group Annuity					
Credit Life					
All Others			2	1	
Total	7		2	4	

2001		Reason Type			
Coverage Type	Underwriting	Marketing & Sales	Claims	Policyholder Service	Other
Life					
Individual Life	3		3	2	
Group Life					
Individual Annuity	3				
Group Annuity					
Credit Life					
All Others	3		3		
Total	9		6	2	

2000		Reason Type			
Coverage Type	Underwriting	Marketing & Sales	Claims	Policyholder Service	Other
Life					
Individual Life	11			1	
Group Life					
Individual Annuity	2		1		
Group Annuity					
Credit Life					
All Others	1				
Total	14		1	1	

II. PURPOSE AND SCOPE

The examination was conducted to determine compliance with recommendations made in the previous market conduct examination dated July 2, 1996, and to determine whether the company's practices and procedures comply with the Wisconsin insurance statutes and rules. The examination focused on the period from January 1, 2001 through October 1, 2002.

The examination included, but was not limited to, a review of claims, company operations and management, marketing, sales and advertising including e-commerce and illustrations, policy forms, policyholder service and complaints, privacy and confidentiality, producer licensing, and underwriting that includes aids, domestic abuse, new business and replacement.

The report is prepared on an exception basis and comments on those areas of the company's operations where adverse findings were noted.

III. PRIOR EXAMINATION RECOMMENDATIONS

The prior examination of Aid Association for Lutherans (AAL) is dated July 2, 1996. The market conduct portion of the prior examination was conducted in conjunction with an examination by the Financial Analysis and Examination Bureau of the Office of the Commissioner of Insurance. The market conduct portion of the prior examination consisted of a review of claims, company operations and management, marketing, sales and advertising, policy forms, policyholder service and complaints, producer licensing, and underwriting that includes aids, domestic abuse, new business and replacement. The previous examination of the company contained 12 recommendations relating to the market conduct portion of the examination. Following are the recommendations and the examiners' findings regarding the company's compliance with each recommendation.

Claims

1. It is recommended AAL develop procedures for calculating and paying interest due on claims not paid within 30 days as required by s. 628.46, Wis. Stat.

Action—Compliance

Marketing, Sales & Advertising

2. It is recommended AAL attach a notation to all advertisements in its advertising file which are used in Wisconsin indicating the manner and extent of distribution as well as the form number of any policy, amendment, endorsement, or rider form advertised as required by s. Ins 2.16(30), Wis. Adm. Code.

Action—Compliance

Policyholder Service & Complaints

3. It is recommended AAL implement reporting procedures to ensure the company is regularly monitoring the complaints they receive from Wisconsin policyholders, through its agencies to determine if any patterns exist with respect to the type of complaint or agent involved.

Action—Compliance

4. It is recommended complaints involving the alleged actions of an agent or regarding the service provided by an agent, be copied to the agent's personnel file, to ensure that the exact reason for termination is noted on OCI termination form 11-011, if agent is terminated for cause.

Action—Compliance

Producer Licensing

5. It is recommended the company develop procedures and audit checks to ensure all terminated agents receive written notification of the termination regardless if the termination is voluntary or involuntary, and such notice includes a written request for return of indicia of agency. It is further recommended that the company keep documentation that the written notification was sent and report all terminations to OCI in a timely manner as required by s. Ins 6.57(2), Wis. Adm. Code.

Action—Non-Compliance – For information, see Producer Licensing under Current Examination Findings.

Underwriting

6. It is recommended the company revise all life and annuity applications to comply with the requirements of s. Ins 3.53, Wis. Adm. Code, and submit such applications to OCI for review and approval within 60 days of the adoption of the examination report.

Action—Compliance

7. It is recommended AAL revise its current Wisconsin Notice and Consent for AIDS-Related Blood Test form to include the correct Wisconsin AIDSline toll-free number as stated in Appendix A of s. Ins 3.53, Wis. Adm. Code.

Action—Compliance

8. It is recommended the company revise its current Resources for Persons with a Positive HIV Test/The Implications of Testing Positive for HIV form to include changes made to the form by OCI in May of 1994, as required by s. Ins 3.53(4)(d), Wis. Adm. Code.

Action—Compliance

9. It is recommended AAL develop written procedures and underwriting guidelines for handling applications in which domestic violence is known, to ensure consistent underwriting standards.

Action—Compliance

10. It is recommended AAL only use forms which have been approved by OCI and that the company submit any changes to approved forms to OCI for review and approval as required by s. 631.20, Wis. Stat.

Action—Compliance

11. It is recommended the company, prior to commencing underwriting of new life and annuity applications involving replacement, provide timely notification of the replacement to the replaced insurer as required by s. Ins 2.07(5)(a)4b, Wis. Adm. Code, and ensure each file contains written documentation verifying the date replacement notification was provided to the replaced company as required by s. Ins 2.07(5)(a)4c, Wis. Adm. Code.

Action—Compliance

12. It is recommended AAL develop written procedures to resolve situations where the writing agent and the insured respond differently to the replacement questions on the application.

Action—Compliance

IV. CURRENT EXAMINATION FINDINGS

Claims

In settling death claims, the company creates a claim kit once notified of a claim. The claim kit includes a list of the policy values, beneficiary names and forms needed to be completed to properly administer the claim. The claim kit is e-mailed to the producer or mailed to the beneficiary. When the forms are received, the claim is reviewed, approved and paid or denied. The beneficiary is notified of the outcome via a payment letter or denial letter.

The examiners reviewed the company's response to the claims interrogatory, hiring process for claims processors, training requirements, and the company's procedures for handling claims from date received through closing. The examiners also reviewed how claim denials are explained, claim audits, and how interest is calculated and paid.

The examiners reviewed 26 life paid claims, 26 annuity paid claims and five long-term care paid claims. The examiners also reviewed the only four life claims denied during the period of the examination and two long-term care denied claims. There were no denied annuity claims. No exceptions were noted.

Company Operations & Management

The examiners reviewed the company's response to the company operations and management interrogatory. Since the merger, Thrivent Financial for Lutherans is continuing to integrate the Aid Association for Lutherans and Lutheran Brotherhood systems and procedures.

Thrivent Financial for Lutherans is a member of the Insurance Marketplace Standards Association (IMSA). Aid Association for Lutherans first became a member of the Insurance Marketplace Standards Association (IMSA) in October of 1998. Aid Association for Lutherans was recertified in October of 2001. IMSA certification is given when a company can show its compliance with IMSA's principles and codes. The examiners reviewed 2 of the files in which the company provided the IMSA auditor documentation to show its compliance with IMSA principles. No exceptions were noted.

Long-Term Care

The examiners reviewed the company's responses to the long-term care interrogatory. The interrogatory responses provided by the company included a review of the 10 policy forms that were marketed during the period of review, the claims administration guidelines, agent training materials, commission schedules, advertising materials, appeal process, and information regarding the company's methods of ensuring compliance with Wisconsin's long-term care laws.

For the period of review, the company received and resolved 18 appeals. The company is required to resolve and provide disposition of appeals within 30 days from the date of receipt. The documentation provided showed that the company exceeded the minimum requirements and processed appeals on an average of 6 days.

The examiners also reviewed documentation provided by the company regarding changes in regulations that were applicable to all policies issued after January 1, 2002. The changes to long-term care insurance regulations required disclosure documents, initial filing requirements, and rate increase filings. The company provided documentation to support compliance with the changes in regulations.

In addition to the interrogatory responses, the examiners reviewed a sample of seven claims and 47 underwriting files that were maintained in the company's imaging system. During the examination, the company was in the process of integrating and merging the Lutheran Brotherhood and Aid Association for Lutherans (AAL) computer systems. Therefore, only files pertaining to Aid Association for Lutherans (AAL) were reviewed. The review of the available samples indicated that the claims administration procedures and underwriting and rating methodology were in compliance with Wisconsin's long-term care regulations.

The company provided information regarding the marketing and business plan for its long-term care, nursing home, and home health care products, that indicated that the company would cease selling long-term care insurance in the State of Wisconsin effective January 20, 2003. The company further stated that beginning November 1, 2002, Thrivent Financial agents would be able to sell long-term care products made available by GE Capital Assurance and John Hancock. The company further explained that the underwriting standards would be established by GE Capital Assurance and John Hancock, and that Thrivent Financial for Lutherans is coordinating producer training with both companies. Thrivent Financial for Lutherans also stated that ongoing product support would be available through the life and health sales desk. No exceptions were noted.

Marketing, Sales & Advertising

Solution Marketing is the company department responsible for all marketing, sales and advertising. Solution Marketing is composed of three areas, Marketing Strategies, Product Marketing and Marketing Tools. Marketing Strategies creates specific, cost effective marketing strategies for the company and has the primary responsibility for determining which market programs have been effective and which have not, and how to increase future effectiveness of campaigns. Product Marketing directs the content of product related sales and training tools, and acts as product consultants to the many levels of the company. Marketing Tools create marketing tools, including electronic tools, lead generation, collateral materials and seminar tools.

Thrivent Financial for Lutherans has a contract with an outside vendor for telemarketing. The vendor is responsible for receiving inbound calls from members who want to order brochures and Educational and Informational Benefits available to members. The vendor also makes outbound calls to members and prospects. The outbound call is to determine if the member has questions about products and services that the producer can answer and to offer

to have the producer contact them. Telemarketing scripts are approved and included in the advertising files.

The company approves all advertising. At this time, the company provides its producers with a CD-ROM of all company approved advertisements that the producers can use. Thrivent Financial for Lutherans does not reimburse its producers for any of the cost of producer advertising.

The examiners reviewed the company's response to the marketing, sales and advertising interrogatory, the short-range and long-range marketing plans, sales reports, and copies of newsletters and bulletins.

The examiners reviewed 50 advertising files. The following exceptions were noted:

The examiners found that 19 advertisements did not have the extent of distribution noted in the advertising file. The company advised the examiners that the advertisements were included on the CD-ROM of approved advertisements that agents can use. The company does not reimburse the agents for any advertising costs, and therefore does not have a record of the extent of distribution of those advertisements if and when an agent uses a particular approved advertisement. Section Ins 2.16 (30), Wis. Adm. Code requires that a notation be included in each advertising file indicating the extent of distribution.

- 1. Recommendation:** It is recommended that the company revise its advertising review form (form 11967) to indicate those ads that are approved for agents to use in order to comply with s. Ins 2.16 (30), Wis. Adm. Code.

The sample of advertisements did not include any newspaper advertisements, direct mail campaigns or premium inserts. In response to an exception, the company said that it did not do any newspaper advertisements during the period of the examination. The company said that when it does do corporate advertising, it maintains a paper file in the Marketing Department, filed by each publication name and the dates the advertisement was placed for each advertisement. The Marketing Department also maintains records on the extent of distribution for direct mail campaigns. The Marketing Department maintained records of each

direct mail campaign to include information about the target audience, date of the mailings and the names or customer IDs of all individuals who received the mailings. The records are maintained in electronic form for a period of three years. In addition to newspaper advertisements and direct mail campaigns, the Marketing Department maintains an electronic file for each premium insert mailed. The information regarding the premium inserts includes the number of pieces mailed, the states in which the piece was used, and any information regarding the target market. The Marketing Department also tracks any leads generated by the premium inserts. The company does not include the extent of distribution for newspaper advertisements, direct mail campaigns or premium insert mailing in the advertising file as required by s. Ins 2.16 (30), Wis. Adm. Code. Section Ins 2.16 (30), Wis. Adm. Code requires that a notation be included for each advertisement in the advertising file, indicating the extent of distribution.

- 2. Recommendation:** It is recommended that the company include the extent of distribution for corporate newspaper advertising, direct mail campaigns and premium insert mailing in the advertising file as required by s. Ins 2.16(30), Wis. Adm. Code.

Electronic Commerce

The E-Business Solutions, a department of Enterprise Business Solutions is responsible for overseeing the company's Internet and World Wide Web activities.

Thrivent Financial for Lutherans' website explains what the different types of life insurance and annuity policies are, lists available mutual funds, provides access to Thrivent Financial Bank and all the services of a bank, includes a producer locator, has a members only section that allows members access to their account information with a PIN, and has a career center for individuals to apply for a job at Thrivent Financial for Lutherans or apply to be an agent for the company. The website also provides information about the company, provides a chatroom, access to the Thrivent Financial for Lutherans Magazine and an e-retail section to purchase Thrivent Financial for Lutherans merchandise. The website does not have any information on specific insurance products offered by Thrivent Financial for Lutherans nor does

the website provide quotes or sell those products over the Internet. The website does not allow members to apply for insurance online. There is no agent only section on the website. It is possible to contact the company and/or the agent by e-mail from the website.

Thrivent Financial for Lutherans does not allow its producers to advertise on the Internet nor have producer websites for business purposes. Producers are permitted to have web pages on the company's website under Locate Your Financial Associate.

The company has a separate system that allows its producers to electronically transmit all applications and forms to the company. Thrivent Financial for Lutherans uses a Computer Application Package system that the producers can access from their laptop computers. The producers can obtain electronic signatures on all the forms by an electronic signature pad.

The examiners reviewed the company's response to the e-commerce interrogatory, the company's home page and browsed the Internet for any individual producer advertising on the Internet. No exceptions were found.

Illustrations

The Illustrations team is responsible for the design, development, documentation and maintenance of product illustrations. The Illustrations team works closely with product experts in carrying out their responsibilities.

The examiners reviewed the company's response to the illustration interrogatory, sample illustrations and the Statement of Policy Cost and Benefit Information. The company has procedures in place that comply with the life insurance illustration rule, s. Ins 2.17, Wis. Adm. Code. The examiners reviewed 208 underwriting files in which the life insurance illustration rules would apply. Examiners found one file in which there was an illustration but it was not signed by either the applicant or the producer as required by s. Ins 2.17 (8) (a), Wis. Adm. Code. The examiners also found one file that did not have a copy of the illustration nor did the file have a signed form stating that no illustration was used in the sale of the life insurance policy as required by s. Ins 2.17 (8) (b), Wis. Adm. Code. The company admitted to the

examiners that the company's procedures were not followed in these two cases. No other exceptions were found.

Policy Forms

The Contract Forms and Compliance area is responsible for rate and form filings. The examiners reviewed the company's response to the policy forms and rates interrogatory, compliance with s. Ins 6.85, Wis. Adm. Code that requires an insurer to notify its insureds of their right to file a complaint, and verified that all 216 of the policy forms currently used by the company in Wisconsin have, in fact, been approved for use in Wisconsin. The examiners reviewed 48 deemed policy forms. OCI relied on the insurer's certification that the 48 policy forms complied with Wisconsin statutes and rules. These forms were deemed to be approved and were reviewed for compliance as part of this examination. No exceptions were noted.

Policyholder Service and Complaints

The Member Relations area and the Member Dispute Resolution Program are responsible for the handling of both Office of Commissioner of Insurance complaints and complaints made directly to the company. The company defines a complaint as any written or verbal communication expressing a grievance or dissatisfaction with Thrivent Financial for Lutherans products, services or sales practices. The Member Relations area handles the complaints, but if a member is not satisfied with the result, the member can appeal the decision to the Member Dispute Resolution Program. The Member Dispute Resolution Program is a three-step program. The appeal is reviewed by an internal panel that can uphold the original decision, modify the decision or reverse the decision. If the member is still dissatisfied, the member can request mediation. The company pays for an independent mediator to mediate the dispute. If the mediation does not result in an agreement, the member can request binding arbitration. The company also pays for the arbitrator.

The Investigation Unit monitors complaints against producers, and producers having a high number of complaints are investigated. Agency supervisors receive a copy of all complaints against producers within their agency and also receive quarterly reports of complaint activity involving producers within their agency.

The examiners reviewed the company's response to the policyholder service and complaint interrogatory, 25 non-Office of Commissioner of Insurance complaints and 21 Office of Commissioner of Insurance complaints. The examiners found that in one of the Office of Commissioner of Insurance complaints, the company did not respond to the complainant within 10 days as requested in the OCI 51-11 letter. The OCI 51-11 letter is the initial letter to the company informing it of the complaint and requesting that the company respond to the complainant within 10 days and to the Office of the Commissioner of Insurance within 20 days. The company did respond to the Office of the Commissioner of Insurance within 20 days. Section 601.42 (1g) (a), Wis. Stat. allows the commissioner to require insurers to provide information within a reasonable time frame. Thrivent Financial for Lutherans does have procedures in place that comply with the Office of Commissioner of Insurance's timeline for handling complaints, but failed to follow the procedures in this one complaint. No other exceptions were noted.

Privacy & Confidentiality

The examiners reviewed the company's response to the privacy of consumer financial and health information interrogatory, the company's privacy policy, administrative, physical, and technical privacy standards, and employee privacy guidelines.

The examiners found that the company had developed privacy guidelines and has created the Privacy Office to ensure that Thrivent Financial for Lutherans meets its obligations to comply with privacy notice, disclosure and confidentiality protections required under state and federal law. Thrivent Financial for Lutherans also developed the Privacy Organization Structure, a working group established to assist and support the Privacy Office. The Privacy Organization

Structure is comprised of representatives from the company's relationship information management, legal, compliance, and government relations sections. The examiners found that the company had implemented procedures for formal training for employees regarding privacy standards. This includes initial training for new employees and periodic refresher courses regarding protections for computer usage and privacy guidelines. The examiners found that the company has made a significant effort towards meeting the privacy and confidentiality requirements under s. 610.70, Wis. Stat. and s. Ins 25, Wis. Adm. Code. No exceptions were noted.

Producer Licensing

The department responsible for the management of producer contracts and producer appointments and terminations is Contracting and Licensing/Registration. The company's Financial Associates are captive producers, fully licensed (life, health, variable annuity, and variable universal life) and securities registered to sell all of the company's products. A Managing Partner(s) supervises all of the Financial Associates. The company allows their producers to participate in approved brokerage relationships with other insurers to meet certain business needs. Thrivent Financial for Lutherans does not accept brokerage business for products issued by Thrivent Financial for Lutherans.

The examiners reviewed the company's response to the producer licensing interrogatory, its agency procedure manual, appointment and termination procedures, and 50 producer files, that included 25 active and 25 terminated agents.

The examiners requested from Thrivent Financial for Lutherans a listing of all producers licensed and appointed in Wisconsin. The producer licensing data provided by Thrivent Financial for Lutherans was compared to the producer database maintained by the Office of the Commissioner of Insurance. The examiners found that the last name for one of the producers in the data supplied by the company did not match the last name in the records of the Office of the Commissioner of Insurance. The company's response was that the name change was due

to a recent marriage and that the company correctly reflects the producer's new name. The producer notified the company of the change and was reminded in an e-mail to notify the Office of the Commissioner of Insurance of the name change. The company said that another reminder e-mail was sent to the producer. The company said that in its normal process, it would identify this discrepancy during the renewal process and notify the agent with an e-mail reminder to contact the Office of the Commissioner of Insurance. This was just one of 587 producers licensed in Wisconsin and listed with the company.

The examiners found that the company could not locate the documentation to support evidence of appointment to the company in 4 of the 25 active producer files as required by s. Ins 6.57 (1), Wis. Adm. Code. Section Ins 6.57 (1), Wis. Adm. Code, states that an appointment becomes valid upon receipt of the agent appointment validation report by the company. In 4 of the producer files, the company could not provide a confirmation of appointment or an agent appointment validation report.

- 3. Recommendation:** It is recommended that the company retain a copy of the confirmation of appointment or an agent appointment validation report for each of the producers listed with the company as required by s. Ins 6.57(1), Wis. Adm. Code.

Of the 25 terminated producer files, examiners found three files that did not include a termination letter with the request for return of all indicia of agency. The company's response was that retirees do not get a termination letter in their current process other than a benefits and payroll information letter.

One of the recommendations from the previous market conduct examination was that the company develop procedures and audit checks to ensure all terminated agents receive written notification of the termination regardless if the termination is voluntary or involuntary, and that such notice include a written request for return of indicia of agency as required by s. Ins 6.57 (2), Wis. Adm. Code. The company did develop procedures and audit checks to ensure all terminated agents receive written notification of the termination regardless if the

termination is voluntary or involuntary, and such notice includes a written request for return of indicia of agency. However, a voluntary termination does not include retirees according to the company's response to the examiners. The company's termination process regarding retirees does not comply with s. Ins 6.57(2), Wis. Adm. Code. All terminated agents, even retirees must receive a termination letter as required by s. Ins 6.57(2), Wis. Adm. Code.

- 4. Recommendation:** It is again recommended that the company send all terminated agents, including retirees, written notification of the termination and that such notice include a written request for return of indicia of agency as required by s. Ins 6.57(2), Wis. Adm. Code.

Underwriting

The New Business Department is responsible for processing all life, annuity and health applications that are electronically transmitted or mailed to the company. When a new business application is received, either electronically or in paper, it is placed in the company's imaging system and retrieved by an application manager for processing.

Producers can access a Computer Application Package system on their laptop computers. This system is completely integrated with a customer database that stores personal information and the illustration software that produces proposals and inforce illustrations. The Computer Application Package system will determine the application form and any supplemental forms that are required for the application based on the product applied for, state the application is being written in, age of the insured, and answers to other questions. Before the system determines which supplemental forms are required, all questions that make up the application must be answered, including the underwriting related questions. Once all required questions are answered, the Computer Application Package system will lock the application and allow the producer to obtain signatures for all the required forms via an electronic signature pad. The locked application form including the signatures can only be redisplayed with the forms software developed by Thrivent Financial for Lutherans as a complete form image. The forms and the signatures cannot be altered.

The examiners reviewed the company's responses to the new business and underwriting, AIDS underwriting, domestic abuse and replacement interrogatories. The examiners reviewed 100 life new business issued files, 80 annuity new business issued files, 50 life new business issued rated files, 47 life new business declined files, 26 replacement life new business files, and 25 replacement annuity new business issued files. No exceptions were noted.

The prior examination report contained several recommendations relating to AIDs underwriting procedures. The examiners reviewed the company's underwriting procedures regarding AIDS and testing for HIV, the company's current Wisconsin Notice and Consent for AIDS-Related Blood Test form, the company's current Resources for Persons with a Positive HIV Test/The Implications of Testing Positive for HIV form, the company's procedure for reporting positive test results, and the company's policies and procedures regarding confidentiality of medical records. No exceptions were noted. The company's policies and procedures regarding AIDS and HIV testing appear to comply with s. 631.90, Wis. Stat., s. 631.93, Wis. Stat., and s. Ins 3.53, Wis. Adm. Code.

The company has developed a written policy and guidelines regarding domestic abuse in its underwriting manual that the examiners reviewed. The policy states that the company will not take adverse action based on the knowledge of or suspicions that the proposed insured has been or may be a victim of domestic abuse. The company explained that it may take adverse action based on the actual physical or mental manifestations caused by domestic abuse. Underwriting action must fall within the company's normal underwriting guidelines, without regard to the cause of the condition. Insurance may be denied if the perpetrator of the abuse is the applicant/owner and/or prospective beneficiary of the policy. The company's policies and procedures regarding confidentiality of medical records also include information about domestic abuse. The company's handling of domestic abuse appear to comply with s. 631.95, Wis. Stat.

The prior examination report contained recommendations pertaining to the company's processing of applications involving replacement. The examiners reviewed the company's replacement procedures. In a replacement situation, when a new business application is received, the application manager enters the replacement transaction into the replacement register and sends the replacement notification letter to the insurer whose policy is or may be replaced. If the application and the replacement form are electronically transmitted to the company, the replacement notification is sent within one day. If the application and the replacement form are mailed, the replacement notification is sent within 5 days. The replacement register has both internal and external replacements recorded. Reports are available from the replacement register in order to track the number of replacements by agency and producer. The replacement reports are given on a monthly and quarterly basis to the agency offices and a replacement review committee. The reports are also shared with the Investigations Unit and the Field and Securities Compliance Unit. The company reviews the replacement data on a monthly basis. The replacement information is compared to the industry average and the top five producers with the highest replacements for the month are reviewed. Any suspicious activity is turned over to the Investigations Unit, who may open a market conduct investigation. No exceptions were noted.

V. CONCLUSION

The prior examination report contained 12 market conduct recommendations in the areas of advertising, claims, complaints, producer licensing and underwriting. The company was found to be in compliance with all but one of the prior recommendations. In addition to the repeat recommendation, three new recommendations were written in the areas of advertising and producer licensing.

The repeat recommendation is that the company should send all producers who voluntarily terminate, including retirees, written notification of termination and include a written request for return of indicia of agency as required by s. Ins 6.57(2), Wis. Adm. Code.

The other recommendations concerned the company's advertising and producer licensing practices which were noted as not being in complete compliance with Wisconsin insurance regulations.

VI. SUMMARY OF RECOMMENDATIONS

Marketing, Sales & Advertising

Page 12 1. It is recommended that the company revise its advertising review form (form 11967) to indicate those ads that are approved for agents to use in order to comply with s. Ins 2.16(30), Wis. Adm. Code.

Page 13 2. It is recommended that the company include the extent of distribution for corporate newspaper advertising, direct mail campaigns and premium insert mailing in the advertising file as required by s. Ins 2.16 (30), Wis. Adm. Code.

Producer Licensing

Page 18 3. It is recommended that the company retain a copy of the confirmation of appointment or an agent appointment validation report for each of the producers listed with the company as required by s. Ins 6.57 (1), Wis. Adm. Code.

Page 20 4. It is again recommended that the company send all terminated agents, including retirees, written notification of the termination and that such notice include a written request for return of indicia of agency as required by s. Ins .57 (2), Wis. Adm. Code.

VII. ACKNOWLEDGEMENT

The courtesy and cooperation extended to the examiners during the course of the examination by the officers and employees of the company is acknowledged.

In addition, to the undersigned, the following representatives of the Office of the Commissioner of Insurance, state of Wisconsin, participated in the examination.

<u>Name</u>	<u>Title</u>
Renee Fabry	Insurance Examiner
Larry Schlinkert	Insurance Examiner
Ashley Natysin	Advanced Insurance Examiner

Respectfully submitted,

John Kitslaar
Examiner-in-Charge