Report of the

Multistate Targeted Market Conduct Examination

for the

New Hampshire Insurance Department (Managing Lead State), **California Department of Insurance, Florida Office of Insurance Regulation, Illinois Department of Insurance, Massachusetts Division of Insurance North Dakota Department of Insurance, and Pennsylvania Insurance Department** (Lead States) and **Participating States** which include:

Alaska, Alabama, Arkansas, Arizona, Connecticut, the District of Columbia, Delaware, Georgia, Guam, Idaho, Indiana, Kansas, Kentucky, Louisiana, Maryland, Maine, Michigan, Mississippi, Missouri, Montana, North Carolina, New Jersey, New Mexico, Nevada, Ohio, Oklahoma, Rhode Island, Utah, Vermont, Washington, and West Virginia

of the

MassMutual Financial Group

(NAIC Group Code # 0435) and its affiliated companies:

Massachusetts Mutual Life Insurance Company
NAIC Company # 65935
Springfield, Massachusetts

MML Bay State Life Insurance Company
NAIC Company # 70416
Enfield, Connecticut

C.M. Life Insurance Company
NAIC Company # 93432
Enfield, Connecticut

August 16, 2013

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PROFESSIONAL CORPORATION
COUNSELLORS AT LAW

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August 16, 2013

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North Dakota Insurance Department
600 East Boulevard Avenue, 5th Floor
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Dear Commissioner Sevigny, Commissioner Jones, Commissioner McCarty, Director Boron, Commissioner Murphy, Commissioner Consedine, and Commissioner Hamm:

Pursuant to the authority granted by N.H. RSA § 400-A:37, CAL. INS. CODE §§ 729 et seq., FLA. STAT. ANN. § 624.3161, 215 ILL. COMP. STAT §§ 5/132 and 5/402, MASS. GEN. LAWS c. 175, § 4, N.D. CENT. CODE § 26.1-03-19.3, 40 P.S. §§ 323.1 et seq., your instructions, and in accordance with the *NAIC Market Regulation Handbook* ("Handbook"), a multistate targeted market conduct examination has been conducted of the claims handling practices, including use of the Social Security Administration's Death Master File ("DMF") and its application of the DMF to its life insurance business as well as its annuities business, of:

MassMutual Financial Group and its affiliated Companies
("MassMutual" or the "Company")

This report of examination is herewith respectfully submitted.

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Foreword

This report on the multistate targeted market conduct examination of MassMutual is provided pursuant to the Handbook and is made, with modification, by test and exception.

Background and Scope of Examination

On December 6, 2012, the New Hampshire Insurance Department issued a call letter to MassMutual advising that a multistate targeted market conduct examination ("Examination") had been called to evaluate the Company's claims handling practices, particularly its use of the DMF and its application of the DMF to its life insurance business as well as its annuities business. The call letter advised that the Examination would cover the time period beginning with the calendar year in which MassMutual first accessed the DMF (subsequently discovered to be 1983) and continuing through the present.

The purpose of the examination was to determine whether MassMutual's claims handling practices and procedures, particularly its use of the DMF and its application of the DMF to its life insurance business as well as its annuities business, conformed with the standards reflected in the National Association of Insurance Commissioners ("NAIC") Unfair Trade Practices Act, NAIC Unfair Claims Settlement Practices Model Act (together, the "Model Acts"), N.H. RSA Chapter 417; CAL. INS. CODE §§ 790 *et seq.*; FLA. STAT. ANN. §§ 626.951 *et seq.*; 215 ILL. COMP. STAT. 5/154.6 and 5/421 *et seq.*; MASS. GEN. LAWS c. 176D; N.D. CENT. CODE Chapter 26.1-04; and 40 Pa. Cons. Stat.

Ann. §§1171.1 *et seq.*, and other statutes of the various states concerning the proper administration of insurance claims and the prompt payment of benefits.

Profile of the Company

The Examination concerned three MassMutual member companies – Massachusetts Mutual Life Insurance Company ("MMLIC"), MML Bay State Life Insurance Company ("MML Life"), and C.M. Life Insurance Company ("C.M. Life"). MML Life is a wholly owned subsidiary of C.M. Life which is, in turn, a wholly owned subsidiary of MMLIC. At all relevant times MMLIC (NAIC # 65935) has been a licensed mutual insurance company domiciled in the Commonwealth of Massachusetts, MML Life (NAIC # 70416) has been a licensed stock insurance company domiciled in the State of Connecticut, and C.M. Life (NAIC # 93432) has been a licensed stock insurance company domiciled in the State of Connecticut. MMLIC has, at all relevant times, been authorized to write life, accident, and health insurance in all fifty states and the District of Columbia. MML Life and C.M. Life have, at all relevant times, been authorized to write life, accident, and health insurance in all states (other than New York) and the District of Columbia.

On the basis of reported Schedule T data as of December 31, 2011, MassMutual was the 10th largest writer of life insurance and annuity business in the country with a 2.7% market share. For calendar year 2011, MassMutual reported $4.98 billion in life premiums, $2.69 billion in annuity considerations, and $6.34 billion in other considerations.

Examination Methodology

The Examination was conducted on a description and verification basis whereby the Examiners submitted questions to MassMutual then sought to validate the Company's representations. The process began on December 26, 2012, when the Examiners sent to the Company their first set of interrogatories together with a number of document requests. The Examiner-In-Charge met with MassMutual at its offices on February 7, 2012 to discuss the interrogatories and to hear a presentation from the Company regarding its DMF procedures. On February 15, 2013, the Company produced responsive documents as well as sworn responses to the interrogatories. The Examiners reviewed the Company's description of its past and present DMF use, provided the Company with their written understanding of its representations, and requested that MassMutual provide confirmation, correction, and clarification as appropriate. The Company provided minor clarifications in an April 24, 2013 letter.

To validate the Company's representations regarding its past and present procedures for using the DMF, the Examiners requested and reviewed contemporaneous records including manuals, guidelines, databases, audit reports, and project descriptions. To validate the application of those procedures, the Examiners investigated the possibility of conducting a full-scale match of the Company's complete customer database against the complete DMF. The Company advised, however that it had already completed two similar projects and had begun a third that might be repurposed for use in the examination. Specifically, following a 2011 request from the New York Department of Financial Services MassMutual had conducted a match of the complete DMF against its

records of life insurance policies and annuity contracts issued in New York. The Company subsequently conducted a voluntary match between the DMF and all life insurance policies and annuity contracts for which MassMutual's records showed any associated New York address. Further, the Company has begun a "National Fuzzy Match Process" through a third-party vendor that will ultimately compare all policies and contracts against the vendor's database which contains not only the DMF but also supplemental records drawn from state vital statistics records and other sources. The Examiners concluded that a separate DMF search would be duplicative of these efforts and requested that the Company produce the results of its completed matches as well as initial results of the "National Fuzzy Match Process" (which represented a statistically credible sample of its policies and contracts nationally) when they became available. The Company produced these materials to the examiners at the end of July 2013. The Company also certified under oath as to the accuracy of its responses to Examiner questions.

Examination Results

MassMutual began using the DMF in 1983, shortly after it became available for use by private parties. At that time, the Company's corporate audit department periodically checked the DMF for social security numbers exactly matching those associated with MassMutual's active individual life insurance policies and annuity contracts. If it discovered a match under either line of business, the Company would review its records to identify all products associated with the decedent (whether life or annuity) and determine whether the death had already been reported. If the death had not

been reported or if no claim for benefits had been filed, the Company would reach out to the customer or the customer's beneficiary to confirm the death, begin the claims adjudication process, or update and correct its customer database. If MassMutual was unable to establish contact with the customer or with beneficiaries, it would begin the escheatment process.

The results from MassMutual's New York § 308 matching and its more recent "National Fuzzy Match Process" are consistent with its representations concerning historical symmetrical use of the DMF.

Generally speaking, MassMutual conducted searches of the DMF on an annual basis beginning in 1983 and switched to quarterly matching at some point after 1993.[1] The Company instituted broader matching criteria in 2005 and transitioned the following year to monthly matching of its customer database against the DMF. At present (in a continuation of historical practice), when the Company learns of a previously unreported potential death through a DMF match it cross-checks its internal records, attempts to contact the customer or beneficiaries at the addresses in the Company's records, seeks updated contact information if no response is received, and initiates the escheatment process if outreach efforts fail.

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[1] In the early 1990s, MassMutual transitioned responsibility for periodic DMF matches from the corporate audit department to individual business units, certain of which allowed annual DMF matching to lapse. The Company's internal review processes identified these lapses and management rectified any gaps in DMF searching through retrospective DMF matches.

The Examiners have therefore concluded that it has been (and continues to be) Company policy to use the DMF symmetrically across product lines. The Examiners have no concerns to report regarding the Company's past or present use of the DMF respecting compliance with the Model Acts or the laws of New Hampshire or the other States.

Acknowledgment

The Examiners express their appreciation to MassMutual for its cooperation and prompt response to questions throughout the course of the examination.

Report Submission

The report of examination is herewith respectfully submitted.

Sincerely,

J. David Leslie
Examiner-in-Charge