

**STATE OF VERMONT  
DEPARTMENT OF FINANCIAL REGULATION**

<b>IN THE MATTER OF:</b>	)	
	)	
<b>THE NORTHWESTERN MUTUAL</b>	)	<b>DOCKET NO: 20-037-I</b>
<b>LIFE INSURANCE COMPANY</b>	)	
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**STIPULATION AND CONSENT ORDER**

This Stipulation and Consent Order is entered this 27<sup>th</sup> day of January, 2021 by and between The Northwestern Mutual Life Insurance Company (the “Company”) and the Vermont Department of Financial Regulation (the “Department”).

**INTRODUCTION AND PARTIES**

1. The Commissioner of Financial Regulation (the “Commissioner”) is responsible for administering and enforcing the insurance laws of the State of Vermont, including 8 V.S.A. §§ 11, 12, 15, 3665, 4723, and 4724.
2. The Northwestern Mutual Life Insurance Company is a foreign insurer licensed in Vermont with a principal place of business at 720 East Wisconsin Avenue, Milwaukee, Wisconsin 53202, NAIC # 67091.
3. The Company acknowledges and admits the jurisdiction of the Commissioner over this matter.
4. The Department and the Company enter into this Stipulation and Consent Order to resolve, without further administrative proceedings, the Department’s allegations that the Company violated certain provisions of 8 V.S.A. §§ 3665, 4723, and 4724.

## **FINDINGS OF FACT**

5. At all times relevant to this matter, the Company operated as a licensed life insurer in the State of Vermont.

6. In 2006, the Commissioner entered a Market Conduct Order (Docket No. 06-055-I) relating in part to the Company's failure to pay the statutorily required interest on four life insurance claims.

7. Beginning in July 2017, after the Company's production of data to the Department, the Department conducted a review of life insurance claims pertaining to policies issued in Vermont, as well as claims paid to Vermont residents for the period January 1, 2014 through December 31, 2016 (the Audit period) for individual policies.

8. As a result of this review, the Department discovered numerous records with insufficient interest payments, both during the Audit Period and earlier. The Company ultimately agreed to review Vermont life insurance death claims and provided claims data dating back to 2006.

9. A 2019 Examination of Company records clarified the previous data regarding violations between 2006 and 2017.

10. The Department and the Company disagree as to the precise number of violations at issue, but the Company admits there were at least 306 instances in which the Company did not pay the Vermont statutory interest rate on claims made by Vermont beneficiaries after the publication of Bulletin 159 (November 30, 2010), which clarified the Department's application of 8 V.S.A. § 3665 to life insurance claims.

11. Upon learning of its errors, the Company promptly paid the interest that was due to those beneficiaries.

12. Company staff have been cooperative and promptly responded to the Department's requests, acknowledged the statutory violations, cooperated with the Examination process, and proactively initiated corrective actions.

13. Since the Audit Period, the Company has implemented controls to prevent such errors and has engaged in ongoing self-audit and remediation throughout the implementation process.

### **CONCLUSIONS OF LAW**

14. Pursuant to 8 V.S.A. §§ 11, 12, 15, 3665, 4723, and 4724, the Commissioner is charged with enforcing the insurance laws of the State of Vermont.

15. Pursuant to 8 V.S.A. § 3661, the Commission may impose a civil administrative penalty for each violation of Title 8, an administrative rule of the Department, or an order of the Commissioner relating to insurance, or has not complied with its requirements. Violations are subject to an administrative penalty of up to \$1,000 per violation and up to \$10,000 per willful violation.

16. It is a violation of 8 V.S.A. § 3665(c)(2) to fail to provide, as part of the payment of a life insurance policy claim, the interest accrued from the date of death of the insured at a rate of 6%.

17. The Department published Insurance Division Bulletin 159 on November 30, 2010, addressing interest payments on claims arising under life insurance policies with a nexus to multiple states. Bulletin 159 states that "it is the Department's position" that the statutory interest rate is required to be paid in all of the following situations:

- a. When the individual or group policy was delivered or issued for delivery in Vermont, regardless of whether the beneficiary resides in Vermont at the time

of death of the owner or certificate holder;

- b. When the beneficiary resides in Vermont at the time of the death of the owner or certificate holder, regardless of where the group or individual policy was issued; and
- c. When the group policy was issued outside of Vermont, but the certificate was delivered or issued for delivery to a Vermont resident who is also a resident of this state at the time of his or her death.

18. It is a violation of 8 V.S.A. §§ 4723 and 4724(19) to fail to comply with any rates, rules, regulations, or forms filed with the Commissioner.

19. Pursuant to 8 V.S.A. § 4726, the Commissioner may impose a civil administrative penalty for each violation of Title 8, Chapter 129. Violations are subject to an administrative penalty of up to \$1,000 per violation and up to \$10,000 per willful violation.

20. By failing to pay sufficient statutory interest on at least 306 death benefit claims from November 30, 2010 through 2017, the Company violated 8 V.S.A. § 3665(c) and 8 V.S.A. §§ 4723, 4724(19).

### **CONSENT ORDER**

NOW, THEREFORE, based on the Company's stipulation and on the Findings of Fact and Conclusions of Law above, the Commissioner issues the following Order:

1. If the Company fails or neglects to comply with any of the terms, conditions or undertakings set forth in this Stipulation and Consent Order, the Department may, upon written notice to the Company, institute any legal or administrative proceedings it deems appropriate to enforce same and to seek such other appropriate sanctions.

2. The Company shall pay an administrative penalty in the amount of \$287,000 to the Department within thirty (30) days of the full execution and delivery of this Stipulation and Consent Order to the Company. The penalty payment shall be sent to the attention of Tom Taylor, Executive Assistant to the Deputy Commissioner, Insurance Division, Department of Financial Regulation, 89 Main Street, Montpelier, VT 05620.

3. The Company shall implement the following corrective actions (“Corrective Action Plan” or “CAP”):

- a. Review the interest rate parameters in the Company’s claims system for Vermont to ensure compliance with all Vermont laws, Regulations, Orders, and Bulletins which pertain to the payment of claims.
- b. Comply with all Vermont laws, Regulations, Orders, and Bulletins which pertain to the payment of claims.
- c. Provide reports to the Department, not less than quarterly for a period of two years, regarding all life insurance death claim payments made in which 8 V.S.A. § 3665(c)(2) applies, as interpreted in Bulletin 159. The Company shall provide the report within 30 days of the end of the calendar-year quarter.

4. Nothing in this Order shall be construed as limiting the Commissioner’s authority to investigate the Company for matters not resolved by this Order or for matters unrelated to this Order.

5. Nothing herein shall be construed as limiting any private action a person may have.

6. The Company consents to the entry of this Order and acknowledges its consent is given freely and voluntarily and that no promise has been made to induce it to consent except as otherwise stated herein.

7. The Company acknowledges it has been represented by counsel in this matter and voluntarily waives its right to a hearing on this matter and to judicial review of this matter, including its right to a hearing before the Commissioner or his designee and all other procedures otherwise available under Vermont law, the rules of the Department and the provisions of Title 3, Chapter 25.

8. The Company further acknowledges the Commissioner retains jurisdiction over this matter for purposes of enforcing this Order.

9. This Order is entered into solely for the purpose of resolving this matter and is not intended to be used for any other purpose.

10. The Company acknowledges its understanding of all terms, conditions, and obligations contained in the Consent Order and further acknowledges that should it fail to comply with any provision of the Consent Order, the Commissioner may impose additional sanctions and seek appropriate relief, subject to Respondent's right to a hearing pursuant to Vermont insurance laws.

11. This Order shall be governed by and construed under the laws of the State of Vermont.

The Northwestern Mutual Life Insurance Co.

January 26, 2021

Date

By: C. Claiborne Greene  
Assistant General Counsel &  
Assistant Secretary

Entered at Montpelier, Vermont this 27<sup>th</sup> day of January, 2021.



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Michael S. Pieciak, Commissioner  
Vermont Department of Financial Regulation