

**STATE OF VERMONT
DEPARTMENT OF FINANCIAL REGULATION**

IN RE:)	
COLUMBIAN MUTUAL LIFE)	
INSURANCE COMPANY)	DOCKET NO. 22-043-I
NAIC #62103)	
)	

STIPULATION AND CONSENT ORDER

WHEREAS, the Vermont Department of Financial Regulation (the “Department”) asserts that Columbian Mutual Life Insurance Company (“Respondent”) has violated the insurance laws as set forth below; and

WHEREAS, Respondent and the Department wish to resolve these violations without further administrative proceedings or litigation;

NOW, THEREFORE, Respondent and the Department stipulate and agree to the terms and conditions in this Stipulation and Consent Order.

STATEMENT OF FACTS

1. Respondent is a foreign life insurance company with its principal place of business at 4704 Vestal Parkway East, P.O. Box 1381, Binghamton, NY 13902.
2. Respondent’s NAIC number is 62103.
3. At all times relevant to this matter, Respondent held a license issued by the Insurance Division of the Department (the “Insurance Division”) pursuant to 8 V.S.A. § 3361 authorizing Respondent to operate as an insurer in the State of Vermont.
4. On October 14, 2022, the Insurance Division requested that Respondent provide it with data to enable the Insurance Division to complete an audit for all individual and group life

insurance claims from January 1, 2019 through September 30, 2022 that met the following criteria:

- a. Claims from individual and group life policies that were delivered or issued for delivery in Vermont, regardless of whether the beneficiary resides in Vermont at the time of the death of the owner or certificate holder;
 - b. Claims from individual and from group life insurance policies when the beneficiary resided in Vermont at the time of death of the owner or certificate holder, regardless of where the group or individual policy was issued; or
 - c. Claims from group policies that were issued outside of Vermont, but the certificate was delivered or issued for delivery to a Vermont resident who was also a resident of Vermont at the time of his or her death.
5. After the Respondent's production of data to the Insurance Division, the Insurance Division identified a total of 53 instances of death claims made between January 1, 2019 and September 30, 2022 for which Respondent had underpaid the interest due to a beneficiary because Respondent failed to correctly identify the beneficiary as a Vermont resident (constituting 44% of the audited claims).
 6. Beginning with an initial check mailed on November 21, 2022, Respondent provided a total of \$17,556.19 in restitution to underpaid beneficiaries of death claims identified in the Insurance Division's audit.
 7. Respondent has cooperated with and promptly responded to the Insurance Division's requests, has acknowledged the statutory violations, has provided restitution to underpaid beneficiaries as identified in Paragraph 6, and has implemented internal corrective actions to prevent future violations of 8 V.S.A. § 3665b and Insurance Division Bulletin 159 (Revised).

DESCRIPTION OF VIOLATIONS

8. The Commissioner of Financial Regulation (the “Commissioner”) is responsible for administering and enforcing the insurance laws of the State of Vermont and is authorized to investigate insurance companies to determine compliance with Vermont law and issue orders imposing remedial actions and civil administrative penalties, pursuant to 8 V.S.A. §§ 10-15, 3661, and 4726.
9. Pursuant to 8 V.S.A. § 3661, the Commissioner 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, of up to \$1,000 per violation or \$10,000 per willful violation.
10. Pursuant to 8 V.S.A. § 4726, the Commissioner may impose a civil administrative penalty for each violation of §§ 4721-4727 of up to \$1,000 per violation or \$10,000 per willful violation.
11. Pursuant to 8 V.S.A. § 3665(c)(2), “all payments of claims under policies of life insurance shall include interest accrued from the date of death of the insured” at a rate of 6% or the rate paid on proceeds left on deposit, whichever is greater.
12. Effective July 1, 2020, 8 V.S.A. § 3665 was replaced by 8 V.S.A. § 3665b, which contains identical language to that cited in Paragraph 11 above.
13. Accordingly, the underpayments of interest from January 1, 2019 until June 30, 2020 were in violation of 8 V.S.A. § 3665 and the instances of underpayment of interest from July 1, 2020 until September 30, 2022 were in violation of 8 V.S.A. § 3665b.
14. Insurance Division Bulletin 159: Interest on Insurance Death Benefits, dated November 30, 2010, notifies insurers that interest payments are required to be paid pursuant to 8 V.S.A. § 3665(c)(2) in the following situations:

- (1) 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;
 - (2) 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
 - (3) 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.
15. Insurance Division Bulletin 159: Interest on Insurance Death Benefits (Revised), dated March 23, 2021, notifies insurers that interest payments are required to be paid pursuant to 8 V.S.A. § 3665b in the same situations as under 8 V.S.A. § 3665 (as described above in Paragraph 14).
16. It is a violation of 8 V.S.A. § 4723 and 8 V.S.A. § 4724(19) to fail to comply with any rules, regulations, or forms filed with the Commissioner.
17. By failing to pay 6% interest on 53 life insurance claims received by Respondent between January 1, 2019 and September 30, 2022, Respondent violated 8 V.S.A. § 3665(c)(2), § 3665b, and § 4723.

CONSENT ORDER

18. Within 30 calendar days of the entry of this Stipulation and Consent Order by the Commissioner, Respondent shall pay an administrative penalty of \$53,000. Payment shall be made via wire or check made payable to the “Department of Financial Regulation” and mailed to:

Attn: Beth Sides
Department of Financial Regulation
Legal Division
89 Main Street
Montpelier, VT 05620-3101

19. Respondent has implemented or shall implement the following corrective actions:

- a. Respondent has provided a total of \$17,556.19 in restitution to underpaid beneficiaries of death claims identified in the Insurance Division's audit.
- b. On or before the entry of this Stipulation and Consent Order by the Commissioner, Respondent shall update the interest rate parameters in Respondent's claims interest calculation tools to reflect the requirements of and ensure compliance with 8 V.S.A. § 3665b and Bulletin 159 (Revised).
- c. On or before the entry of this Stipulation and Consent Order by the Commissioner, Respondent shall implement and deliver claims interest rate calculation training to all employees responsible for administering Vermont life insurance policy death claims.
- d. Within 30 calendar days of the entry of this Stipulation and Consent Order by the Commissioner, Respondent shall institute a regular internal audit process to promptly detect errors on interest rate calculations on Vermont death claims or interest payments made to beneficiaries, including: (1) having a second person audit every claim that is processed prior to issuing a check; and (2) performing a monthly audit of payments made to beneficiaries to ensure accurate interest rate calculations and payments.
- e. Within 30 calendar days of the entry of this Stipulation and Consent Order by the Commissioner, Respondent shall provide certification to the Insurance Division that it has implemented the corrective actions identified in Paragraph 19(a)-(d).

- f. On or before February 14, 2023, and on a quarterly basis thereafter, Respondent shall complete a self-audit, and shall submit to the Insurance Division within 45 days of the close of each quarter, using a template provided by the Insurance Division, the data gathered from the self-audit, of all death claims received and death benefits paid, including interest, for life insurance policies issued in Vermont or benefiting Vermont residents during the prior quarter's months (beginning with the months October through December 2022 for the February 14, 2023 reporting period).
20. Respondent's audit and report obligation under Paragraph 19(f) shall terminate following either: (a) one year of timely reporting and no violations of 8 V.S.A. § 3665b; or (b) in the event Respondent fails to provide one year of timely reports or those reports demonstrate violations of 8 V.S.A. § 3665b, upon a date to be determined by the Insurance Division.
21. Respondent acknowledges and admits the jurisdiction of the Commissioner over the subject matter of this Stipulation and Consent Order.
22. With respect to the facts and violations identified herein, Respondent waives its right to a hearing before the Commissioner or the Commissioner's designee and waives its right to all other administrative or judicial review otherwise available under Vermont law, including the rules of the Vermont Department of Financial Regulation and the provisions of 3 V.S.A., Chapter 25.
23. This Stipulation and Consent Order is entered into solely for the purpose of resolving the violations identified herein, and it is not intended for any other purpose.
24. Respondent understands all terms and conditions in this Stipulation and Consent Order, consents to the entry of this Stipulation and Consent Order, and acknowledges that its

consent is given freely and voluntarily and that, except as set forth herein, no promise was made to induce Respondent's consent.

25. Noncompliance with any of the terms and conditions in this Stipulation and Consent Order shall be a violation of a lawful order of the Commissioner and a violation of the laws of the State of Vermont and may result in additional administrative action and the imposition of injunctive relief, sanctions, and additional penalties pursuant to applicable provisions of Title 8, including provisions imposing enhanced penalties for willful violations.
26. Nothing herein shall be construed as limiting the Commissioner's ability to investigate Respondent for violations not resolved herein or to respond to and address any consumer complaints made with regard to Respondent.
27. Nothing herein shall be construed as having relieved, modified, or in any manner affected Respondent's ongoing obligation to comply with all federal, state, or local statutes, rules, and regulations applicable to Respondent.
28. Nothing herein shall be construed as limiting any private right of action a person may have.
29. This Stipulation and Consent Order shall be governed by and construed under the laws of the State of Vermont.

SIGNATURES

The terms and conditions set forth in this Stipulation and Consent Order are hereby stipulated and agreed to. I certify under the pains and penalties of perjury that I have taken all necessary steps to obtain the authority to bind Respondent to this Stipulation and Consent Order and that I have been duly authorized to enter into this Stipulation and Consent Order on behalf of Respondent.

COLUMBIAN MUTUAL LIFE INSURANCE COMPANY

By: 
Laura A. Derouin
Vice President, Associate General Counsel,
& Assistant Corporate Secretary

Date: January 13, 2023

The terms and conditions set forth in this Stipulation and Consent Order are hereby stipulated, agreed to, and ordered.

DEPARTMENT OF FINANCIAL REGULATION

By: 
Kevin J. Gaffney
Commissioner of Financial Regulation
Vermont Department of Financial Regulation

Date: January 19, 2023