MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

Phone: (360) 725-7000

OFFICE OF
INSURANCE COMMISSIONER

In the Matter of	)	No. G06-8
	)	
The Market Conduct Examination of	)	FINDINGS, CONCLUSIONS,
	)	AND ORDER ADOPTING REPORT
North Coast Life	)	
Insurance Company	)	OF
	)	MARKET CONDUCT EXAMINATION
	)	
Authorized Domestic Life Insurer	)	
	)	

BACKGROUND

An examination of the market conduct of **North Coast Life Insurance Company** (the Company) as of March 31, 2005 was conducted by examiners of the Washington Office of the Insurance Commissioner (OIC). The Company, domiciled in the state of Washington, holds a Washington certificate of authority as a stock insurer. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and recommendations was transmitted to the Company for its comments on December 22, 2005. The Company's response to the report is attached to this order only for the purpose of providing convenient review of the responses.

The Commissioner or a designee has considered the report, the relevant portions of the examiners' work papers, and submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 3 through 34 of the report.

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CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the market conduct examination of **North Coast Life Insurance Company** and to order the Company to take the actions described in the Instructions and Recommendations sections of the report. The Commissioner acknowledges that the Company may have implemented the Instructions and Recommendations prior to the date of this order. The Instructions and Recommendations in the report are an appropriate response to the matters found in the examination.

ORDER

The market conduct examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions and Recommendations contained in the examination report on pages 22, 23 and 24.

1. The Company is ordered to include its full name and location on all advertising materials. Reference: RCW 48.30.050, WAC 284-23-060(1). (Advertising Standard #2). (Instruction 1, Page 22)

2. The Company is ordered to cease using the term "vanishing premium" in its advertising materials. Reference: RCW 48.30.090. (Advertising Standard #7). (Instruction 2, Page 22)

3. The Company is ordered to audit all policies that have a premium deposit rider and to provide documentation to the OIC that shows that the appropriate interest was credited on all deposits that were made under that rider. Results of this audit and proof of additional payment must be provided to the OIC within 90 days of adoption of this report. Reference: RCW 48.30.090. (Advertising Standard #7). (Instruction 3, Page 22)

4. The Company is ordered to implement a system of control over the content, form, and method of dissemination of its advertising materials. Reference: WAC 284-23-030(2). (Advertising Standard #8). Instruction 4, Page 22)

5. The Company is ordered to clearly distinguish current, projected, and guaranteed amounts on its policy illustrations. Reference WAC 284-23-050(1). (Advertising Standard #9). (Instruction 5, Page 22)

6. The Company is ordered to cease omitting material information and using words or phrases in its advertising that may have the capacity to mislead consumers. Reference: WAC 284-23-050(2). (Advertising Standard #9). (Instruction 6, Page 22)

7. The Company is ordered to include the source of statistical information used in its advertising. Reference: WAC 284-23-050(12). (Advertising Standard #9). (Instruction 7, Page 22)

8. The Company is ordered to clearly define the benefits and impact of any options that are included in its illustrations. Reference: RCW 48.23A.040(2)(c). (Advertising Standard #15). (Instruction 8, Page 22)

9. The Company is ordered to adopt and implement reasonable standards for prompt investigation and payment of claims. Reference: WAC 284-30-330(3). (Claims Standard #7). (Instruction 9, Page 22)

10. The Company is ordered to assure that appropriate interest payments are paid on death claims. Reference RCW 48.23.300. (Claims Standard #8). (Instruction 10, Page 22)

11. The Company is ordered to require a separate application for each individual that is applying for a policy. Reference: RCW 48.18.060. (Underwriting and Policy Issue Standard #2). (Instruction 11, Page 22)

12. The Company is ordered to obtain the signature of a licensed and appointed agent of the Company on in house applications and applications that are taken from employees of the Company. Reference: RCW 48.18.060. (Underwriting and Policy Issue Standard #2). (Instruction 12, Page 23)

13. The Company is ordered to obtain an applicant's consent on any material alterations that are made to an application. Reference: RCW 48.18.070(1). (Underwriting and Policy Issue Standard #3). (Instruction 13, Page 23)

14. The Company is ordered to implement written procedures and standards for the processing of juvenile life applications. The Company is ordered to maintain a log of denied juvenile life applications. Reference: RCW 48.23.345. (Underwriting & Policy Issue Standard #9). (Instruction 14, Page 23)

15. The Company is ordered to inform its field representatives and personnel of the requirements for compliance with the replacement

regulations. Reference: WAC 284-23-450(1). (Policy Replacement Standard #1). (Instruction 15, Page 23)

16. The Company is ordered to maintain copies of replacement notices, policy summaries, and a replacement register for at least three (3) years or until the next market conduct examination by the State of Washington. Reference: WAC 284-23-455(3). (Policy Replacement Standard #6). (Instruction 16, Page 23)

17. The Company is ordered to notify policyholders of the actual loan interest rate that will be charged for a policy loan when a policy loan is taken. Reference: RCW 48.23.085(6). (Policy Administration Standard #2). (Instruction 17, Page 23)

18. The Company is ordered to consider continuing to actively pursue individuals to serve on its board of directors in order to have 12 members in accordance with its Bylaws. Reference: RCW 48.07.040. (Company Operations & Management Standard #2). (Recommendation 1, Page 23)

19. The Company is ordered to consider implementing standardized, written procedures for all areas of operations. (Advertising, Claims, Underwriting and Policy Issue, Policy Replacements, Policy Administration). (Recommendation 2, Page 23)

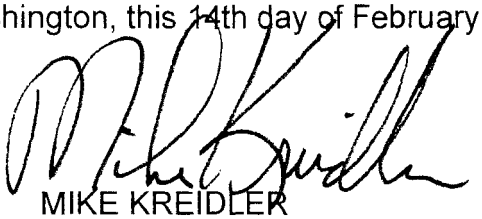
20. The Company is ordered to consider the review of any advertising materials prepared by agents to assure that unfair comparisons of other companies and the Company are not being made. Reference: RCW 48.30.080, WAC 284-23-050(15). (Advertising Standard #6). (Recommendation 3, Page 23)

21. The Company is ordered to consider revising its advertising materials to reflect that the Company is licensed in the Commonwealth of the Northern Marianas rather than just the island of Saipan. Reference: WAC 284-23-070(1). (Advertising Standard #10). Recommendation 4, Page 23)

22. The Company is ordered to consider auditing records on a regular basis to ensure that the notice of replacement is sent to the existing carrier within three (3) working days of receipt of an application. During the records review, the examiners noted that processing of notices was not consistently enforced. Reference: WAC 284-23-455(2)(b). (Policy Replacement Standard #5). (Recommendation 5, Page 24)

IT IS FURTHER ORDERED THAT, the Company file with the Chief Market Conduct Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Olympia, Washington, this 14th day of February, 2006.



MIKE KREIDLER
Insurance Commissioner