

1
2
3 STATE OF OREGON
4 DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
5 DIVISION OF FINANCIAL REGULATION

6 In the Matter of:

Case No. INS-19-0094

7 THE PRUDENTIAL INSURANCE
8 COMPANY OF AMERICA, a Foreign
9 Business Corporation,

ORDER TO CEASE AND DESIST,
FINAL ORDER ASSESSING CIVIL
PENALTY, AND CONSENT TO
ENTRY OF ORDER

10 Respondent.

11 The Director of the Department of Consumer and Business Services for the State
12 of Oregon (“Director”), acting in accordance with Oregon Revised Statutes (“ORS”)
13 chapters 731, 732, 733, 734, 735, 737, 742, 743, 743A, 743B, 744, 746, 748 and 750
14 (“Insurance Code”), has conducted an investigation into the activities of The Prudential
15 Insurance Company of America (“Respondent”) and determined that Respondent engaged
16 in violations of the Insurance Code.

17 Respondent wishes to resolve and settle this matter with the Director.

18 Now, therefore, as evidenced by the signature(s) subscribed on this Order,
19 Respondent hereby CONSENTS to entry of this Order.

20 FINDINGS OF FACT

21 The Director FINDS that:

- 22 1. Respondent has held an Oregon insurer license since March 14, 1904.
23 Respondent’s NAIC number is 68241.
24 2. Respondent’s principal place of business is 751 Broad St., Newark, NJ 07102.
25 3. In or around 2013, Respondent contracted with Alliance-One Services, Inc.
26 (“Alliance”), a third party administrator.¹ Alliance provides Respondent with services that

¹ Alliance has held an Oregon third party administrator’s license since November 20, 1996.



1 include premium collection, underwriting, record retention and policy administration for
2 certain life insurance products reinsured and administered by Respondent (“Reinsured
3 Policies”).

4 4. During the conversion of the Reinsured Policies to Alliance’s administrative
5 systems, certain life insurance policies for Oregon consumers were placed on suspended
6 or restricted status, requiring manual administration of otherwise automatic actions such as
7 the issuance of annual reports. As a result, Respondent failed to ensure that Alliance
8 provided the affected clients with annual reports containing information prescribed by the
9 Insurance Code.²

10 5. In 2015, Respondent failed to ensure that Alliance provided 35 Oregon clients
11 with annual reports for their life insurance policies for which illustrations were used.³

12 6. In 2016, Respondent failed to ensure that Alliance provided 17 Oregon clients
13 with annual reports for their life insurance policies.

14 7. In 2017, Respondent failed to ensure that Alliance provided 8 Oregon clients
15 with annual reports for their life insurance policies.

16 CONCLUSIONS OF LAW

17 The Director CONCLUDES that:

18 8. Respondent is responsible for providing competent administration of its
19 programs, under ORS 744.740(2).

20 9. By failing to ensure that Oregon clients were provided with annual reports for
21 their life insurance policies, Respondent violated OAR 836-051-0580(1) in 60 instances.

22 10. Because the Director has reason to believe that Respondent has been engaged
23 in violations of the Insurance Code, the Director may issue an order to Respondent to cease

24 _____
25 ² Life insurance policy reports require information including, but not limited to, the policy’s current value,
26 the total amounts credited or debited to the policy during the reporting period, the policy’s current death
benefit, and the policy’s current net cash surrender value. See Oregon Administrative Rules (“OAR”) 836-
051-0580(1).

³ Illustrations were used for all life insurance policies referenced in this Order.



1 and desist, under ORS 731.252(1).

2 11. The Director may impose a civil penalty of up \$10,000 *per violation* upon any
3 person who violates a provision of the Insurance Code, under ORS 731.988(1).

4 ORDERS

5 Now therefore, the Director issues the following Orders:

6 12. Based upon the foregoing and as authorized by ORS 731.252(1), the Director
7 ORDERS Respondent to CEASE AND DESIST from violating OAR 836-051-0580(1).

8 13. Based upon the foregoing and as authorized by ORS 731.988(1), the Director
9 hereby ORDERS that Respondent be subject to a CIVIL PENALTY of \$30,000 as for
10 violating OAR 836-051-0580(1) in 60 instances.

11 14. The Director hereby suspends payment of \$5,000 of the CIVIL PENALTY for
12 a period of three years, provided Respondent:

13 (A) Pays the remaining \$25,000 of the CIVIL PENALTY pursuant to the
14 terms of this Order;

15 (B) Satisfies the reporting requirements set forth below; and

16 (C) Does not violate the Insurance Code within the three-year time period.

17 15. Within 60 days of the execution of this Order, Respondent shall PROVIDE the
18 Division with documentation detailing the procedures it has implemented to ensure that all
19 required reports are timely sent. The Division may require Respondent to make reasonable
20 modifications to the procedures as it deems appropriate.

21 16. The non-suspended portion of the CIVIL PENALTY assessed herein (\$25,000)
22 is due and payable on the effective date of this Order.

23 17. The suspended CIVIL PENALTY (\$5,000) will be waived three years from the
24 effective date of this Order, provided Respondent has complied with the foregoing Order
25 terms. The Director reserves the right to immediately assess and collect the suspended
26 civil penalty upon a determination that Respondent has violated any term of this Order.

Division of Financial Regulation
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

18. This Order is binding upon Respondent's successors and assigns.

SO ORDERED this 19th day of February, 2020.

LOUIS SAVAGE, Acting Director
Department of Consumer and Business Services

/s/ Dorothy Bean
Dorothy Bean, Chief of Enforcement
Division of Financial Regulation

[The remainder of this page intentionally left blank.]

Division of Financial Regulation
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

CONSENT TO ENTRY OF ORDER

I, Robert House, state that I am an officer of Respondent and am authorized to act on its behalf. I have read the foregoing Order and know and fully understand the contents hereof. I have been advised of Respondent’s right to a hearing and right to be represented by counsel in this matter. Respondent voluntarily consents to the entry of this Order without any force or duress, expressly waiving any right to a hearing in this matter, as well as any rights to administrative or judicial review of this Order. Respondent understands that the Director reserves the right to take further actions against it to enforce this Order or to take appropriate action upon discovery of other violations of the Insurance Code with the terms and conditions stated herein.

Respondent further assures the Director that neither Respondent nor its officers, directors, employees, or agents will effect insurance services in Oregon unless such activities are in full compliance with the Insurance Code. Respondent understands that this Consent Order is a public document.

Signature: /s/ Robert House

Position Held: Vice President

State of Pennsylvania

County of Montgomery

Signed or attested before me on this 11th day of February, 2020.

by Robert House.

/s/ Luke A. Wilson

Notary Public

Division of Financial Regulation
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

