

BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF ARKANSAS

IN THE MATTER OF THE
REPORT OF EXAMINATION OF
COSMOPOLITAN LIFE INSURANCE COMPANY
(NAIC# 83941)

AID NO. 2008- 091

ADOPTION ORDER

Now on this day the matter of the Report of Examination of Cosmopolitan Life Insurance Company ("Company"), Little Rock, Arkansas, NAIC No. 83941, is taken under consideration by Julie Benafield Bowman, Insurance Commissioner for the State of Arkansas ("Commissioner"), and from the facts, matters and other things before her, as presented by Robert Alexander, Associate Counsel for the Arkansas Insurance Department ("Department"), the Commissioner finds as follows:

FINDINGS OF FACT

1. That the Commissioner has jurisdiction over the Company and the subject matter involved herein.
2. That the Company is an Arkansas domiciled stipulated premium stock insurer authorized to transact Life and Accident and Health Insurance in the State of Arkansas.
3. That pursuant to Ark. Code Ann. §§23-61-201, et seq., the Commissioner authorized and directed the Department to conduct an examination of the affairs, transactions, accounts, records, assets and liabilities of the Company as of December 31, 2007.
4. That said examination was commenced by the Department on March 31, 2008, and completed on August 14, 2008.
5. That the verified Report of Examination was filed with the Department on October 8, 2008, was forwarded to the Company via certified mail on October 9, 2008, and was received by the Company on October 10, 2008.
6. The Company's response to the examination was received by the Department on November 13, 2008. The response was due to the Department by November 9, 2008.
7. That the Report of Examination contains the following comments or discrepancies regarding the Company's operation:

- a. The Company's officers and directors did not provide a conflict of interest statement for 2007 to the examiners.
- b. The Company did not produce evidence of fidelity coverage or other insurance as recommended by NAIC guidelines.
- c. Premiums received by Advanced Insurance Group of America ("AIGA") on behalf of the Company were not properly remitted to the Company pursuant to the management agreement between AIGA and the Company.
- d. The Company failed to send AIGA a demand for these premiums and failed to provide the Department with a copy of the demand as required by Ark. Code Ann. § 23-64-232(b).
- e. The Company incorrectly reported premiums due from AIGA as Amounts Receivable Under Reinsurance Contracts on their Annual Statement.
- f. The Company failed to perform a premium deficiency reserve test on an annual basis in accordance with SSAP No. 54 and the Health Reserves Guidance Manual.
- g. The Company was unable to provide reconciliation for its 2007 paid claims and the amount reported for paid claims in its Annual Statement.
- h. The Company does not have a formal expense sharing agreement with its affiliates that allocates expenses to each member of the affiliated group in a fair and equitable manner.
- i. The Company did not provide any documentation to support its net deferred tax asset and the amount of \$168,724 was non-admitted.
- j. The Company was unable to provide documentation to support a \$20,408 offset to general expenses due or accrued and the amount was not admitted.
- k. Expenses in the amount of \$69,945 were incurred in 2007 and paid in 2008. These were not properly reported as 2007 liabilities.
- l. The Company was not timely in its response to requests for information. In some cases the Company failed to provide the requested information.
- m. Internal accounting controls were either lacking or non-existent due to the lack of separation of duties, poor record keeping and accounting procedures that were in non-compliance with statutory accounting principles.

THEREFORE, pursuant to the provisions of Ark. Code Ann. Section 23-61-205, the Commissioner hereby orders:

1. That the Examination Report, as filed with the Department, is hereby adopted.
2. That the Department shall forward a copy of this Order and the adopted Examination Report to the Company via certified mail.
3. That within twenty (20) days of its receipt of this Order and the adopted Examination Report, the Company shall file with the Department affidavits executed by each of its Directors stating under oath that they have received a copy of this Order and the adopted Examination Report.
4. That the adopted Examination Report will be open for public inspection upon the expiration of thirty (30) days from the Company's receipt of this Order.
5. The Company shall within 30 days of this Order provide the Department with copies of the conflict of interest statements sign by the officers and directors.
6. The Company shall provide the Department within 30 days of this Order a copy of its expense sharing agreement with its affiliates.
7. The Company shall by January 15, 2009 provide evidence to the Department that all premiums due the Company by December 31, 2008 and payable from AIGA by January 10, 2009 have been received. All premiums received by AIGA shall be remitted to the Company within 10 days of receipt. If the management services agreement between the Company and AIGA are not in compliance with the 10 day requirement set forth herein, the agreement shall be amended accordingly.
8. The Department, as a matter of course, reserves the right to consider administrative proceedings against the Company at a later date.

IT IS SO ORDERED this 11th day of December 2008.


JULIE BENAFIED BOWMAN
INSURANCE COMMISSIONER
STATE OF ARKANSAS