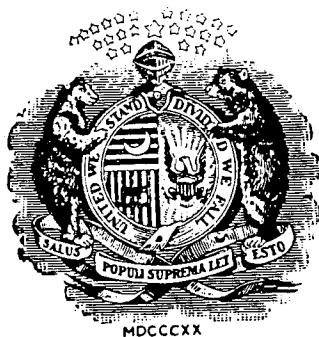


# STATE OF MISSOURI

DEPARTMENT OF



INSURANCE

P.O. Box 690, Jefferson City, Mo. 65102-0690

TO: Office of the President  
The Prudential Insurance Company of America  
751 Broad St.  
Newark, NJ 07102

RE: Missouri Market Conduct Examination #0305-21-LAH  
The Prudential Insurance Company of America (NAIC # 68241)

## STIPULATION OF SETTLEMENT VOLUNTARY FORFEITURE AND ORDER OF DIRECTOR

It is hereby stipulated and agreed by W. Dale Finke, Director of the Missouri Department of Insurance, hereinafter referred to as "Director" or "the Department," and The Prudential Insurance Company of America, hereinafter referred to as "Prudential," as follows:

WHEREAS, W. Dale Finke is the Director of the Department of Insurance, an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State of Missouri; and

WHEREAS, Prudential has been granted certificate(s) of authority to transact the business of insurance in the State of Missouri; and

WHEREAS, the Department conducted a Market Conduct Examination of Prudential and prepared report number 0305-21-LAH; and

WHEREAS, the report of the Market Conduct Examination alleges that:

1. In some instances, Prudential's records indicated producer termination dates that did not agree with those in the Department's database, in violation of §375.022, RSMo, and 20 CSR 300-2.200(3)(C).
2. In some instances, Prudential failed to maintain a copy of a current license date-stamped upon receipt for some of its general agencies, thereby violating §375.158.3, RSMo, and 20 CSR 300-2.200(3)(C).
3. In some instances, Prudential included a notice for the Missouri Guaranty Association Act that provided an incorrect address for the Association in some of its newly issued policies, thereby violating Missouri Regulation 20 CSR 400-5.600, Appendix 1.
4. In some instances, Prudential used a Financial Disclosure form for an individual annuity contract that had not been previously filed and approved by the Missouri Department of Insurance for use in Missouri, thereby violating §376.675, RSMo, and Missouri Regulation 20 CSR 400-8.200(2)(B)2.
5. In some instances, Prudential used certain policy forms that contained a non-conforming suicide clause, thereby violating Missouri Regulation 20 CSR 400-1.050.
6. In some instances, Prudential used certain policy forms that included a non-conforming Free Look Provision, thereby violating Missouri Regulation 20 CSR 400-1.010(1)(D).
7. In some instances, Prudential used certain policy forms that contained exclusions that are not allowed under Missouri law, thereby violating Missouri Regulation 20 CSR 400-2.060(3)(F).
8. In some instances, some of Prudential's Issued Group Long Term Care policy files failed to include certain relevant documents required by law, and Prudential's agents failed to determine that some of those policies were appropriate for the applicants because they had completed the required forms after the application date, thereby violating 20 CSR 400-4.100(22)(B)1.
9. In some instances, Prudential failed to timely file Long Term Care rescission reports with the Department, thereby violating Missouri Regulation 20 CSR 400-4.100(9)(E).
10. In some instances, Prudential was cited for violations of 20 CSR 300-2.200(2) and (3)(E), and MDI Bulletin 94-04, in that the Company's its producers inquired as to whether its Long Term Care applicants had previously been cancelled or rejected for Long Term Care insurance.
11. In some instances, Prudential's Agent's Long Term Care Field Underwriting Manual included a requirement that agents pre-qualify applicants prior to making a sales appointment by eliciting specific health history and included a requirement that some of its Long Term Care applicants to undergo physical examinations at their own expense, thereby violating Missouri Regulation 20 CSR 300-2.200(2) and (3)(e).
12. In some instances, Prudential failed to send notices of approval to certain applicants in a timely manner, as required by §375.421, RSMo, and 20 CSR 400-1.010(6).

13. In some instances, Prudential failed to advise some of its Individual Health policy claimants of the acceptance or denial of their claims within 15 working days after the submission of all necessary forms, in violation of 20 CSR 100-1.050(1)(A).

14. In some instances, Prudential failed to acknowledge some of its Individual Health policy claims within 10 working days after receipt, as required by 20 CSR 100-1.030(1).

WHEREAS, Prudential neither admits nor denies the allegations contained in paragraphs 1 through 14, above, and hereby agrees to undertake a review of its practices and procedures and take any remedial action necessary to maintain, enhance, and assure compliance with the statutes and regulations of the State of Missouri in the areas of concern, as described in the Market Conduct Examination report #0305-21-LAH and this Stipulation, and agrees to maintain any such corrective actions at all times, including, but not limited to, taking the following actions:

1. The Company agrees to take corrective action to assure that the errors noted in the above-referenced market conduct examination report do not recur; and

2. The Company agrees to continue to assure that the deductions and payment provisions of its weekly income group plans treat all certificateholders equally when determining the amount of benefits payable under such plans, in that a claimant's total income will not be reduced by the deductions made for pre-tax contributions to deferred compensations plans and flexible spending plans when determining the amounts payable under the weekly income coverage for its group plans.

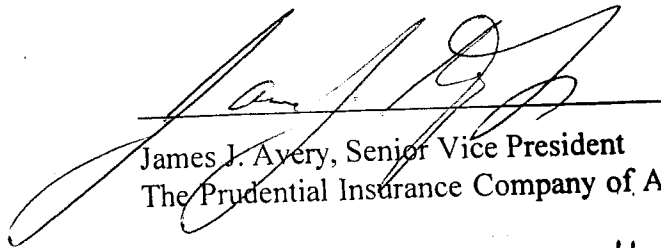
WHEREAS, Prudential, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, which may have otherwise applied to the above referenced Market Conduct Examination; and

WHEREAS, Prudential hereby agrees to the imposition of the ORDER of the Director set forth below and as a result of Market Conduct Examination # 0305-21-LAH further agrees, voluntarily and knowingly to surrender and forfeit the sum of \$7,373.<sup>00</sup>.

NOW, THEREFORE, in lieu of the institution by the Director of any action for the SUSPENSION or REVOCATION of the Certificate(s) of Authority of Prudential to transact the business of insurance in the State of Missouri or the imposition of other sanctions, Prudential does hereby voluntarily and knowingly waive all rights to any hearing, does consent to the ORDER of the Director and does surrender and forfeit the sum of \$7,373.<sup>00</sup>, such sum payable to the Missouri State School Fund, in accordance with §374.280, RSMo.

DATED: \_\_\_\_\_

9/26/06



James J. Avery, Senior Vice President  
The Prudential Insurance Company of America