

STATE OF NORTH DAKOTA

MARKET CONDUCT EXAMINATION REPORT

PIONEER MUTUAL LIFE INSURANCE CO.
101 NORTH 10TH STREET
FARGO, ND 58102

For the Period of January 1, 2000, to June 30, 2003

By Representatives of the
North Dakota State Insurance Department

STATE OF NORTH DAKOTA
DEPARTMENT OF INSURANCE

I, the undersigned, Commissioner of Insurance of the State of North Dakota do hereby certify that I have compared the annexed copy of the Market Conduct Examination Report of the

**Pioneer Mutual Life Insurance Company
Fargo, North Dakota**

as of June 1, 2003, with the original on file in this Department and that the same is a correct transcript therefrom and of the whole of said original.

IN WITNESS WHEREOF, I have hereunto
set my hand and affixed my official
seal at my office in the City of Bismarck,
this _____ day of _____,
2004.

Jim Poolman
Commissioner of Insurance

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July 2003
Bismarck, North Dakota

Honorable Jim Poolman
Commissioner of Insurance
State of North Dakota
600 East Boulevard Avenue, 5th Floor
Bismarck, ND 58505-0320

Dear Commissioner Poolman:

Pursuant to your instructions and in accordance with N.D. Cent. Code § 26.1-03-19.2 and the rules, regulations, and procedures established by the National Association of Insurance Commissioners (NAIC), a comprehensive market conduct examination has been made of the North Dakota business of:

**Pioneer Mutual Life Insurance Company
101 North 10th Street
Fargo, North Dakota 58102
NAIC # 67911**

A report thereon is submitted as follows:

INTRODUCTION

The North Dakota Insurance Department Market Conduct Examiner conducted the examination at the Company's home office using the NAIC Market Conduct Examination Handbook.

SCOPE OF EXAMINATION

This examination report reflects the North Dakota insurance activities of Pioneer Mutual Life Insurance Company (PML or the Company). The examination followed the NAIC Market Conduct Handbook procedures. Therefore, the examination report is, in general, a report by exception. Additional practices, procedures, or files subject to review are omitted, as to reference, if no improprieties were indicated.

The on-site portion of the examination commenced in July 2003 and concluded in November 2003. The examination covered the period of January 1, 2000, to June 30, 2003.

Virginia Carter, Market Conduct Examiner and Special Assistant Attorney General for the North Dakota Insurance Department (Examiner), conducted the examination. The examination of the Company was conducted under the rules and regulations prescribed by the NAIC to evaluate the Company's compliance with statutes and regulations relating to market conduct practices and the Company's treatment of policyholders and claimants.

The major areas reviewed were:

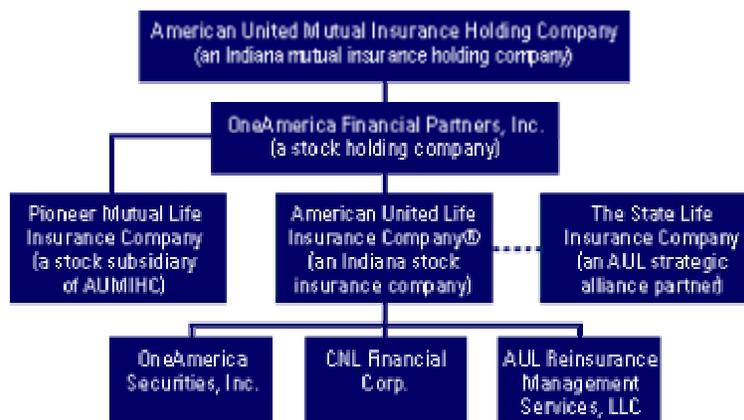
1. Company operations/management.
2. Complaint handling.
3. Marketing and sales.
4. Producer licensing.
5. Policyholder service.
6. Underwriting.
7. Claims practices.

COMPANY PROFILE

**PIONEER MUTUAL LIFE
INSURANCE COMPANY**
*a stock subsidiary of American United
Mutual Insurance Holding Company*



Pioneer Mutual Life Insurance Company (PML) is a stock subsidiary of American United Mutual Insurance Holding Company (AUMIHC) and a member of OneAmerica Financial Partners, Inc. A.M. Best, an independent rating agency of insurance companies on June 20, 2003, rated PML A (Excellent). The Company is a certified member of the Insurance Marketplace Standards Association [IMSA]. PML shares some functions with American United Life Insurance Company [AUL].



PML originated when in 1895, the fraternal benefit society, Ancient Order of United Workmen that began in Meadville, Pennsylvania in 1868, opened a Fargo, North Dakota, office. This

office became its national office in Fargo in 1916. The society changed its name to Pioneer Mutual Life Insurance Company when it mutualized in 1948.

On March 22, 2000, the Company entered into an affiliation agreement with American United Life Insurance. On December 20, 2001, the policy owner members of the Company approved a plan of reorganization under which the Company reorganized from a mutual insurance company to a stock company wholly owned by American United Mutual Insurance Holding Company (AUMIHC). The North Dakota Insurance Department and the Indiana Insurance Department approved the Plan of Reorganization on October 8, 2001, and October 16, 2001, respectively. The AUMIHC members approved the reorganization plan on December 13, 2001.

Board of Directors

Keith D. Bjerke
Richard W. Hall
Thomas E. Hansen
John C. MacFarlane
Denis J. Olson
R. Wade Schumacher
James M. Swedback
Dayton Molendorp
Steve Radcliffe

Officers

<u>Officer</u>	<u>Title</u>
Dayton Harold Molendorp	President and Chief Executive Officer
Steven Arden Ramsey	Senior Vice President
Robin Amanda Opitz	Vice President of Operations
Larry Stoa	Vice President and Chief Marketing Officer
Thomas Michael Zurek	Secretary
Constance Ellen Lund	Treasurer
James Matthew Kellett	Actuary

PML, according to PML's 2002 Schedule T form, is licensed in the following states: Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

AREAS OF REVIEW

Company Operations/Management

The Examiner conducted a review of PML's operations and management systems. The company operations and management area provides an overview of how a company operates. The areas reviewed included, but were not limited to, PML's antifraud plan and training, disaster recovery plan, and privacy procedures. For example, in the area of privacy procedures, PML provided all PML agents with a copy of their Privacy Policy and an agreement form to be signed and returned by the agent confirming their agreement to comply with PML's policy.

Company records were adequate, accessible, consistent, and orderly. The Company cooperated on a timely basis with the Examiner performing the examination.

Recently, some of these functions transferred to AUL, such as antifraud, privacy, and anti-money laundering.

The Examiner noted no exceptions for this area.

Complaint Handling

The Company's complaint handling practices were reviewed to determine Company compliance with state laws and regulations and to identify any complaint patterns or trends. An examination was made of the Company's complaint register and complaint files, the Department's complaint database, and the NAIC Complaints Database System (CDS).

All Company complaint files opened between January 1, 2000, and June 30, 2003, were reviewed. The Company responded to complaints in a timely manner as required by N.D. Cent. Code § 26.1-04-03(10).

The 1997 North Dakota market conduct exam recommended that PML provide policyholders a written statement at the time of policy delivery informing them of the telephone number and address for customer inquiries and complaints. PML's form PML 0585 satisfies this recommendation by providing such notice at the time of policy delivery.

The Examiner noted no exceptions for this area.

Marketing and Sales

The marketing and sales area evaluates representations made about the company's products. The Examiner requested and reviewed all advertising materials in use during the examination period. The review determines if the materials are truthful, clear, and contain adequate disclosure--the minimum standards for advertising set forth in the North Dakota Century Code and the North Dakota Administrative Code (N.D. Admin. Code Chapter 45-04-10 – advertising rules).

All advertising reviewed contained PML form numbers and dates.

As these advertising rules also pertain to Internet advertising, the Examiner performed an Internet search for websites referring to PML. Two sites were found--the home website and an agent recruiting site. The agent recruiting site used "agent only" disclaimers within the site. The Examiner recommends that the disclaimers appear initially on the site.

North Dakota does not have a specific statute, rule, or regulation relating to replacement requirements. However, PML, to its credit, uses a generic replacement form for its life product in North Dakota. The files reviewed from other states had the required replacement forms in the files.

The Examiner noted no exceptions for this area.

Producer Licensing

The Examiner reviewed and compared information obtained from the North Dakota Insurance Department and the Company pertaining to licenses and appointments held by individuals soliciting business on behalf of the Company. For example, the review showed that PML timely appointed its agents and that PML documented terminations with letters in the agent's file.

The Examiner noted no exceptions for this area.

Policyholder Service

The policyholder service portion of the examination tested the Company's compliance with statutes and rules regarding premium and billing notices, correspondence, policy transactions, and other related issues as suggested in the NAIC Market Conduct Examiners Handbook. For example, the examination reviewed PML's escheat procedures and attempts to locate beneficiaries which were found to be reasonable.

The Examiner noted no exceptions for this area.

Underwriting and Rating

The underwriting and rating portion of the examination tested how the Company treats the public and whether that treatment is in compliance with applicable statutes, rules, and regulations pertaining to underwriting and rating issues. The review provided insight into the Company's rating, underwriting, and termination practices. The Company demonstrated compliance with applicable statutes and rules in this area. For example, upon review of the underwriting procedure and files, the examiner noted no instances of unfair discrimination noted.

The Examiner noted no exceptions for this area.

Claims

The Examiner reviewed the Company's claims handling practices in order to provide an overview of how the Company treats claimants and whether that treatment complies with

applicable statutes, rules, and regulations. The Company consistently makes initial contact with claimants, conducts investigations, responds to claim correspondence, and settles claims in a timely manner. The Company also maintains an adequate claim procedure manual and generally follows established procedures. The exam showed that PML claim files were well documented with investigations, follow-up, and settlement of claims performed in a reasonably timely manner. Recently, the claims function was transferred to AUL.

The Examiner noted no exceptions for this area.

CONCLUSION

The Examiner conducted an examination of the market conduct affairs of Pioneer Mutual Life Insurance Company for the period of January 1, 2000, to June 30, 2003. The Reviewer conducted this examination in accordance with NAIC market conduct examination procedures and included analyses of Company operations in the areas of company operations/management, complaint handling, marketing and sales, producer licensing, policyholder service, underwriting and rating, and claims procedures. The Examiner noted no exceptions and no corrective action is required.

The Examiner gratefully acknowledges the courteous cooperation extended by the officers and employees of the Company, especially the Company exam coordinator, Shirley Sorensen, during the course of the examination.

Respectfully submitted,

Virginia Carter
Market Conduct Examiner
Special Assistant Attorney General
North Dakota Insurance Department