



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

December 9, 2013

Wendy Schonman
Banner Life Insurance Company
3275 Bennett Creek Avenue
Frederick, MD 21704

Re: ***Banner Life Insurance Company
Market Conduct Examination Report***

Dear Ms. Schoman;

The company has submitted to the Department proofs of compliance with Order # 1 through Order # 7 and has submitted the \$10,000 civil forfeiture as outlined in the Stipulation and Consent Order issued by the Department. These proofs of compliance have been reviewed and are satisfactory.

The Department is closing its file on this exam. I intend to ask the Director to make the Examination Report available for public inspection as authorized by 215 ILCS 5/132.

Sincerely,

Caryn C. Carmean, A.C.A.S., M.A.A.A..
Acting Deputy Director Consumer Outreach and Protection
Illinois Department of Insurance
320 West Washington Street
Springfield, IL 62767
217-557-7311
Caryn.Carmean@illinois.gov

BANNER LIFE INSURANCE COMPANY

320 West Washington
Springfield Illinois 62767-0001

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: August 1, 2011 through October 28, 2011

EXAMINATION OF: Banner Life Insurance Company

COMPANY ADDRESS: 3275 Bennett Creek Avenue
Frederick, Maryland 21704

PERIOD COVERED
BY EXAMINATION: July 1, 2010 thru June 30, 2011

EXAMINERS: Danny L. Talkington
Examiner in Charge

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I. SUMMARY

1. The Company was criticized under Section 5/224(1)(l) of the Illinois Insurance Code (215 ILCS 5/224(1)(l)) for failure to notify the insured's beneficiary of the availability of interest payment due to delayed claim processing as required.
2. The Company was criticized under Section 5/224(1)(j) of the Illinois Insurance Code (215 5/224(1)(j)) for requiring the insured's beneficiary to provide proofs of death instead of due proof of death as required.
3. The Company was criticized under COP for the overpayment of one claim.
4. The Company was criticized under Section 919.70(a)(2) of the Illinois Administrative Code (50 Ill. Adm. Code 919.70(a)(2)) for failure to provide insured's Notice of Availability of the Department of Insurance on the 45 day delay letter as required.
5. The Company was criticized under Section 919.50(a)(1) of the Illinois Administrative Code (50 Ill. Adm. Code 919.50(a)(1)) for failure to provide insured's Notice of Availability of the Department of Insurance on denied claims as required.
6. The Company was criticized under Section 926.50 of the Illinois Administrative Code (50 Ill. Adm. Code 926.50) for failure to maintain Department of Insurance Complaint records as required.
7. The Company was criticized under Section 5/234.1 of the Illinois Insurance Code (215 ILCS 5/234.1) for failure to provide a Notice of Enactment of the Nonforfeiture Options as required.

II. BACKGROUND

The Company was incorporated in September 1981 as Legal and General Assurance Corporation, a life insurance company, under the laws of the District of Columbia. The Legal and General Assurance Corporation was formed to effect the 1983 acquisition and to be the successor to the business of the Banner Life Insurance Company, originally incorporated in 1949 under the laws of the District of Columbia as the Government Employees Life Insurance Company. Concurrent with the above acquisition in September 1983, the Legal and General Assurance Corporation changed its name to Banner Life Insurance Company. In 1986, the Company re-domesticated from the District of Columbia to the State of Maryland.

In November 1995, the Company's immediate parent, Legal and General Life Insurance Company of America, Inc., was dissolved by merging into its parent, Legal and General America, Inc., which became the immediate parent of the Company. Legal and General America, Inc. is owned by Legal and General Overseas Operations Limited, a United Kingdom Company. The ultimate parent is Legal and General Group, Plc., a United Kingdom company founded in 1836.

The Company is authorized to transact the business of insurance in the District of Columbia and all states of the United States, except for New York.

The Company was originally licensed to do business in Illinois in 1955.

III. METHODOLOGY

The Market Conduct Examination places emphasis on evaluating an insurer's system and procedures used in dealing with insured's and claimants. The following categories are the general areas examined.

1. Producer Licensing & Production
2. Claims Analysis
3. Nonforfeiture Analysis
4. Policy Forms & Advertising Materials Review
5. Insurance Department and Consumer Complaints

The review of these categories was accomplished through examination of producer files, claim files, cash surrendered policy files, policy forms & advertising material, and Department of Insurance and consumer complaint files. Each of these categories was examined for compliance with Department Regulations and applicable State laws.

The report concerns itself with improper practices performed with such frequency as to indicate general practices. Individual criticisms were identified and communicated to the insurer, but not cited in the report if not indicative of a general trend, except to the extent that underpayments and/or overpayments in claim surveys or undercharges and/or overcharges in underwriting surveys were cited in the report.

The following methods were used to obtain the required samples and to assure a methodical selection:

Producer Licensing and Production

Populations for the producer file reviews were determined by whether or not the producers were licensed by the State of Illinois. New business listings were retrieved from Company records by selecting newly solicited insurance applications that reflected Illinois addresses for applicants.

The examination period for the producer analysis was July 1, 2010 through June 30, 2011.

Claims

1. Paid Claims - Payment for claims made during the examination period.
2. Denied Claims – Denial of benefits for losses not covered by policy provisions.

All claims were reviewed for compliance with policy contracts and endorsements, and applicable Sections of the Illinois Insurance Code (215 ILCS), and 50 Illinois Administrative Code (50 Ill. Adm. Code).

Median payment periods were measured from the date all necessary proofs of loss were received to the date of payment to the insured or the beneficiary. The examination period of the claims survey was July 1, 2010 through June 30, 2011.

Non-Forfeiture Analysis

Listings were requested of all life and annuity policies that were cash surrendered, placed on extended term insurance status, or converted to reduced paid-up insurance during the examination period. These listings were retrieved by a search of Illinois life policies that were either lapsed for nonpayment of premium or were requested non-forfeiture option conversions made by the policyholders. The examination period for the Non-Forfeiture Analysis was July 1, 2010 through June 30, 2011.

Policy Forms & Advertising Material Review

All policy forms, form letters, riders and advertising materials used in Illinois during the examination period were requested. These were reviewed for compliance as to format, content and terminology as required by Illinois Law. The examination period for the Policy Forms & Advertising Material Review was July 1, 2010 through June 30, 2011.

Insurance Department and Consumer Complaints

The Company was requested to provide all files relating to complaints received via the Department as well as those received directly by the Company from the insured or his/her representative. A copy of the Company's complaint register was also reviewed. Median periods were measured from the date of notification by the complainant to the date of response to the Department. The examination period of this survey was July 1, 2010 through August 1, 2011.

SELECTION OF SAMPLE

<u>Survey</u>	<u>Population</u>	<u># Reviewed</u>	<u>% Reviewed</u>
<u>Producers Analysis</u>			
Producers/Applications	1,245/15,219	1,245/15,219	100.00
Terminated Agents Review	0	0	.00
<u>Claims Analysis</u>			
Paid Individual Life	92	92	100.00
Denied Individual Life	2	2	100.00
Annuity Death Settlements	2	2	100.00
<u>Non-Forfeiture Analysis</u>			
Extended Term/Reduced Paid Up Insurance	20	20	100.00
Life Cash Surrenders	35	35	100.00
<u>Policy Forms & Advertising</u>	297	297	100.00
<u>Complaint Analysis</u>			
Department of Insurance Complaints	2	2	100.00

IV. FINDINGS

A. Producer Analysis

1. A review of the 1,245 producers and 15,219 commission payments produced no criticisms.
2. There were no agents terminated for cause during the survey period.

B. Claims Analysis

1. Paid Individual Life

Ninety Paid Individual Life claim files were reviewed. Nineteen files or 21% of the Paid Individual Life claim files reviewed were criticized. A general trend criticism was written under Section 5/224(1)(l) of the Illinois Insurance Code for failure to notify the insured's beneficiary of the availability of interest payment due to delayed claim processing. The Company agreed that they failed to provide the insured's beneficiary notice of the availability of interest due to delayed claim processing on seventeen and disagreed on two (2) of the claim files. After reviewing additional information furnished by the Company the Examiner agrees that two (2) of the claim files did in fact include the notice to beneficiary. See (215 ILCS 5/224(1)(l)).

A general trend criticism was written under Section 5/224(1)(j) of the Illinois Insurance Code for requiring the insured's beneficiary to provide proofs of death (plural) whereby the Code only requires due proof of death (singular). The Company disagreed that they required the beneficiary to provide proofs of death and not due proof of death as required. See (215 ILCS 5/224(1)(j)).

A general trend criticism was written under Section 919.70(a)(2) of the Illinois Administrative Code for failure to provide the insured with the Notice of Availability of the Department of Insurance on the 45 day delay letter. The Company agreed that it failed to provide the insured with the Notice of Availability of the Department of Insurance on the 45 day delay letter as required.

See (50 Ill. Adm. Code 919.70(a)(2)).

An individual claim criticism was written under COP for the overpayment of one claim in the amount of \$13,142.40. The Company agreed that it did make an overpayment in the amount of \$13,142.40 on one claim

See (215 ILCS 5/132).

The median for payment was seven (7) days.

2. Denied Individual Life

Two (2) Denied Individual Life claim files were reviewed. Two (2) files or 100% of the Denied Individual Life claim files reviewed were criticized. A general trend criticism was written under Section 919.50(a)(1) of the Illinois Administrative Code for failure to provide Notice of Availability of the Department of Insurance on denied claims. The Company agreed that they failed to provide Notice of Availability of the Department of Insurance on denied claims as required. See (50 Ill. Adm. Code 919.50(a)(1)).

The median for denial was six (6) days.

3. Paid Annuity Death Settlements

A review of two (2) Paid Annuity Death Settlement claim files produced no criticisms.

The median for payment was four (4) days.

C. Nonforfeiture Analysis

1. Life Cash Surrenders

A review of thirty five Life Cash Surrender files produced no criticisms.

The median for payment was fifteen days.

2. Extended Term/Reduced Paid Up Insurance

Twenty Extended Term/Reduced Paid Up Insurance files were reviewed.

Twenty files or 100% of the files reviewed were criticized. A general trend criticism was written under Section 5/234.1 of the Illinois Insurance Code for failure to provide a Notice of Enactment of the Nonforfeiture Options as required.

The Company agreed that they failed to provide a Notice of Enactment of Non forfeiture Options as required.

See (215 ILCS 5/234.1).

D. Policy Forms & Advertising Material

A review of two hundred ninety seven policy forms and advertising brochures used during our survey period produced no criticisms.

E. Complaint Analysis

1. Department of Insurance Complaints

Two (2) Department of Insurance Complaint files were reviewed. Two (2) files or 100% of the files reviewed were criticized. A general trend criticism was written under Section 926.50 of the Illinois Administrative Code (50 Ill. Adm. Code 926.50) for failure to maintain Department of Insurance Complaint records as required. The Company disagreed that they failed to maintain Department of Insurance Complaints records as required.

See (50 Ill. Adm. Code 926.50).

The median for response was seventeen days.

V. INTERRELATED FINDINGS

VI. TECHNICAL APPENDICES

STATE OF NEW YORK)
) ss
COUNTY OF NEW YORK)

Danny Talkington, being first duly sworn upon his oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of:

Banner Life Insurance Company, NAIC # 94250

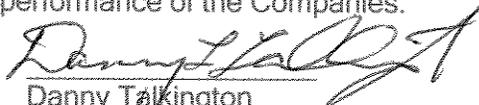
That, as Examiner-In-Charge, he was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Companies with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Company's business and affairs and the manner in which the Companies conduct their business;

That neither he nor any other persons designated as examiners nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as policyholders, and that neither he nor any other persons designated as examiners nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

That he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the Companies.



Danny Talkington
Examiner-In-Charge

Subscribed and sworn to before me
this 20 day of may, 2013.



Notary Public

ANNA M TIRONE
Notary Public - State of New York
No. 01T16101625
Qualified in Richmond County
My Commission Expires Nov. 17, 2015

STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF:

BANNER LIFE INSURANCE COMPANY
3275 BENNETT CREEK AVENUE
FREDERICK, MARYLAND 21704

STIPULATION AND CONSENT ORDER

WHEREAS, the Director (Director) of the Illinois Department of Insurance (Department) is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, Banner Life Insurance Company (Company) is authorized under the insurance laws of this State and by the Director as a foreign stock company, to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by duly qualified examiners of the Department pursuant to Sections 131.21, 132, 401, 402 and 425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425); and

WHEREAS, the Department examiners have filed an examination report as an official document of the Department as a result of the Market Conduct Examination; and

WHEREAS, said report cited various areas in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by the company in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Company.

WHEREAS, the Company is aware of and understands its various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407 and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402;

WHEREAS, the Company understands and agrees that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and

WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order.

NOW, THEREFORE, IT IS agreed by and between the Company and the Director as follows:

1. That the Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and/or Department Regulations; and
2. That the Director and the Company consent to this order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and/or Department Regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:

1. Institute and maintain procedures whereby the Company notifies the insured's beneficiary of the availability of interest payment due to delayed claim processing as required by 215 ILCS 5/224(1)(l).
2. Institute and maintain procedures whereby the Company requires due proof of death consistent with the requirements of 215 ILCS 5/224(1)(j).
3. Institute and maintain procedures whereby the Company does not make overpayment of claims.
4. Institute and maintain procedures whereby the Company provides insured's Notice of Availability of the Department of Insurance on the 45 day delay letter as required by 50 Ill. Adm. Code 919.70(a)(2).
5. Institute and maintain procedures whereby the Company includes Notice of Availability of the Department of Insurance on all denied claims as required by 50 Ill. Adm. Code 919.50(a)(1).
6. Institute and maintain procedures whereby the Company maintains Department complaint records as required by 50 Ill. Adm. Code 926.50.
7. Institute and maintain procedures whereby the Company provides a Notice of Enactment of the Non-forfeiture Options as required by 215 ILCS 5/234.1.

8. Submit to the director of insurance, State of Illinois, proof of compliance with the above orders within 30 days of the entry date of this Stipulation and Consent Order.
9. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$10,000 to be paid within 30 days of the execution of these orders.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code, including but not limited to levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of Banner Life Insurance Company:

Bryan R. Newcombe
 Signature
BRYAN R. NEWCOMBE
 Name
VICE PRESIDENT & GENERAL COUNSEL
 Title

Subscribed and sworn to before me this
15th day of July A.D. 2013.

Scott E. McFarlane
 Notary Public

DEPARTMENT OF INSURANCE of the
 State of Illinois;

DATE July 16, 2013
 Director

Andrew Boron
 Andrew Boron