



# Illinois Department of Insurance

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PAT QUINN  
Governor

ANDREW BORON  
Director

VIA USPS CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

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July 22, 2014

Mr. John Woerner  
President  
Riversource Life Insurance Co  
227 Ameriprise Financial Center  
Minneapolis, MN 55474

Re: ***Riversource Life Insurance Company-NAIC # 65005  
Market Conduct Examination Report Closing letter***

Dear Mr. Woerner:

The Department has reviewed your company's proof of compliance and deems it adequate and sufficient. Therefore, 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.

If you have any questions, my contact information is listed below.

Sincerely,

Lysa Saran  
Deputy Director  
Consumer Outreach and Protection  
Illinois Department of Insurance  
122 S. Michigan Avenue, 19th Floor  
Chicago, IL 60603  
Phone: 312-814-1767  
Cell: 312-833-4396  
E-mail: [Lysa.Saran@Illinois.gov](mailto:Lysa.Saran@Illinois.gov)

RIVERSOURCE LIFE INSURANCE COMPANY

## **MARKET CONDUCT EXAMINATION REPORT**

**DATE OF EXAMINATION:** August 26, 2013 through November 8, 2013

**EXAMINATION OF:** RiverSource Life Insurance Company  
NAIC Number: 65005

**LOCATION:** 227 Ameriprise Financial Center  
Minneapolis, MN 55474

**PERIOD COVERED  
BY EXAMINATION:** July 1, 2011 through June 30, 2012  
Claims

July 1, 2009 through the August 26, 2013  
Appeals, External Independent Reviews and  
Complaints

**EXAMINERS:** Patricia S. Hahn  
C Michael Hager - Examiner in Charge

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## I. SUMMARY

1. The Company was criticized for failure to respond to complaints within 21 days as required by 215 ILCS 5/143d.
2. The Company was criticized under 215 ILCS 5/154.6(d) for failure to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear, resulting in underpayments totaling \$2,719.52. The company paid these claims prior to the completion of the examination.
3. The Company was criticized under 215 ILCS 5/154.6(i) for improper claims practices for failure to affirm or deny claims within a reasonable time defined as 30 days in 50 Ill. Adm. Code 919.50(a).
4. The Company was criticized for failure to provide claim forms within 15 days of request as required by 215 ILCS 5/154.6(o).
5. The Company was criticized for failing to notify the beneficiary at time of claim that interest shall accrue at the rate of 10% annually on the proceeds if the claim was not paid within the time limit established under 215 ILCS 5/224(1)(l). This statute was revised effective August 23, 2011, *i.e.*, during the period covered by the examination. Prior to the revision, the statute required that interest be paid at the rate of 9% interest if payment was not made within 15 days. The revision changed the interest rate to 10% and the time limit to 31 days. Some of the claims reviewed were processed prior to the August 23, 2011. Some were processed after that date. The files were criticized based on the law in effect on the date the claim was processed.
6. The Company was criticized under 215 ILCS 5/224(1)(l) for failing to pay interest on claims delayed beyond 15/31 days. See # 5 above. Some of the claims were paid prior to the August 23, 2011 date and some were paid after that date. The files were criticized based on the law in effect on the date the claim was processed.
7. The Company was criticized under 215 ILCS 5/357.9 for failing to include interest on long term care claims which were not paid within 30 days following receipt by the insurer of due written proof of loss.
8. The Company was criticized under 215 ILCS 5/500-85 for failing to notify the Director of Insurance when its business relationship with one (1) insurance producer was terminated for one of the reasons set forth in 215 ILCS 5/500-70.
9. The Company was criticized under 50 Ill. Adm. Code 919.70(a)(2) for failing to provide the insured or beneficiary, when applicable, a reasonable written explanation, accompanied by a Notice of Availability of the Department of Insurance, for the delay when a claim remains unresolved for 45 days from the date it is reported.

10. The Company was criticized under 50 Ill. Adm. Code 930.50(a) for being unable to produce evidence that a Buyer's Guide was provided to the applicant prior to accepting the applicant's initial premium on life replacements.
11. The Company was criticized under 50 Ill. Adm. Code 1405.30(c) for using application forms that required the applicant to opt out of the automatic premium loan provision. Title 50 Ill. Adm. Code 1405.30(c) requires that automatic loan provisions be elective. The application forms that were in violation are not currently used by the Company.

## II. BACKGROUND

The Company was incorporated in 1957 under the laws of the State of Minnesota as the Investors Syndicate Life Insurance and Annuity Company. The Company changed its name in 1973 to IDS Life Insurance Company.

Effective December 31, 2006, IDS Life merged with and assumed the obligations of its subsidiaries American Enterprise Life Insurance Company, American Partners Life Insurance Company and American Centurion Life Assurance Company. IDS Life changed its name at that time to RiverSource Life Insurance Company (“RiverSource Life”).

RiverSource Life is a stock life insurance company and is a wholly-owned subsidiary of Ameriprise Financial, Inc. (“Ameriprise Financial”). RiverSource Life is domiciled in Minnesota and holds Certificates of Authority in the District of Columbia and all states except New York. RiverSource Life issues life insurance and annuity products.

Business sold through the retail distribution channel of AFSI, a subsidiary of Ameriprise Financial, represents the majority of RiverSource Life’s business. Business sold through third party distribution directly to consumers represents a small portion of RiverSource Life’s business.

### III. METHODOLOGY

The Market Conduct Examination covered the business for the period of July 1, 2011 through June 30, 2012 for claims and July 1, 2009 through the start date of the examination for appeals, complaints and external independent reviews. Specifically, the examination focused on a review of the following areas.

1. Sales, advertising and procedure files.
2. Enrollment procedures.
3. Claim procedures.
4. Appeals, Department Complaints and External Independent Reviews.

The review of the categories was accomplished through examination of appointed and terminated producer files, claim files and complaint files. Each of the 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 company, 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 Analysis

New business was reviewed to determine if solicitations had been made by duly licensed persons.

#### Claims

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

All claims were reviewed for compliance with policy contracts and applicable Sections of the Illinois Insurance Code (Sections 5/1 et seq.), the Managed Care Reform and Patient Rights Act (Section 134/1 et seq.) and the Illinois Administrative Code.

Median payment periods were measured from the date all necessary proofs of loss were received to the date of payment or denial to the member.

#### Department Complaints and Consumer Appeals

The Company was requested to provide all files relating to complaints received via the Department of Insurance and those received directly from members. The Company was

also requested to provide files of all member complaints and external independent reviews handled during the survey period.

Median periods were measured from the date of notification by the complainants to the date of response by the Company.

The period under review was July 1, 2009 through the start date of the examination.

SELECTION OF SAMPLE

Survey Area Reviewed	Population	# Reviewed	% Population Reviewed
<b>Producer Analysis</b>			
# Producers	539	539	100%
# Applications	3236	3236	100%
Terminated Agents	85	85	100%
<b>Non-Forfeiture Analysis</b>			
Extended Term / Reduced Paid Up	2	2	100%
Life Cash Surrenders	652	100	15%
Annuity Cash Surrenders	2102	110	5%
<b>Claims Analysis</b>			
Paid Individual Life	151	80	53%
Annuity Death Settlements	770	100	13%
Paid Long Term Care	117	50	43%
Denied Long Term Care	6	6	100%
Pain Individual Disability	18	18	100%
<b>Underwriting</b>			
Declined Life Applications	79	79	100%
Life Replacements	32	32	100%
Annuity Replacements	24	24	100%
<b>Policy Forms Review</b>			
Policy Forms	45	45	100%
<b>Complaints &amp; Appeals</b>			
Dept. of Insurance Complaints	12	12	100%
Consumer Complaints	5	5	100%

#### IV. FINDINGS

##### A. Producer Analysis

###### 1. Agent Production

A review of 539 agents and 3,236 applications produced no criticisms.

###### 2. Terminated Agent Review

A review of 85 terminated agents produced one (1) criticism. A general criticism was made under 215 ILCS 5/500-85 for failure to notify the Director of one agent terminated for one of the reasons set forth in 215 ILCS 5/500-70.

##### B. Non-Forfeiture Analysis

###### 1. Extended Term / Reduced Paid Up

A review of 2 Extended Term / Reduced Paid Up claim files produced no criticisms.

The median for review could not be established.

###### 2. Life Cash Surrenders

A review of 100 life cash surrender claim files produced no criticisms.

The median for surrender was one (1) day.

###### 3. Annuity Cash Surrenders

A review of 110 annuity cash surrenders produced no criticisms.

The median for surrender was one (1) day.

##### C. Claims Analysis

###### 1. Paid Individual Life

A review of 80 paid individual claim files produced five (5) criticisms.

A general criticism was made under 50 Ill. Adm. Code 919.70(a)(2) for failure to provide the insured or beneficiary, when applicable, a reasonable written explanation, accompanied by a Notice of Availability of the Department of Insurance, for the delay when a claim remains unresolved for 45 days from the date it is reported. Eight (8) of 80 (10%) were found to be in violation.

A general criticism was made under 215 ILCS 5/154.6(o) for failure to provide claim forms within 15 days of request. Nine (9) of 80 (11%) were found to be in violation.

A general criticism was made under 215 ILCS 5/224(1)(l) for failure to notify the beneficiary that interest shall accrue at the rate of 10% annually on the proceeds if the claim was not paid within the time limit established under 215 ILCS 5/224(1)(l). The statute was amended effective August 23, 2011, *i.e.*, during the period covered by the examination. Prior to the revision, the statute required that interest be paid at the rate of 9% if payment was not made within 15 days. The revision changed the interest rate to 10% and the time limit to 31 days. Some of the claims reviewed were processed prior to the August 23, 2011. Some were processed after that date. The files were criticized based on the law in effect on the date the claim was processed. Fifty nine (59) of 80 (74%) were found to be in violation.

Two (2) individual criticisms were made under 215 ILCS 5/224(1)(l) for failure to pay interest on claims delayed beyond 15 or 31 days whichever is applicable. (See the explanation in the paragraph above for the reasoning for the two (2) time delays due to the revised statute.) The total interest underpayments were \$672.16. The company agreed and made the payments prior to the completion of the examination.

The median for payment was four (4) days.

## 2. Annuity Death Settlements

A review of 100 annuity death settlement claim files produced no criticisms.

The median for denial was seven (7) days.

## 3. Paid Long Term Care

A review of 50 paid long term care claim files produced six (6) criticisms.

Two (2) individual criticisms were made under 215 ILCS 5/154.6(d) for not attempting in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear. This resulted in underpayments totaling \$2,719.52. The company agreed and paid these claims prior to the completion of the examination.

Four (4) individual criticisms were made under 215 ILCS 5/357.9 for failing to pay interest on four (4) claims within 30 days following receipt by the insurer of due written proof of loss. The total underpayment amount was \$138.89. The company should reopen two of these claims and pay the appropriate interest amounts. The unpaid claims numbers are A258318 in the amount of \$108.08 and A271931 in the amount of \$12.70.

The median for payment was sixteen (16) days.

4. Denied Long Term Care

A review of 6 denied long term care claim files produced one (1) criticism. A general criticism was made under 215 ILCS 5/154.6(i) for failure to affirm or deny claims within a reasonable time which is defined as 30 days in 50 Ill. Adm. Code 919.50(a). Three (3) of 6 (50%) were found to be in violation.

The median for denial was 31 days.

5. Paid Individual Disability

A review of 18 paid individual disability claim files produced no criticisms.

The median for payment was 23 days.

D. Underwriting

1. Declined Life Applications

A review of 79 declined life applications produced no criticisms.

The median for declination was 36 days.

2. Life Replacements Internal and External

A review of 32 life replacement files produced one (1) criticism. A general criticism was made under 50 Ill. Adm. Code 930.50(a) for failing to provide the applicant a Buyer's Guide prior to accepting the applicant's initial premium. Thirty one 31 of 32 applications (97%) were found to be in violation.

E. Policy Form Review

1. A review of 45 policy forms produced one (1) criticism. A general criticism was made under 50 Ill. Adm. Code 1405.30(c) for using applications that required the applicant to opt out of an automatic policy loan provision. Title 50 Ill. Adm. Code 1405.30(c) requires that automatic policy loan provisions be elective, *i.e.*, the applicant must select the automatic premium loan provision. The application forms were for policies that the Company acquired from non-affiliated insurers. The Company does not currently use these application forms.

F. Complaints, Appeals and External Independent Reviews

1. Department of Insurance Complaints

A review of 12 Department of Insurance complaints produced no criticisms.

The median for response was 19 days.

G. Consumer Complaints

1. A review of five (5) consumer complaint files produced one (1) criticism. A general criticism was made for failure to respond to complaints within 21 days of receipt as required by 215 ILCS 5/143d. Three of the 5 consumer complaints (60%) were found to be in violation.

The median for response was 30 days.

V. TECHNICAL APPENDICES

None.

STATE OF INDIANA            )  
  ) ss  
COUNTY OF MARION        )

Mike Hager, being first duly sworn upon his/her 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 RiverSource Life Insurance Company (the "Company"), NAIC # 65005,

That the Examiner-In-Charge 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 Company 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 Company conducts its business;

That neither the Examiner-In-Charge nor any other persons so designated 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 a policyholder or claimant under a policy or as an owner of shares in a regulated diversified investment company, and that neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

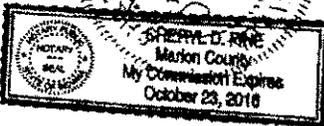
That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

That she/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 Company.

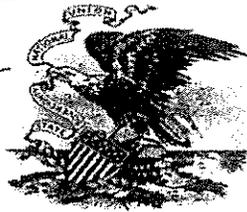
Mike Hager  
Examiner-In-Charge

Subscribed and sworn to before me  
this 26th day of March, 2014.

Sheila D. Rine  
Notary Public  


# STATE OF ILLINOIS

## DEPARTMENT OF INSURANCE



IN THE MATTER OF:

RiverSource Life Insurance Company  
227 Ameriprise Financial Center  
Minneapolis, MN 55474

### 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, RiverSource Life Insurance Company, NAIC Number 65005, ("Company") is authorized under the insurance laws of this State and by the Director as a foreign life, accident and health insurance 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 appointed by the Director pursuant to Sections 132, 401, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403 and 5/425); and

WHEREAS, the appointed 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; and

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 to respond to complaints within twenty-one (21) days as required by 215 ILCS 5/143d.
2. Institute and maintain procedures to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear as required by 215 ILCS 5/154.6(d).
3. Institute and maintain procedures to affirm or deny claims within a reasonable time as required by 215 ILCS 5/154.6(i) within a reasonable time which is defined as 30 days in 50 Ill. Adm. Code 919.50(a).
4. Institute and maintain procedures to provide claim forms within fifteen (15) days of request as required by 215 ILCS 5/154.6(o).
5. Institute and maintain procedures to notify the beneficiary at time of claim that interest shall accrue at the rate of 10% annually on the proceeds if the claim is not paid within the time limit established under 215 ILCS 5/224(1)(l).
6. Institute and maintain procedures to pay interest on life insurance claims not paid within the time limit established in 215 ILCS 5/224(1)(l).
7. Institute and maintain procedures to pay interest on long term care insurance claims not paid within thirty (30) days after receipt of due written proof of loss as required by 215 ILCS 5/357.9.
8. Institute and maintain procedures to notify the Director of Insurance of whenever the Company terminates its business relationship with an

insurance producer for one of the reasons set forth in 215 ILCS 5/500-70 as required by 215 ILCS 5/500-85.

9. Institute and maintain procedures to provide the insured or beneficiary, when applicable, a reasonable written explanation, accompanied by a Notice of Availability of the Department of Insurance, for the delay when a claim remains unresolved for forty-five (45) days from the date it is reported as required by 50 Ill. Adm. Code 919.70(a)(2).
10. Institute and maintain procedures to produce evidence that a Buyer's Guide is provided to all applicants prior to accepting the applicant's initial premium on life replacements as required by 50 Ill. Adm. Code 930.50(a).
11. Discontinue the use of life insurance application forms that do not comply with 50 Ill. Adm. Code 1405.30.
12. Re-open and pay interest at the rate of 9% annually on the following long term care claims that were not paid within thirty (30) days after receipt of due written proof of loss as required by 215 ILCS 5/357.9.

Claim #	Date of Claim	Date Claim Paid	Interest Owed
A258318	06/06/11	12/14/11	\$108.08
A271931	08/23/11	01/30/12	\$12.70

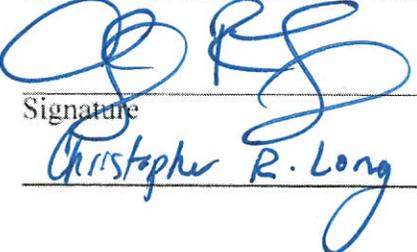
13. Submit to the Director proof of compliance with the above twelve (12) orders within thirty (30) days of the date on which this Stipulation and Consent Order is executed by the Director.
14. Pay to the Director a civil forfeiture of twenty thousand dollars (\$20,000) within thirty (30) days of the date on which this Stipulation and Consent Order is executed by the Director.

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:

RiverSource Life Insurance Company

Signature

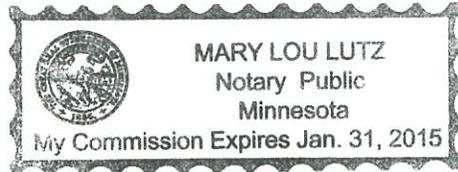
  
Christopher R. Long

Name

VP & Chief Counsel - Regulatory Affairs  
Title

Subscribed and sworn to before me this  
29 Day of May 2014.

Marylou Lutz  
Notary Public



DATE 6-10-14

DEPARTMENT OF INSURANCE of the  
State of Illinois;

[Signature]  
Andrew Boron  
Director