



Illinois Department of Insurance

BRUCE RAUNER
Governor

JAMES A. STEPHENS
Acting Director

April 28, 2015

Marita Zuraitis, President
Horace Mann Life Insurance Company
1 Horace Mann Plaza
Springfield, IL 62715

Re: Horace Mann Life Insurance Company
Market Conduct Examination Report Closing letter

Dear Ms. Zuraitis:

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,

Michael P. Rohan
Deputy Director
Consumer Education and Protection
Illinois Department of Insurance
122 S. Michigan Avenue, 19th Floor
Chicago, IL 60603
Phone: 312-814-8206
E-mail: Michael.Rohan@illinois.gov

**HORACE MANN LIFE INSURANCE COMPANY
EXAMINATION REPORT**

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: November 4, 2014 through January 23, 2015

EXAMINATION OF: Horace Mann Life Insurance Company
NAIC Number: 64513

LOCATION: 1 Horace Mann Plaza
Springfield, Illinois 62715

PERIOD COVERED EXAMINATION: Claims: July 1, 2013 through June 30, 2014
Complaints: July 1, 2011 thru June 30, 2014

EXAMINERS: Ron Cochran
Max R. Weaver
Examiner in Charge

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I. SUMMARY

A comprehensive market conduct examination of Horace Mann Life Insurance Company was performed to determine compliance with Illinois Statutes and Illinois Administrative Code.

The following represents general findings, however, specific details are found in each section of the report.

<u>TABLE OF TOTAL VIOLATIONS</u>						
Crit #	Statute/Rule	Description of violation & company response if disagreed	Population	Files Reviewed	Number of Violations	Error %
9	50 Ill. Adm. Code 919.50 (a)(1)	Failure to include "Notice of Availability with the letters denying benefits"	1	1	1	100

II. BACKGROUND

In 1975, Horace Mann Life Insurance Co. was taken over by INA Corp. The company then became part of CIGNA in 1982. Horace Mann's senior management led a buyout in 1989, and the company now is independent. In 1997, the company stopped writing new group medical policies. At the time, it accounted for close to seven percent of Horace Mann's total premiums written. Horace Mann Life Insurance Company countered by introducing new products for its agents, including five new term life products and three new variable annuity options. These products are solicited and sold through a captive agent sales force.

Horace Mann Educators maintains four subsidiaries: Allegiance Life Insurance Company, Horace Mann Life Insurance Company, Horace Mann Service Corporation, and Teachers Insurance Company. Horace Mann Life Insurance Company continues to offer disability insurance, life insurance, retirement annuities, and other financial products.

The company was incorporated on August 9, 1949, and licensed in Illinois to commence business September 19, 1949. The Company is licensed to do business in Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming, District of Columbia, U.S. Virgin Islands, Guam, Canada, Puerto Rico, American Samoa, and Northern Mariana Islands.

Total Direct Premiums Written in Illinois for Life and Annuities insurance were as follows:

Year	Total Written Premium In Illinois (Per Schedule T of the Annual Statement)	Current market share
2012	35,137,276	Less than 1%
2013	32,626,574	Less than 1%
*2014	17,256,603	.5%

*Written Premium as of (YTD) November 2014.

III. METHODOLOGY

The Market Conduct Examination places emphasis on evaluating an insurer's system and procedures used in dealing with insureds and claimants. Specifically, the examination focused on a review and analysis of the following areas:

1. Producer Licensing and Production Analysis
2. Policy Forms and Advertising Material Analysis
3. Claims Analysis
4. Policy Application Decline Analysis
5. External and Internal Policy Replacement Analysis
6. Consumer and Department Complaints

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 by the company, which resulted in failure to comply with Illinois statutes and/or administrative rules. Criticisms were prepared and communicated to the company addressing violations discovered in the review process. All valid violations 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 Analysis

Populations for the producer file reviews were determined by whether or not the producers were duly licensed in Illinois. New business listings were retrieved from company records selecting newly solicited insurance applications, which reflected Illinois addresses for the applicants.

Policy Forms and Advertising Material Analysis

A list of all plans, form letters, riders, and advertising materials used in Illinois during the examination period were requested. All were reviewed for compliance as to format, content, and terminology as required by Illinois law.

Claims Analysis

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 (Section 5/1 et seq.), the Managed Care Reform and Patient Rights Act (Section 134 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.

The period under review was July 1, 2013 through June 30, 2014.

Life and Annuity Application Decline Analysis

The Company was requested to provide all life and annuity application files relating to those applications that were declined during the survey period. Those files were reviewed to determine validity of the reason for denial.

Life and Annuity Policy Replacement Analysis

The Company was requested to provide a listing of life and annuity files for policies that were either internal or external replacements of existing policies. The replacements were reviewed to determine compliance with Section 215 ILCS 5/224(2) and to determine if the required replacement forms were properly executed and or sent.

Department and Consumer Complaints

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

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 June 1, 2011 through June 30, 2014.

IV. SELECTION OF SAMPLE

SURVEY	POPULATION	REVIEWED	% REVIEWED
PRODUCTION ANALYSIS			
Terminated Producers	30	30	100
Producers Licensing	57	57	100
Producer Production	312	312	100
NONFORFEITURE ANALYSIS			
Extended Term –Reduced Paid Up	23	23	100
Life Cash Surrender	117	117	100
Annuity Cash Surrender	336	336	100
CLAIMS ANALYSIS			
Paid Individual Life	143	120	84
Paid Group Life	29	29	100
Denied Group Life	1	1	100
Paid Annuity Death Settlements	79	79	100
Denied Annuity Death Settlement	4	4	100
Paid Group Accident & Health	47	47	100
POLICY FORMS – ADVERTISING			
Policy Forms	190	190	100
Advertising Material	55	55	100
Internet Site	1	1	100
DECLINED LIFE APPLICATION ANALYSIS			
Declined Life Applications	13	13	100
POLICY REPLACEMENT ANALYSIS			
External Annuity Policy Replacement	8	8	100
External Life Replacement	20	20	100
Internal Life Replacement	14	14	100
COMPLAINT ANALYSIS			
Consumer Complaints	18	18	100
Department Complaints	7	7	100

V. FINDINGS

A. Producer Licensing

1. Terminated Agent Review

A review of 30 (100%) of the terminated producers files found none were terminated for a cause that resulted in a criticism.

2. Producer Licensing

A review of 57 (100%) producers produced 57 appropriate licenses resulting in no criticisms.

3. Producer Production

A review of 312 (100%) producer applications found that all were processed correctly resulting in no criticisms.

B. Non-forfeiture Analysis

1. Extended Term/Reduced Paid Up

A review of 23 (100%) of the extended term reduced paid-up policy files resulted in no criticisms.

2. Life Cash Surrenders

A review of 117 (100%) of the cash surrendered policy files produced no criticisms.

The median for surrender was four (4) days.

3. Annuity Cash Surrender

The review of 366 (100%) of the cash surrendered annuity policy files produced no criticisms.

The median for surrender was one (1) day.

C. Claims Analysis

1. Paid Individual Life

A review of 120 (84%) of 143 paid individual life claim files produced no criticisms.

The median for payment was two (2) days.

2. Paid Group Life

A review of 29 (100%) of the paid group life claim files produced no criticisms.

The median for payment was two (2) days

3. Denied Group Life

A review of the one (1) denied group life claim file resulted in one (1) criticism. The criticism was made under 50 Ill. Adm. Code 919.50(a)(1) for failing to include "Notice of Availability" with letters denying benefits

The median for denial could not be determined.

4. Paid Annuity Death Settlements

A review of 79 (100%) of the paid annuity death settlement claim files resulted in no criticisms.

The median for payment was three (3) days.

5. Denied Annuity Death Settlements

A review of the four (4) denied annuity death settlement claim files resulted in no criticisms.

The median for denial was three (3) days.

6. Paid Group Accident and Health

A review of 47 (100%) of the paid group accident claim files resulted in no criticisms.

The median for payment was one (1) day.

D. Policy Forms and Advertising Materials

1. Policy Forms

A review of 190 (100%) of the policy forms used during the survey period produced no criticisms.

2. Advertising Material

A review of 55 (100%) advertising literature and brochures produced no criticisms.

3. The one (1) internet site was reviewed and resulted in no criticisms.

E. Declined Life Application Analysis

1. A review of 13 (100%) of the declined life application files produced no criticisms.

The median for declination was 26 days.

F. Policy Replacement Analysis

1. A review of eight (8) (100%) of the external annuity policy replacement files produced no criticisms.
2. A review of 20 (100%) of the external life replacements produced no criticisms.
3. A review of 14 (100%) of the internal life replacements produced no criticisms.

G. Complaint Analysis

1. Consumer Complaints

A review of 18 consumer complaint files produced no criticisms.

The median for response was seven (7) days.

2. Department Complaints

A review of the Company complaint log produced no criticisms.

A review of seven (7) Department complaint files produced no criticisms.

The median for response was 10 days.

VI. INTERRELATED FINDINGS

In 2010, the Company was the subject of a Market Conduct Examination by the Illinois Department of Insurance. The examination reviewed the Company's activities during the period February 1, 2009 through January 31, 2010 for Claims, and February 1, 2008 through July 19, 2010 for Complaints.

Based on the examiner's findings, the Director issued a Stipulation and Consent containing the following six (6) Orders.

1. Institute and maintain procedures whereby the Company provides all options available under the policy prior to enactment of a non-forfeiture option as required by 215 ILCS 5/234.1.

The Company has instituted procedures to provide all policy options available prior to enactment of a non-forfeiture option.

The Company substantially complied with this Order.

2. Institute and maintain procedures whereby the Company provides a Buyer's Guide to the applicant within three (3) working days as required by both 215 ILCS 5/224(2) and 50 Ill. Adm. Code 939.50.

The Company has instituted procedures whereby the applicant is given a Buyer's Guide within three (3) working days as required.

The Company complied with this Order.

3. Institute and maintain procedures whereby the Company provides the "Notice Regarding Proposed Replacement of Life Insurance or Annuity" to the existing insuring company within three (3) days as required by 50 Ill. Adm. Code 917.70(c).

The Company has instituted procedures whereby they provide the previous insurer the Notice within three (3) days.

The Company complied with this Order.

4. Institute and maintain procedures whereby the Company ensures compliant policy language is used as required by 50 Ill. Adm. Code 2602.

The Company has instituted procedures whereby the Company ensures compliant policy language is used as required.

The Company has complied with this Order.

5. Submit to the Director of Insurance, proof of compliance with the above four (4) orders within 30 days of the execution of these Orders.

The Company submitted procedures instituted for compliance with the four (4) Orders as instructed.

6. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$6,000 to be paid within thirty (30) days of receipt of these Orders.

The Company paid the Civil Forfeiture.

VII. TECHNICAL APPENDICES

No technical appendices were created.

STATE OF ILLINOIS)
) SS
COUNTY OF SANGAMON)

Max Weaver, 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 Horace Mann Life Insurance Company., (the "Company"), NAIC #64513;

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;

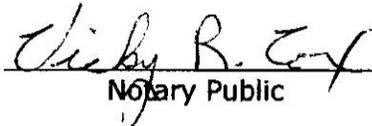
That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

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.


Examiner-In-Charge

Subscribed and sworn to before me
this 5 day of February, 2015.


Notary Public



STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF:

HORACE MANN LIFE INSURANCE COMPANY
1 HORACE MANN PLAZA
SPRINGFIELD, IL 62715

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, Horace Mann Life Insurance Company ("Company"), NAIC #64513, is authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by a duly qualified examiner of the Department pursuant to Sections 132, 401, 401.5, 402, 403, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/401.5, 5/402, 5/403, and 5/425); and

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report which is an official document of the Department; and

WHEREAS, the Market Conduct Examination Report cited one area 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; and

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, and 407, 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. The Market Conduct Examination indicated one area in which the Company was not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and
2. 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 Department Regulations.

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

1. Institute and maintain policies and procedures to provide an accurate and complete Notice of Availability of the Department of Insurance on all Denied Group Life denial letters as required by 50 Ill. Adm. Code 919.50(a)(1) and as defined in 50 Ill. Adm. Code 919.40.
2. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above Order within 30 days of receipt of this Order.
3. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$500 to be paid within 30 days of execution of this Order.

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.

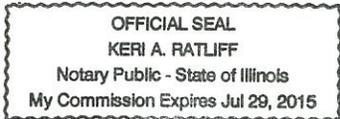
On behalf of HORACE MANN LIFE ISNURANCE COMPANY

Ann Caparros
Ann M. Caparros
Corporate Secretary and General Counsel

Subscribed and sworn to before me this

1st day of April, 2015

Keri A. Ratliff
Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois:

Date 4-6-2015

James Stephens
Director