



Illinois Department of Insurance

BRUCE RAUNER
Governor

ANNE MELISSA DOWLING
Acting Director

September 22, 2015

Gary T. Huffman, President
Ohio National Insurance Companies
One Financial Way
Cincinnati, OH 45242

Re: The Ohio National Life Insurance Company, NAIC #67172
Ohio National Life Assurance Corporation, NAIC #89206
Market Conduct Examination Closing Letter

Dear Mr. Huffman:

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 Ave., 19th floor
Chicago, IL 60603
Phone: (312) 814-8206
Email: Michael.Rohan@Illinois.gov

Cc: Elizabeth F. Martini, Esq.
Vice President & Counsel
Ohio National Insurance Companies
One Financial Way
Cincinnati, OH 45242

Enclosures

**OHIO NATIONAL LIFE ASSURANCE CORPORATION
OHIO NATIONAL LIFE INSURANCE COMPANY**

FINAL REPORT

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: May 19, 2014 through August 28, 2014

EXAMINATION OF: Ohio National Life Insurance Company
NAIC Number: 67172
Ohio National Life Assurance Corporation
NAIC Number: 89206

LOCATION: One Financial Way
Montgomery, Ohio 46242

PERIOD COVERED
BY EXAMINATION: January 1, 2013 through December 31, 2013
COMPLAINTS: January 1, 2011 through December 31, 2013

EXAMINERS: Charles Pickett, CIE, FLMI, CLU, ChFC, MCM
Timothy Nutt, CIE, MCM
William Sullivan, J.D., LL.M., MCM, PAHM
Victor Negron, CIE, MCM, FLMI, IR
Stephen R. Zellich, EIC, CIE, FLMI
Examiner-in-Charge

INDEX

I.	SUMMARY	1
II.	BACKGROUND	2
III.	METHODOLOGY	3
IV.	FINDINGS	4
	A. Operations/Management	4
	B. Complaint Handling	4
	C. Marketing and Sales	4
	D. Producer Licensing	4
	E. Policyholder Services	5
	F. Underwriting and Rating	5
	G. Claims	5
V.	TECHNICAL APPENDICES.....	5

I. SUMMARY

A comprehensive market conduct examination of Ohio National Life Insurance Company (ONLIC) and Ohio National Life Assurance Corporation (ONLAC) also known collectively as "the Companies", was performed to determine compliance with Illinois Statutes and Illinois Administrative Code.

The following represent general findings, however, specific details are found in each section of the report. These findings are for ONLIC only.

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/Rule	Description of violation & company response if disagreed	Population	Files Reviewed	Number of Violations	Error %
1	215 ILCS 5/224 (2)	Failure to maintain proof of sending a replacement notification to the existing insurer within three (3) days after the date the replacement policy is issued.	284	90	1	1%

II. BACKGROUND

Ohio National Life Insurance Company was incorporated on September 9, 1909 and commenced business on October 10, 1910 in Cincinnati, Ohio. The Company received its license to conduct business in Illinois on August 18, 1925.

The Company currently offers Individual Life, Annuity, and Disability Income products. The Company markets through General Agencies, Producing General Agents, Brokerage Associates, and Banks.

Ohio National Life Assurance Corporation was incorporated on June 26, 1979 and commenced business on August 22, 1979 in Montgomery, Ohio. The Company received its license to conduct business in Illinois on November 27, 1979.

The Company currently offers Individual Life and Disability Income products. The Company markets through General Agencies, Producing General Agents, Brokerage Associates, and Banks.

Total Direct Premiums Written in Illinois for Life, Annuity, and Disability Income insurance for ONLIC was as follows:

Year	Total Written Premium In Illinois (Per Schedule T of the Annual Statement)	Current IL market share
2013	142,357,139	.39%

Total Direct Premiums Written in Illinois for Life, Annuity, and Disability Income insurance for ONLAC was as follows:

Year	Total Written Premium In Illinois (Per Schedule T of the Annual Statement)	Current IL market share
2013	23,161,398	.06%

III. METHODOLOGY

The Market Conduct Examination covered the business for the period of January 1, 2013 through December 31, 2013. Specifically, the examination focused on a review of the following areas:

1. Operations/Management
2. Complaints
3. Marketing and Sales
4. Producer Licensing
5. Policyholder Services
6. Underwriting and Rating
7. Claims

The review of the categories was accomplished through examination of authorization forms, complaint files, advertising materials, appointed and terminated producer files, new business application files, and claim 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 ONLIC which resulted in failure to comply with Illinois Statutes and/or Administrative Rules. A criticism was prepared and communicated to ONLIC addressing violations discovered in the review process. The violation was cited in the report.

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

Operation/Management

- 1a. Reviewed disaster recovery plan
- 1b. Reviewed privacy forms and Company procedures

Complaint Handling

- 2a. Reviewed complaints received by the Illinois Department of Insurance
- 2b. Reviewed complaints received by both companies

Both companies were requested to provide all files relating to complaints received via the Department of Insurance and those received directly from the policyholder. Both companies were also requested to provide files of all policyholder complaints and external independent reviews handled during the survey period.

Marketing and Sales

3. Reviewed advertising materials utilized during the examination period

Producer Licensing

- 4a. Reviewed active producers licensed during the examination period
- 4b. Reviewed producer terminations

Policyholder Services

- 5a. Sampled cash surrenders.
- 5b. Sampled extended term insurance/reduced paid up
- 5c. Sampled replacements
- 5d. Sampled Waivers of Premiums

Underwriting and Rating

- 6a. Sampled new business issued during the examination period
- 6b. Sampled denied life applications during the examination period

Claims

- 7a. Sampled paid/denied claims made during the examination period

All claims were reviewed for compliance with policy contracts and applicable Sections of the Illinois Insurance Code (Section 5/1 Article I through XLV) and the Illinois Administrative Code.

IV. FINDINGS

A. Operations/Management

- 1a. A review of the Company's disaster recovery plan produced no criticisms.
- 1b. A review of 4 privacy forms and Company procedures produced no criticisms.

B. Complaint Handling

- 2a. A review of five (5) complaints received by the Illinois Department of Insurance produced no criticisms.
- 2b. A review of two (2) directly received complaints produced no criticisms.

C. Marketing and Sales

- 3. A review of 84 pieces of advertising materials produced no criticisms.

D. Producer Licensing

- 4a. A review of 162 agents to determine if the agents were duly licensed produced no criticisms.
- 4b. A review of 487 terminated producers produced no criticisms.

E. Policyholder Services

- 5a. Cash Surrenders - A review of 88 files produced no criticisms.
- 5b. Extended Term Insurance/Reduced Paid Up - A review of 14 requests produced no criticisms.
- 5c. Replacements – A review of 90 replacements produced one (1) criticism. The Company process, procedures and applications for replacement life and annuity policies was reviewed and one (1) replacement policy (1%) was determined to be in violation of 215 ILCS 5/224(2). The Company failed to maintain proof of sending a replacement notification to the existing insurer within three (3) working days after the date the replacement policy was issued. The Company agreed with the finding.
- 5d. Waiver of Premium – A review of two (2) Waiver of Premium requests produced no criticism.

F. Underwriting and Rating

- 6a. New Business Issued - A review of 243 policies issued produced no criticisms.
- 6b. Declined Applications - A review of 72 declined applications produced no criticisms.

G. Claims

- 7a. Paid/Denied Claims
A review of 198 claims produced no criticisms.

V. TECHNICAL APPENDICES

No Technical Appendices were created.

STATE OF IOWA)
) ss
COUNTY OF LINN)

Stephen R. Zellich, 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 Ohio National Life Insurance Company, NAIC #:67172 and Ohio National Life Assurance Corporation, NAIC #:89206 (the "Companies");

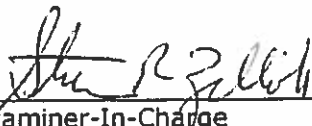
That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Companies with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Companies' business and affairs and the manner in which the Companies 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 Companies nor any of the Companies' 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 Companies 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 Companies 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.



Examiner-In-Charge

Subscribed and sworn to before me
this 4th day of December, 2014.



Notary Public



STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF:

OHIO NATIONAL LIFE INSURANCE COMPANY
ONE FINANCIAL WAY
MONTGOMERY, OH 46242

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, Ohio National Life Insurance Company ("Company"), NAIC #67172, 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 maintain proof of sending a replacement notification to an existing insurer within three (3) working days of replacement policy issuance as required by 215 ILCS 5/224(2).
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.

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 OHIO NATIONAL LIFE INSURANCE COMPANY

[Handwritten Signature]
Signature

Elizabeth F. Martini
Name

VP & Counsel
Title

Subscribed and sworn to before me this

18th day of September 2015.

[Handwritten Signature]
Notary Public



Monica R. Humbert
Notary Public, State of Ohio
My Commission Expires 07-28-2017

DATE 9/21/15

DEPARTMENT OF INSURANCE of the
State of Illinois:

[Handwritten Signature]
Anne Melissa Dowling
Acting Director