



Illinois Department of Insurance

Bruce Rauner
Governor

Anne Melissa Dowling
Acting Director

September 13, 2016

John F. Barrett, President
Western Southern Life Assurance Company
400 Broadway
Cincinnati, OH 45202

Re: Western Southern Life Assurance Company, NAIC 92622
Market Conduct Examination Report Closing Letter

Dear Mr. Barrett:

Enclosed is your copy of the executed Stipulation and Consent Order. The Department is in receipt of your Company's payment of the \$6,500.00 civil forfeiture. Your Company's proof of compliance has been reviewed and the Department 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. At the Department's discretion, specific content of the report may be subject to redaction for private, personal, or trade secret information prior to making the report public. However, any redacted information will be made available to other regulators upon request.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Jack Engle".

Jack Engle, MCM
Assistant Deputy Director-Market Conduct and Analysis
Illinois Department of Insurance
320 West Washington- 5th Floor
Springfield, IL 62767
217-558-1058
E-mail: Jack.Engle@Illinois.gov

WESTERN SOUTHERN LIFE ASSURANCE COMPANY

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: December 14, 2015 through March 11, 2016

EXAMINATION OF: Western Southern Life Assurance Company
NAIC Number: 92622

LOCATION: 400 Broadway
Cincinnati, OH 45202

PERIOD COVERED
BY EXAMINATION: October 1, 2014 through September 30, 2015 - Claims
April 1, 2014 through September 30, 2015 - Appeals and
Complaints

EXAMINERS: Tiffany Jones
Chris Heisler, Examiner-in-Charge

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I. SUMMARY

A comprehensive market conduct examination of Western Southern Life Assurance Company (“WSLAC”) was performed to determine compliance with Illinois statutes and the Illinois Administrative Code.

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

<u>TABLE OF TOTAL VIOLATIONS</u>						
Crit #	Statute/Rule	Description of Violation	Population	Files Reviewed	Number of Violations	Error %
#9 Paid Individual Life	50 Ill. Adm. Code 919.70(a)(2)	The Company failed to provide the insured’s beneficiary with a reasonable explanation for delay beyond 45 days.	192	76	10	13.2%
#14 Replacements Life	50 Ill. Adm. Code 917.70(c)	The Company failed to provide a Buyer’s Guide to the applicant.	16	16	16	100.0%
#15 Replacements Life	50 Ill. Adm. Code 917.70(c)	The Company failed to provide notice of proposed replacement within 3 working days to the existing insurer.	16	16	9	56.3%

II. BACKGROUND

Western Southern Life Assurance Company (the “Company”) was incorporated on December 1, 1980, and is a wholly-owned subsidiary of The Western & Southern Life Insurance Company. The Western and Southern Life Insurance Company (Western & Southern) was incorporated in Ohio on February 23, 1888, to provide life insurance to low and middle-income families.

In 2000, Western & Southern Financial Group, Inc. was formed as a mutual holding company to serve as the umbrella under which Western & Southern and its insurance affiliates could operate. As of December 31, 2014, assets owned and managed by Western & Southern Financial Group exceeded \$70 billion.

The Company is domiciled in the state of Ohio and currently licensed in 46 states and the District of Columbia. The Company sells a broad array of risk protection and accumulation products, primarily universal life, term life and fixed annuity products through career agents and its wholly-owned subsidiary IFS Financial Services Inc. (IFS). IFS distributes fixed annuities and universal life insurance through financial institutions and makes a variety of products available to bank customers, including guaranteed and non-guaranteed fixed annuity products with a range of bonus options.

Total Direct Premiums Written in Illinois for Life Insurance and Annuities are as follows:

Year	Total Written Premium In Illinois	Individual Life Insurance	Current Market Share	Individual Annuities	Current Market Share
2012	\$68,203,739	\$13,461,035	0.271%	\$54,742,704	0.732%
2013	\$71,728,590	\$12,706,483	0.252%	\$59,022,107	0.79%
2014	\$54,137,687	\$13,117,733	0.259%	\$41,019,954	0.534%

III. METHODOLOGY

The Market Conduct Examination covered the business written for the period of October 1, 2014 through September 30, 2015. Appeals and Complaints covered the period of April 1, 2014 through September 30, 2015. Specifically, the examination focused on a review of the following areas:

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

The review of these categories was accomplished through examination of appointed and terminated producer files, application files, cash surrendered policy files, extended term and reduced paid-up policy files, claim files, Insurance Department and consumer complaint files, policy forms and advertising material. Each of these categories is 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 found 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

Claim surveys were selected using the following criteria:

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 policy provisions.

All claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Illinois Administrative Code (50 Ill. Adm. Code 101 *et seq.*).

All median payment periods were measured from the date necessary proofs of loss were received to the date of payment or denial to the insured or the beneficiary.

The examination period for the claims review was October 1, 2014 through September 30, 2015.

Life and Annuity Application and Decline Analysis

The Company provided a listing of all life and annuity application files relating to those applications that were declined during the survey period. The files were reviewed to determine validity of the reason for denial.

Life and Annuity Policy Replacement Analysis

The Company provided 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 215 ILCS 5/224(2) and to determine if the required replacement forms were properly executed and/or sent.

Consumer and Insurance Department Complaints

The Company provided all files relating to complaints which had been received via the Department of Insurance 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 of the complaint to the date of response by the Company. The period of review was April 1, 2014 through September 30, 2015.

IV. FINDINGS

A. Claims Analysis

1. Paid Individual Life

The median for payment was seven (7) days.

Field Size	192
Sample Size	76
Files in Error	10
Error Rate	13.2%

FINDING: Criticism #9. In ten instances, the Company failed to notify the insured's beneficiary with a reasonable written explanation for delay beyond 45 days in violation of 50 Ill. Adm. Code 919.70(a)(2).

2. Denied Individual Life

The median for denial was 117 days.

Field Size	5
Sample Size	5
Files in Error	0

FINDING: No violations were found in this review.

3. Paid Individual Life Waiver of Premium

The median was six (6) days.

Field Size	6
Sample Size	6
Files in Error	0

FINDING: No violations were found in this review.

4. Denied Individual Life Waiver of Premium

The median was one (1) day.

Field Size	3
Sample Size	3
Files in Error	0

FINDING: No violations were found in this review.

5. Annuity Death Settlements
The median was 14 days.

Field Size	560
Sample Size	109
Files in Error	0

FINDING: No violations were found in this review.

B. Policyholder Services

1. Extended Term / Reduced Paid-Up Non-Forfeiture

Field Size	20
Sample Size	20
Files in Error	0

FINDING: No violations were found in this review.

2. Replacements - Life

Field Size	16
Sample Size	16
Files in Error	16
Error Rate	100.0%

FINDING: Criticism #14. In 16 instances, the Company failed to provide a Buyer's Guide to the applicant in violation of 50 Ill. Adm. Code 917.70(c).

Field Size	16
Sample Size	16
Files in Error	9
Error Rate	56.3%

FINDING: Criticism #15. In nine (9) instances, the Company failed to provide a notice of proposed replacement to the existing insurer within three (3) working days after receipt of the application for life insurance in violation of 50 Ill. Adm. Code 917.70(c).

3. Replacements - Annuity

Field Size	8
Sample Size	8
Files in Error	0

FINDING: No violations were found in this review.

4. Individual Life Cash Surrender

Field Size	311
Sample Size	82
Files in Error	0

FINDING: No violations were found in this review.

5. Annuity Cash Surrender

Field Size	825
Sample Size	105
Files in Error	0

FINDING: No violations were found in this review.

6. Individual Life Applications - New Business

Field Size	1,055
Sample Size	105
Files in Error	0

FINDING: No violations were found in this review.

7. Individual Life Applications - Declined

Field Size	128
Sample Size	64
Files in Error	0

FINDING: No violations were found in this review.

8. Annuity Applications - New Business

Field Size	543
Sample Size	83
Files in Error	0

FINDING: No violations were found in this review.

9. Annuity Applications - Declined

Field Size	1
Sample Size	1
Files in Error	0

FINDING: No violations were found in this review.

C. Producer Licensing

Field Size	926
Sample Size	926
Files in Error	0

FINDING: No violations were found in this review.

D. Consumer Complaints

Field Size	9
Sample Size	9
Files in Error	0

FINDING: No violations were found in this review.

E. Department of Insurance Complaints

Field Size	20
Sample Size	20
Files in Error	0

FINDING: No violations were found in this review.

F. Policy Forms and Advertising

1. Policy Forms

Field Size	89
Sample Size	89
Files in Error	0

FINDING: No violations were found in this review.

2. Advertising

Field Size	1,071
Sample Size	1,071
Files in Error	0

FINDING: No violations were found in this review.

STATE OF ILLINOIS)
) ss
COUNTY OF Sangamon)

Christopher J. Heisler, 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 Western National Life Assurance Company (the "Company"), NAIC #92622.

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.

Christopher J. Heisler
Examiner-In-Charge

Subscribed and sworn to before me
this 25th day of March, 2016.

Marina Chestnut
Notary Public



STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

WESTERN SOUTHERN LIFE ASSURANCE COMPANY
400 BROADWAY
CINCINNATI, OH 45202

STIPULATION AND CONSENT ORDER

WHEREAS, the Acting Director ("Acting 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, Western Southern Life Assurance Company ("Company"), NAIC 92622, is authorized under the insurance laws of this State and by the Acting 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, 402, 403, 407, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403, 5/407, 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 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; 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, 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 Acting 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 Acting Director as follows:

1. The Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and
2. The Acting 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 Acting Director that the Company shall:

1. Institute and maintain procedures whereby the Company shall notify the insured's beneficiary with a reasonable written explanation for delay when a claim remains unresolved for more than 45 days from the date reported as required by 50 Ill. Adm. Code 919.70(a)(2).
2. Institute and maintain procedures whereby the Company shall provide a Buyer's Guide to the applicant and give notice to the existing insurer within three working days after receipt of the application as required by 50 Ill. Adm. Code 917.70(c).
3. Submit to the Acting Director of Insurance, State of Illinois, proof of compliance with the above two (2) orders within 30 days of execution of this Order.
4. Pay to the Acting Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$6,500 to be paid within 30 days of execution of this Order.

NOTHING contained herein shall prohibit the Acting 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 WESTERN SOUTHERN LIFE ASSURANCE COMPANY

Shelly Rice
Signature

Shelly Rice
Name

AVP, Insurance Compliance
Title

Subscribed and sworn to before me this
25th day of August 2016.

Angela M. Baker-Colyer
Notary Public



Angela M. Baker-Colyer
Notary Public, State of Ohio
My Commission Expires 06-17-2017

DATE 9/7/16

DEPARTMENT OF INSURANCE of the
State of Illinois:

Anne Melissa Dowling
Anne Melissa Dowling
Acting Director

