



Illinois Department of Insurance

Bruce Rauner
Governor

Anne Melissa Dowling
Acting Director

January 4, 2017

Mr. Philip K. Polkinghorn
President
Americo Financial Life & Annuity Insurance Company
301 W. 11th Street
Kansas City, MO 64105

Re: Americo Financial Life & Annuity Insurance Company, NAIC 61999
Market Conduct Examination Report Closing Letter

Dear Mr. Polkinghorn:

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 and Stipulation and Consent Order 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 cursive script 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

AMERICO FINANCIAL LIFE & ANNUITY INSURANCE COMPANY

EXAMINATION REPORT

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: December 14, 2015 through June 3, 2016

EXAMINATION OF: Americo Financial Life & Annuity Insurance Company
NAIC Number: 61999

LOCATION: 301 W. 11th Street
Kansas City, MO 64105

PERIOD COVERED
BY EXAMINATION: January 1, 2015 through December 31, 2015 – Claims
October 1, 2014 through December 31, 2015 – Appeals and
Complaints

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

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I. SUMMARY

A comprehensive market conduct examination of Americo Financial Life & Annuity Insurance Company (“Americo”) was performed to determine compliance with Illinois statutes (“ILCS”) and the Illinois Administrative Code (“IAC”).

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

TABLE OF TOTAL VIOLATIONS						
Crit #	Statute/Rule	Description of Violation	Population	Files Reviewed	Number of Violations	Error %
#6,7,8 & 18	215 ILCS 5/224(1)(l)	Paid Individual Life Claims - The Company failed to pay interest due to beneficiary because of delayed payment of claim.	148	78	4	5.1%
#4	50 Ill. Adm. Code 919.70(a)(2)	Paid Individual Life Claims - The Company failed to provide a notice for delay beyond 45 days to the insured’s beneficiary.	148	78	10	12.8%
#10	50 Ill. Adm. Code 919.70(a)(2)	Paid Individual Life Claims - The Company failed to provide a reasonable explanation on the notice for delay beyond 45 days.	148	78	10	12.8%
#9	215 ILCS 5/154.6(i) & 50 Ill. Adm. Code 919.50(a)	Denied Individual Life Claims - The Company failed to affirm or deny coverage of claims within a reasonable time after receiving proof of loss.	6	6	4	66.7%
#13	215 ILCS 5/234.1	Non-Forfeiture option - The Company failed to provide a detailed explanation of all options available to the policy owner in the “Notice of Enactment of a Non-Forfeiture Option”.	7	7	7	100.0%
#15	50 Ill. Adm. Code 917.70(c)	Life Replacements - The Company failed to send the Notice Regarding Proposed Replacement to existing insurer within 3 working days after receipt of application.	48	48	7	14.6%
#16	50 Ill. Adm. Code 917.70(b)	Life Replacements - The Company failed to require producers to present Notice Regarding Replacement on the same date as application.	48	48	1	2.1%

II. BACKGROUND

Americo Financial Life & Annuity Insurance Company (the “Company”) was incorporated on July 1, 1946, and commenced business on July 25, 1946. At the time of commencement the Company was known as The College Life Insurance Company of America. The Company was originally incorporated in the state of Indiana. The Company was re-domesticated to the state of Texas in 1995. The current name was adopted in 2001.

The Americo group of companies acquired the Company on March 29, 1988. The Company is a stock company and is licensed in 48 states and the District of Columbia, Puerto Rico, the Cayman Islands and the U.S. Virgin Islands. The Company markets its products through independent agents and independent marketing organizations. Products offered include traditional whole life, universal life, interest sensitive whole life, individual term, annuities and medicare supplement.

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	Group Life Insurance	Current Market Share
2012	\$10,995,543	\$5,578,196	0.112%	\$1,273,735	0.112%
2013	\$6,733,757	\$4,628,814	0.092%	\$1,378,787	0.087%
2014	\$15,198,587	\$4,891,851	0.096%	\$1,525,938	0.089%

Year	Individual Annuity	Current Market Share
2012	\$4,143,612	0.055%
2013	\$726,156	0.010%
2014	\$8,780,798	0.114%

III. METHODOLOGY

The market conduct examination covered the business written for the period of January 1, 2015 through December 31, 2015. Appeals and Complaints covered the period of October 1, 2014 through December 31, 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. Policy Application and Decline Analysis
5. External and Internal 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 Title 50 of the Illinois Administrative Code.

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 January 1, 2015 through December 31, 2015.

Policy 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.

External and Internal 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 October 1, 2014 through December 31, 2015.

IV. FINDINGS

A. Claims Analysis

1. Paid Individual Life

The median for payment was nine (9) days.

A review of 78 paid individual life claims produced six (6) criticisms.

Field Size	148
Sample Size	78
Files in Error	4
Error Rate	5.1%

FINDING: Criticism #6, #7, #8 and #18. In four (4) instances, the Company failed to pay interest in the amount of \$6,384.65 to the beneficiaries because of delayed payment of claim in violation of 215 ILCS 5/224(1)(1). The Company agreed with Criticism #6 and #7 and paid \$186.34 of interest during the exam. The Company disagreed with Criticism #8 and #18 which leaves \$6,198.32 due and unpaid to the beneficiaries.

Field Size	148
Sample Size	78
Files in Error	10
Error Rate	12.8%

FINDING: Criticism #4. In ten (10) instances, the Company failed to provide a notice to the insured's beneficiary with a reasonable written explanation for the delay beyond 45 days in violation of 50 Ill. Adm. Code 919.70(a)(2).

Field Size	148
Sample Size	78
Files in Error	10
Error Rate	12.8%

FINDING: Criticism #10. In ten (10) instances, the Company failed to provide a reasonable written explanation for the delay on the notice for the delay beyond 45 days in violation of 50 Ill. Adm. Code 919.70(a)(2). The Company provided the beneficiary with a written document which contained the "Notice of Availability of the Department of Insurance" but it did not contain a reasonable written explanation for the delay.

2. Denied Individual Life

The median for denial was 15 days.

Field Size	6
Sample Size	6
Files in Error	4
Error Rate	66.7%

FINDING: Criticism #9. In four (4) instances, the Company failed to affirm or deny coverage of claims within a reasonable time after receiving proof of loss in violation of 215 ILCS 5/154.6(i) and 50 Ill. Adm. Code 919.50(a).

3. Paid Group Life

The median was 21 days.

Field Size	6
Sample Size	6
Files in Error	0

FINDING: No violations were found in this review.

4. Paid Individual Life Waiver of Premium

The median was 31 days.

Field Size	2
Sample Size	2
Files in Error	0

FINDING: No violations were found in this review.

5. Annuity Death Settlements

The median was 17 days.

Field Size	14
Sample Size	14
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	7
Sample Size	7
Files in Error	7
Error Rate	100.0%

FINDING: Criticism #13. In seven (7) instances, the Company failed to provide a detailed explanation of all options available to the policy owner in the “Notice of Enactment of a Non-Forfeiture Option” in violation of 215 ILCS 5/234.1.

2. Replacements - Life

Field Size	48
Sample Size	48
Files in Error	7
Error Rate	14.6%

FINDING: Criticism #15. In seven (7) instances, the Company failed to send the Notice Regarding Proposed Replacement to existing insurer within three working days after receipt of the application in violation of 50 Ill. Adm. Code 917.70(c).

Field Size	48
Sample Size	48
Files in Error	1
Error Rate	2.1%

FINDING: Criticism #16. In one (1) instance, a producer's failure to present the Notice Regarding Replacement on the same date as the application was taken revealed the Company's failure to require producers to present the Notice Regarding Replacement on the same day as the producer takes the application in violation of 50 Ill. Adm. Code 917.70(b).

3. Replacements - Annuity

Field Size	60
Sample Size	60
Files in Error	0

FINDING: No violations were found in this review.

4. Individual Life Cash Surrender

Field Size	260
Sample Size	72
Files in Error	0

FINDING: No violations were found in this review.

5. Annuity Cash Surrender

Field Size	35
Sample Size	35
Files in Error	0

FINDING: No violations were found in this review.

6. Individual Life Applications - New Business

Field Size	1,031
Sample Size	105
Files in Error	0

FINDING: No violations were found in this review.

7. Individual Life Applications – Declined

Field Size	91
Sample Size	46
Files in Error	0

FINDING: No violations were found in this review.

8. Annuity Applications - New Business

Field Size	113
Sample Size	55
Files in Error	0

FINDING: No violations were found in this review.

9. Annuity Applications - Declined

Field Size	5
Sample Size	5
Files in Error	0

FINDING: No violations were found in this review.

C. Producer Licensing

Field Size	1,601
Sample Size	1,601
Files in Error	0

FINDING: No violations were found in this review.

D. Consumer Complaints

Field Size	21
Sample Size	21
Files in Error	0

FINDING: No violations were found in this review.

E. Department of Insurance Complaints

Field Size	0
Sample Size	0
Files in Error	0

FINDING: No violations were found in this review.

F. Policy Forms and Advertising

1. Policy Forms

Field Size	95
Sample Size	95
Files in Error	0

FINDING: No violations were found in this review.

2. Advertising

Field Size	331
Sample Size	331
Files in Error	0

FINDING: No violations were found in this review.

V. INTERRELATED FINDING

The Company used a Third Party Administrator, Concentrix, to administer a block of business. Concentrix paid 9% interest on two (2) claims that were paid on the 27th day after the proof of death was received by the Company. Concentrix was following statutory language that existed prior to August 23, 2011, which required the insurance company to pay 9% interest after 15 days from the date that the proof of death was received by the Company. However, Public Act 097-0527, which became effective on August 23, 2011, (215 ILCS 5/224(1)(I)) states that 10% interest is payable 31 days from the date that the proof of death is received by the Company. The Company did not owe any statutory interest as the claims were paid before 31 days had elapsed from the date the proof of death was received. It should be noted that at the time of the exam the Company was transitioning from Concentrix to a different third-party administrator.

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 Americo Financial Life & Annuity Company (the "Company"), NAIC #61999.

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;

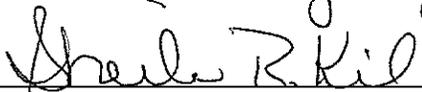
That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

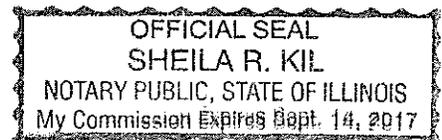
That she/he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

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 13th day of July, 2016.


Notary Public



STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

AMERICO FINANCIAL LIFE AND ANNUITY INSURANCE COMPANY
301 W. 11TH STREET
KANSAS CITY, MO 64105

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, Americo Financial Life & Annuity Insurance Company ("the Company"), NAIC 61999, 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, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 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 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 policies and procedures whereby the Company shall affirm or deny liability on claims within a reasonable time after proof of loss statements have been completed and shall offer payment within 30 days after affirmation of liability as required by 215 ILCS 5/154.6(i) and 50 Ill. Adm. Code 919.50(a).
2. Institute and maintain policies and procedures whereby the Company shall provide the insured or beneficiary, when applicable, a reasonable written explanation for delay, accompanied by a Notice of Availability of the Department of Insurance, when a claim remains unresolved for 45 days from the date it is reported as required by 50 Ill. Adm. Code 919.70(a)(2).
3. Institute and maintain policies and procedures whereby the Company shall provide policy owners with a Notice of Non-Forfeiture Option prior to enactment of the non-forfeiture option as required by 215 ILCS 5/234.1.
4. Institute and maintain policies and procedures whereby the Company shall provide the Notice Regarding Proposed Replacement of Life Insurance or Annuity to the existing insurer within three working days after receipt of the application as required by 50 Ill. Adm. Code 917.70(c).
5. Submit to the Acting Director of Insurance, State of Illinois, proof of compliance with the above four (4) orders within 30 days of execution of this Order.
6. Pay to the Acting Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$11,500 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.

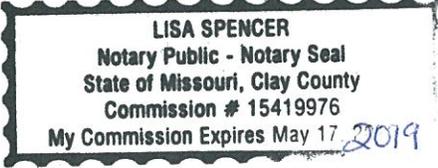
On behalf of **AMERICO FINANCIAL LIFE AND ANNUITY INSURANCE COMPANY**

Philip K Polkinghorn
Signature

Philip Polkinghorn
Name

President
Title

Subscribed and sworn to before me this
2nd day of December 2016.



Lisa Spencer
Notary Public

DATE 12/5/16

DEPARTMENT OF INSURANCE of the
State of Illinois:

Anne Melissa Dowling
Acting Director

