

STATE OF ILLINOIS



Department of Financial and Professional Regulation Division of Insurance

IN THE MATTER OF
THE EXAMINATION OF:

GUARANTEE TRUST LIFE INSURANCE COMPANY
1275 MILWAUKEE AVENUE
GLENVIEW, ILLINOIS 60025

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 5/131.21, 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425) do hereby appoint David Bradbury will be the Examiner-In-Charge as the proper person to examine the insurance business and affairs of Guarantee Trust Life Insurance Company of Glenview, Illinois, and to make a full and true report to me of the examination made by them of Guarantee Trust Life Insurance Company with a full statement of the condition and operation of the business and affairs of Guarantee Trust Life Insurance Company with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of Guarantee Trust Life Insurance Company.

IN TESTIMONY WHEREOF,

I hereto set my hand and cause to be affixed the Seal of my office.
Done at the City of Springfield, this 19th day of Aug. 1979.

Michael T. McRaith

Michael T. McRaith

Director



STATE OF ILLINOIS)
) ss
COUNTY OF COOK)

David Bradbury, being first duly sworn upon his oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois as Examiner-in-Charge to examine the insurance business and affairs of:

Guarantee Trust Life Insurance Company, NAIC #64211

That as Examiner-in-Charge, he 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.

That neither he nor any other persons designated as examiners 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 policyholders, and that neither he nor any other persons designated as examiners 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 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;

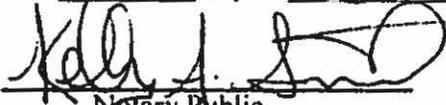
That the report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the company.



David Bradbury
Examiner-in-Charge

Subscribed and sworn to before me

This 20th day of December, 2012



Notary Public



This Market Conduct Examination was conducted pursuant to Sections 5/132, 5/401, 5/402, 5/403, and 5/425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403 and 5/425). It was conducted in accordance with standard procedures of the Market Conduct Examination Section by duly qualified examiners of the Illinois Department of Insurance.

This report is divided into five parts. They are as follows: Summary, Background, Methodology, Findings and Technical Appendices. All files reviewed were reviewed on the basis of the files' contents at the time of the examination. Unless otherwise noted, all overcharges (underwriting) and/or underpayments (claims) were reimbursed during the course of the examination.

No company, corporation, or individual shall use this report or any statement, excerpt, portion, or section thereof for any advertising, marketing or solicitation purpose. Any company, corporation or individual action contrary to the above shall be deemed a violation of Section 149 of the Illinois Insurance Code (215 ILCS 5/149).

The Examiner-in-Charge was responsible for the conduct of this examination. The Examiner-in-Charge did approve of each criticism contained herein and has sworn to the accuracy of this report.

**Helen Kim
Staff Attorney**

Guarantee Trust Life Insurance Company

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: May 26, 2009 through May 29, 2009

EXAMINATION OF: Guarantee Trust Life Insurance Company
NAIC #64211

LOCATION: 1275 Milwaukee Avenue
Glenview, Illinois 60025

**PERIOD COVERED
BY EXAMINATION:** April 1, 2008 through March 31, 2009 Claims

EXAMINERS: Pat Hahn
Mike Hager
David Bradbury, Examiner-in-Charge

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I. SUMMARY

- 1. The Company was criticized under 50 Ill. Adm. Code 2002.70(a) for use of deceptive words, phrases or illustrations in the advertising and marketing materials that have the capacity, tendency or effect of misleading the public.**

II. BACKGROUND

Guarantee Trust Life Insurance Company (“Guarantee Trust”) is a mutual legal reserve life and health insurance company incorporated May 16, 1936 by the R.S. Holson family and business commenced on June 16, 1936. The company is domiciled in the state of Illinois and licensed to do business in 49 states, the District of Columbia and Puerto Rico. Medicare Supplement policies are sold in 41 states.

It is managed by officials who have been associated with the company for many years and is presently under the direction of Chairman of the Board, President and Chief Executive Officer Richard See “Rick” Holson, III.

Guarantee Trust markets a diversified portfolio of life insurance products primarily through a large force of independent producers. In addition to agent and broker sales, the company sells some of its life products (whole and term life) via direct mail and television advertisement solicitation.

Guarantee Trust has historically been active in the sale of special risk blanket student accident and health insurance to select groups such as schools, universities and churches.

The company’s accident and health lines of business written by producers, is directed primarily to the senior health market, providing Medicare Supplement, long term care, home health care, and specialty life and health insurance coverage.

Guarantee Trust is also active in the credit life and accident health insurance business written through automobile dealerships, small and mid-sized banks, and credit unions.

III. METHODOLOGY

This is a market conduct targeted examination, a focused examination based on the results of market analysis indicating a need to review a specific line of business or specific business practice, including but not limited to underwriting and rating, marketing and sales, advertising materials, licensing, claims handling and/or policy forms and filings:

1. Underwriting and New Business
2. Policy Forms and Advertising Material Analysis
3. Claims

The review of these categories is accomplished through examination of producer files, application files, claim 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 with such frequency as to indicate general business practices. Individual criticisms are identified and communicated to the insurer, but not cited in the report if not indicative of a general trend, except to the extent that there were underpayments in claim surveys or undercharges and/or overcharges in underwriting surveys. The following methods were used to obtain the required samples and to assure a methodical selection.

Underwriting and New Business

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

The company was requested to provide specimen copies of all policy forms and samples of all advertising material in use during the survey period.

Claims

Claim surveys were selected using the following criteria:

1. Paid Claims - payment for a coverage made during the examination period.
2. Denied Claims - denial of benefits 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 (50 Ill. Adm. 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 April 1, 2008 through March 31, 2009.

SELECTION OF SAMPLE

<u>Survey</u>	<u>Population</u>	<u>Reviewed</u>	<u>% Reviewed</u>
CLAIMS ANALYSIS			
Paid	145	10	7
Denied	20	13	65
UNDERWRITING			
Application review	410	50	12

IV. FINDINGS

A. UNDERWRITING

1. Application Review

A review of 50 first year commissions/applications revealed that all applicants were aged 64 ½ or older and qualified for Medicare based upon age. There was no evidence this product was offered or marketed to any other age groups.

B. POLICY FORMS AND ADVERTISING¹.

I. Advertising

A review was done of the Guarantee Trust's Advantage Plus product which was filed with the Department as a hospital and indemnity product. The review revealed that it was being marketed as a supplement to Medicare Advantage plans to individuals 64 ½ years or older. A general criticism was written under 50 Ill. Adm. Code 2002.70(a) for use of deceptive words, phrases or illustrations in that the advertising materials and brochures uses terms, timeframes and dates that are identical to those used in Medicare and Medicare supplement plans and therefore have the capacity, tendency or effect of misleading the public.

C. Claims Analysis

1. Paid Claims

A review of 10 paid claims produced no criticisms.

The median for payment was eight (8) days.

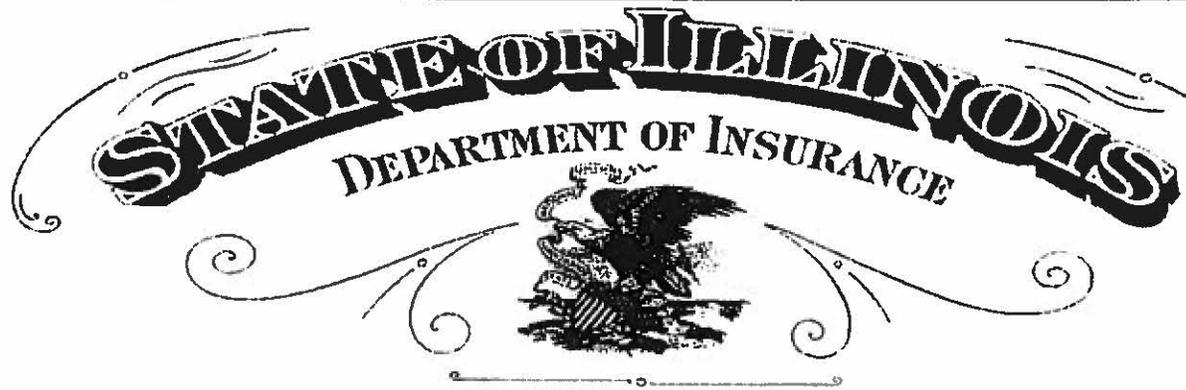
2. Denied Claims

A review of 13 denied claims produced no criticisms.

The median for denial was nine (9) days

V. APPENDICES

None



IN THE MATTER OF:

Guarantee Trust Life Insurance Company
1275 Milwaukee Avenue
Glenview, Illinois 60025

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, Guarantee Trust Life Insurance Company ("Guarantee Trust") is authorized under the insurance laws of this State and by the Director as a life, accident and health domestic mutual company, to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a targeted market conduct examination of Guarantee Trust was conducted by duly qualified examiners of the Department pursuant to Sections 131.21, 132, 401, 402 and 425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425); and

WHEREAS, the Department filed an examination report as an official document of the Department as a result of the targeted market conduct examination; and

WHEREAS, said report cited one area in which Guarantee Trust was not in compliance with Department Regulations (50 Ill. Adm. Code 2002.70(a)); and

WHEREAS, nothing herein contained, nor any action taken by or 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 Guarantee Trust.

WHEREAS, Guarantec Trust is aware of and understands the 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, Guarantee Trust understands and agrees that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and

WHEREAS, Guarantee Trust 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 Guarantee Trust and the Director as follows:

1. That the targeted market conduct examination cited one area in which Guarantee Trust was not in compliance with Department Regulations 50 Ill. Adm. Code 2002.70(a); and
2. That the Director and Guarantee Trust consent to this Order requiring Guarantee Trust to maintain compliance with provisions of the Illinois Insurance Code and/or Department Regulations.

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

1. Maintain procedures whereby the company's advertising and marketing materials are consistent with products filed with the Department and discontinue the use of deceptive words, phrases or illustrations on advertising and marketing materials as outlined in 50 Ill. Adm. Code 2002.70(a).
2. Submit to the Director a civil forfeiture of \$3,000.00 within 30 days of the entry of these Orders.
3. Submit to the Director proof of compliance with the above two (2) Orders within 30 days of receipt of these Orders.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory actions as set forth in the Illinois Insurance Code, including but not limited to levying additional fees, should Guarantee Trust 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
Guarantee Trust Life Insurance Company:

Robert Baluk
Signature

Robert Baluk
Name

General Counsel
Title

Subscribed and sworn to before me this

9th day of August A.D. 2013.

Morgan Winskill
Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois;

Date: August 15, 2013

Andrew Boron
Andrew Boron
Director



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

September 4, 2013

Robert Baluk
General Counsel and Secretary
Guarantee Trust Life Insurance Company
1275 Milwaukee Avenue
Glenview, Illinois 60025

*sent via USPS certified mail
return receipt requested*

Dear Mr. Baluk:

The Department is in receipt of the \$3,000.00 check in payment of the civil forfeiture set forth in Order #2 of the fully executed Stipulation and Consent Order, a copy of which was returned to you on August 16, 2013. Additionally, as indicated in the Department's letter dated August 6, 2013, the proof of compliance has been deemed satisfactory with respect to the revised marketing brochure provided to the Department on July 9, 2013. Accordingly, the Department is closing its file on this exam.

Please be advised that I intend to ask the Director to make the Examination Report available for public inspection as authorized by 215 ILCS 5/132 and as such it may be posted on the Department's website.

Sincerely,

Helen Kim
Assistant General Counsel

cc: Barbara Delano