



# Illinois Department of Insurance

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PAT QUINN  
Governor

ANDREW BORON  
Director

September 24, 2013

Sent via USPS certified mail

\*return receipt requested

Rudolph Krasovec, Jr.  
President  
KSKJ Life – American Slovenian Catholic Union  
2439 Glenwood Avenue  
Joliet, Illinois 60435

RE: KSKJ Life – American Slovenian Catholic Union (NAIC #56227)  
Market Conduct Examination

Dear Mr. Krasovec:

A Market Conduct Examination of your company was conducted by an authorized examiner designated by the Director of Insurance pursuant to Illinois Insurance Code Sections 132, 401, 402, 403 and 425 of the Illinois Insurance Code. The Market Conduct Examination covered the period of January 1, 2010 through December 31, 2010.

As required by the Illinois insurance Code Section 132, the Director must notify the company made the subject of any market conduct examination of the contents of the verified examination report before filing it and making the report public of any matters relating thereto, and must afford the company an opportunity to demand a hearing with reference to the facts and other evidence therein contained.

A copy of the Market Conduct Examination Report is enclosed with this letter as well as a Stipulation and Consent Order. The Company may request a hearing within 10 days after receipt of the Market Conduct Examination Report by giving the Director written notice of the request, together with a statement of its objections. The Market Conduct Examination Report will generally not be filed until hearing is completed.

Companies that do not demand a formal hearing may submit their rebuttal with respect to any matters in the Market Conduct Examination Report. The rebuttal will be considered by the Director before the Market Conduct Examination Report is filed. Please provide any rebuttals, or the signed Stipulation and Consent Orders, to the undersigned by close of business on October

122 S. Michigan Ave., 13<sup>th</sup> Floor  
Chicago, Illinois 60603  
(312) 814-2420  
<http://insurance.illinois.gov>

10, 2013. In the event that the Company elects to sign the Stipulation and Consent Order, please sign and return both copies. The Director will sign both copies and a fully executed copy will be returned to you for your records. Please note that the Stipulation and Consent Order requires proof of compliance with Orders 1 and 2 and payment of a civil forfeiture in the amount of \$5,000 within 30 days of receipt of the fully executed Stipulation and Consent Order.

Once the report of the Market Conduct Examination has been filed, the Market Conduct Examination Report, the company's rebuttal, if any, and corresponding Orders (if applicable) are public documents under the Freedom of Information Act (5 ILCS 140/1 *et al.*) and may be posted on the Department's website. In the event of a formal hearing, the record of the hearing, the Hearing Officer Recommendations and the Director's final Order are also public documents and may be posted on the Department's website.

Please contact me if you have any questions. I may be reached at (312) 814-0919.

Sincerely,



Barbara Delano  
Assistant General Counsel  
Illinois Department of Insurance  
Barbara.Delano@illinois.gov

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 four parts. They are as follows: Summary, Background, Methodology, and Findings. 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.

Barbara Delano  
Assistant General Counsel  
Illinois Department of Insurance  
Barbara.Delano@illinois.gov

# STATE OF ILLINOIS



## Department of Insurance

IN THE MATTER OF  
THE EXAMINATION OF:

KSKJ LIFE – AMERICAN SLOVENIAN  
CATHOLIC UNION  
2439 GLENWOOD AVE  
JOLIET, IL 60435

### MARKET CONDUCT EXAMINATION WARRANT

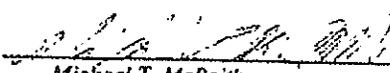
I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 5/131.21, 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425) do hereby appoint Max Weaver, Examiner-In-Charge, and associates as the proper persons to examine the insurance business and affairs of KSKJ Life – American Slovenian Catholic Union of Joliet, Illinois, and to make a full and true report to me of the examination made by them of KSKJ Life – American Slovenian Catholic Union with a full statement of the condition and operation of the business and affairs of KSKJ Life – American Slovenian Catholic Union with any other information as shall in my opinion be necessary to examine 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 KSKJ Life – American Slovenian Catholic Union.

### 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 24<sup>th</sup> day of May, 2011

  
Michael T. McRath

Director



KSKJ LIFE – AMERICAN SLOVENIAN CATHOLIC UNION

## MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: July 11, 2011 through October 7, 2011

EXAMINATION OF: KSKJ Life – American Slovenian Catholic  
Union  
NAIC #56227

LOCATION OF EXAMINATION: 2439 Glenwood Avenue  
Joliet, Illinois 60435

PERIOD COVERED BY EXAMINATION: January 1, 2010 through December 31, 2010

EXAMINER: Max R. Weaver  
Examiner-In-Charge

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## I. SUMMARY

1. The Company was criticized under 215 ILCS 5/143(1) for use of Amendment and Endorsement forms that had not been filed with and approved by the Department of Insurance.
2. The Company was criticized under 50 Ill. Adm. Code 919.70(a)(2) for failure to provide the insured Notice of Availability of the Department of Insurance in the 45 day delay letters mailed to the insured, or the insured's beneficiary, with the explanation for the delay of claim payment, as required.

## II. BACKGROUND

KSKJ Life - American Slovenian Catholic Union a fraternal company commenced business on April 2, 1894 and was incorporated January 12, 1898 in the State of Illinois.

The Society was established to provide benefits at the death or sickness of a member.

KSKJ Life – American Slovenian Catholic Union is licensed in the following States: California, Colorado, Connecticut, Illinois, Missouri, Kansas, Michigan, Minnesota, Montana, Ohio, Oregon, Pennsylvania, Washington, Wisconsin Wyoming, New York and the District of Columbia.

### III. METHODOLOGY

The Market Conduct Examination places emphasis on evaluating an insurer's systems and procedures used in dealings with insureds and claimants.

The following categories are the general areas examined:

1. Producer Licensing and Production Analysis
2. Non-Forfeiture Analysis
3. Claims Analysis
4. Policy Forms and Advertising Material Analysis
5. Complaint Analysis

The review of these categories is accomplished through examination of producer files, cash surrendered policies, extended term insurance and reduced paid-up insurance, policy forms, endorsements and riders, underwriting methods and advertising materials. Each of these categories is examined for compliance with Department of Insurance Rules and Regulations and applicable state law.

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 are not cited in the report if not indicative of a general trend, except if there were underpayments and/or overpayments in claims surveys or undercharges and/or overcharges in underwriting surveys.

The following methods were used to obtain the required samples 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 licensed by the State of Illinois. New business listings were retrieved from Company records selecting newly solicited insurance applications which reflected Illinois addresses for the applicants.

#### Non-forfeiture Analysis

Listings were requested of all policies cash surrendered, placed on extended term insurance status, or converted to reduced paid-up insurance during the survey period covered by the examination. These listings were retrieved by a search of Illinois life policies which either lapsed for nonpayment of premium or were requested non-forfeiture option conversions made by the policyholders.

#### Claims Analysis

Claim surveys were selected using the following criteria:

1. Paid Claims – Payment for coverage made during the examination period.
2. Denied Claims – Denial of benefits for losses not covered by policy provisions.
3. Individual or Franchise Claims – Determine whether the contracts were issued on an individual or franchise basis.

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.

#### 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.

#### Complaints Analysis

The Company was requested to provide 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 to the Department of Insurance.

The examination period for Department of Insurance complaints was January 1, 2010 through December 31, 2010.

**SELECTION OF SAMPLE**

SURVEY	POPULATION	# REVIEWED	% REVIEWED
<b>Producer Production Analysis</b>			
Terminated Producers	36	36	100
Producer Production	1448	1448	100
New Business Application Files	1249	90	7
<b>Non-Forfeiture Analysis</b>			
Life Cash Surrender	60	60	100
Extended Term Insurance and Reduced Paid-Up Lapsed Policy	8	8	100
Annuity Cash Surrender	338	101	30
Approved Waiver of Premium	1	1	100
<b>Claims Analysis</b>			
Paid Individual Life	117	117	100
Paid Annuity Death Settlements	19	19	100
Paid Individual Disability	3	3	100
Paid Hospital Surgical	135	75	55
<b>Policy Forms and Advertising</b>			
Policy Forms	76	76	100
Advertising Review	105	105	100
<b>Replacement Policy Analysis</b>			
Annuity Replacements	375	67	18
<b>Complaint Analysis</b>			
Department Complaints	0	0	0
Consumer Complaints	0	0	0

#### IV. FINDINGS

##### A. Producer Licensing and Production Analysis

###### 1. Terminated Agents

A review of 36 producer termination files resulted in no criticisms.

###### 2. Producer Production

A review of the producer production files resulted in no criticisms.

###### 3. New Business

A review of new annuity business produced one (1) criticism. A general criticism was made under 215 ILCS 5/143(1) for use of Amendments and Endorsements forms not filed with or approved of by the Department of Insurance.

##### B. Non-Forfeiture Analysis

###### 1. Life Cash Surrender

The review of 60 or 100% of the life cash surrender files produced no criticisms.

The median for surrender was two (2) days.

###### 2. Extended Term and Reduced Paid-up Lapsed Policy

The Company provided the Department a memo stating:

Each certificate has policy pages in their contract that list the Extended Term Life of the certificate and a Reduced paid up option should they wish to exercise those options. At the time of the missed premium, we do not notify the policyholder of those options, however we will exercise them at the request of the certificate owner.

The Company later provided a typed sample letter to "Dear Member" explaining the lapse/cash surrender.

None of the files provided by the Company contained any documentation or proof that this information was provided at the time the Company intended on enacting the non-forfeiture option, prior to

enactment of the non-forfeiture option.,

3. Annuity Cash Surrender

The review of 101 or 30% of the 338 annuity cash surrender files produced no criticisms.

The median for surrender was five (5) days.

4. Approved Waiver of Premium

A review of the one (1) approved waiver of premium file produced no criticism.

C. Claims Analysis

1. Paid Individual Life Analysis

A general criticism was made under 50 Il. Adm. Code 919.70(a)(2) for failure to include Notice of Availability of the Department of Insurance with letters explaining the reasons for delay in payment. None of the delay letters contained the required notice.

The median for payment was five (5) days.

2. Paid Annuity Death Settlement Analysis

A review of 19 or 100% of the annuity death settlement claim files produced no criticisms.

The median for payment was four (4) days.

D. Policy Forms and Advertising Material Analysis

1. Policy Forms

A review of the policy forms showed that policyowners are not advised of all non-forfeiture options available.,

2. Advertising Material

The review of advertising material resulted in no criticisms.

E. Policy Replacement Analysis

A review of 67 or 18% the annuity replacement policies resulted in no criticisms.

F. Complaint Analysis

1. Department Complaint Analysis

There were no department complaints.

No median for response was available.

2. Consumer Complaint Analysis

The Company reported to the Department that it did not receive any complaint during the survey period.

No median for response was available.

STATE OF ILLINOIS            )  
  ) ss  
COUNTY OF SANGAMON        )

Max Weaver, 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:

KSKJ Life Insurance Company, NAIC # 56227

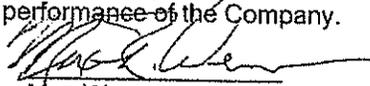
That, as Examiner-In-Charge, he was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director 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 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;

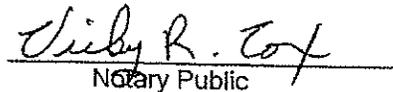
That he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

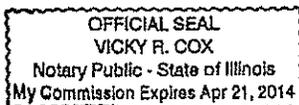
That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance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



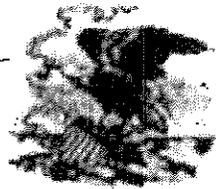
Max Weaver  
Examiner-In-Charge

Subscribed and sworn to before me  
this 26 day of June, 2013.

  
Notary Public



STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE



KSKJ LIFE - AMERICAN SLOVENIAN CATHOLIC UNION  
NAIC # 56227  
2439 GLENWOOD AVENUE  
JOLIET, ILLINOIS 60435

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, KSKJ Life - American Slovenian Catholic Union ("Company") 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 duly qualified examiners of the Department pursuant to Sections 132, 401, 402, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, and 5/425) covering the period of January 1, 2010 through December 31, 2010; and

WHEREAS, the appointed examiner filed an examination report as an official document of the Department as a result of the Market Conduct Examination; and

WHEREAS, said 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 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 various areas 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 procedures to ensure that all policy forms, amendments and endorsement forms are filed with and approved by the Department of Insurance as required by 215 ILCS 5/143(1), this includes all forms that have been revised.
2. Institute and maintain procedures whereby the Notice of Availability of the Department of Insurance is included in all 45 day delay letters mailed to the insured, or the insured's beneficiary, that explains the reasons for the delay of claim as required by 50 Ill. Adm. Code 919.70(a)(2).
3. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above two (2) Orders within 30 days of receipt of this Stipulation and Consent Order.
4. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$5,000 to be paid within 30 days of the execution of this Stipulation and Consent 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.

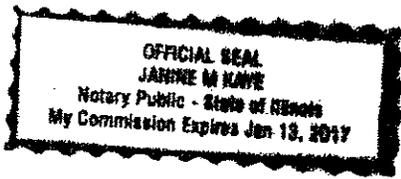
On behalf of KSKJ LIFE - AMERICAN SLOVENIAN CATHOLIC UNION:

*Frank M. Janzak*  
Signature

FRANK M. JANZAK  
Name

CHIEF EXECUTIVE OFFICER  
Title

Subscribed and sworn to before me this  
29<sup>th</sup> day of October A.D. 2013.



*Jannie M. Kauf*  
Notary Public

DEPARTMENT OF INSURANCE of the  
State of Illinois:

DATE 10-29-13

*Andrew Boron*  
Andrew Boron  
Director



# Illinois Department of Insurance

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PAT QUINN  
Governor

ANDREW BORON  
Director

December 18, 2013

Frank Janczak  
KSKJ Life  
Chief Executive Officer  
2439 Glenwood Avenue  
Joliet, IL 60435

Re: ***KSKJ Life Insurance Company***  
***Market Conduct Examination Report***

Dear Mr. Janczak;

The company has submitted to the Department proofs of compliance with Order # 1 and Order # 2 and has submitted the \$5,000 civil forfeiture as outlined in the Stipulation and Consent Order issued by the Department. These proofs of compliance have been reviewed and are satisfactory.

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.

Sincerely,

A handwritten signature in cursive script that reads "Caryn C. Carmean".

Caryn C. Carmean, A.C.A.S., M.A.A.A.  
Acting Deputy Director Consumer Outreach and Protection  
Illinois Department of Insurance  
320 West Washington Street  
Springfield, IL 62767  
217-557-7311  
Caryn.Carmean@illinois.gov