

STATE OF ILLINOIS



Department of Financial and Professional Regulation Division of Insurance

IN THE MATTER OF
THE EXAMINATION OF

WEST COAST LIFE INSURANCE COMPANY
LAMSON, DUGAN & MURRAY BUILDING
10306 REGENCY PARKWAY DRIVE
OMAHA, NEBRASKA 68114-3743

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 131.21, 132, 401, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425) do hereby appoint Danny Talkington, Examiner-In-Charge, Alvin Hysler, John Staples and associates as the proper persons to examine the insurance business and affairs of West Coast Life Insurance Company of Omaha, Nebraska, and to make a full and true report to me of the examination made by them of West Coast Life Insurance Company with a full statement of the condition and operation of the business and affairs of West Coast 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 West Coast 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 3rd day of Oct, 2008.

Michael T. McRaith

Michael T. McRaith

Director



STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF THE EXAMINATION OF

WEST COAST LIFE INSURANCE COMPANY
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MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, 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) do hereby appoint Scott A. Hanfling, Mark Wilson, Tim Kelly, and Meghan Welch, each of Kerns Frost & Pearlman, LLC, as Examiners, to assist the Illinois Department of Insurance ("Department") in the completion of the market conduct examination of West Coast Life Insurance Company, NAIC #70335, (the "Company") by reviewing and completing the examination report prepared by Examiner-in-Charge, Danny Talkington, including the review of any objections or rebuttals submitted by the Company regarding the findings of such reports, and drafting of any related Stipulation and Consent Order for the review and approval of the Director. The costs of this examination shall be borne by the Company.

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



IN TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed this Seal.

Done at the City of Chicago, this 10th day of December, 2012.

Andrew Boron

Andrew Boron

Director

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.

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

West Coast Life Insurance Company

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: February 2, 2009 through April 3, 2009

EXAMINATION OF: West Coast Life Insurance Company
NAIC # 70335

COMPANY ADDRESS: P. O. Box 2606
Birmingham, Alabama 35202

PERIOD COVERED
BY EXAMINATION: July 1, 2007 thru June 30, 2008

EXAMINERS: Alvin N. Hysler
Danny L. Talkington
Examiner in Charge

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I. SUMMARY

1. The Company was criticized under 215 ILCS 5/500-80 for payment of commission to producers/entities not duly licensed.
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, as required.

II. BACKGROUND

West Coast Life Insurance Company was founded on April 2, 1906, and merged with San Francisco Life on February 8, 1915. The present title, West Coast Life Insurance Company ("WCL"), was adopted in 1920. Nationwide Corporation acquired WCL in 1964. On December 31, 1993, Nationwide Corporation contributed WCL to Nationwide Life Insurance Company. In 1995, Farmland Life Insurance Company was merged into WCL. Nationwide Life Insurance Company contributed WCL back to Nationwide Corporation on January 1, 1997. On June 3, 1997, Nationwide Corporation sold WCL to Protective Life Insurance Company ("PLICO"). WCL changed its state of domicile from California to Nebraska as of December 20, 2002.

WCL is licensed to do business in 49 states (excluding New York) plus the District of Columbia. It was licensed to do business in Illinois on July 1, 1978.

III. METHODOLOGY

The Market Conduct Examination places emphasis on evaluating an insurer's system and procedures used in dealing with insureds and claimants. The following categories are the general areas examined:

1. Producer Licensing & Production
2. Claims
3. Non-Forfeiture
4. Policy Forms & Advertising Materials
5. Insurance Department and Consumer Complaints

The review of these categories was accomplished through examination of producer files, claim files, cash surrendered policy files, policy forms & advertising material, and Department of Insurance and consumer complaint files. Each of these categories was 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 practices. Individual criticisms were identified and communicated to the insurer, but not cited in the report if not indicative of a general trend, except to the extent that underpayments and/or overpayments in claim surveys or undercharges and/or overcharges in underwriting surveys 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 licensed by the State of Illinois. New business listings were retrieved from Company records by selecting newly solicited insurance applications that reflected Illinois addresses for applicants.

The examination period for the Producer Licensing Analysis was July 1, 2007 through June 30, 2008.

Claims Analysis

1. Paid Claims - Payment for claims 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, and applicable Sections of the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*).

Median payment periods were measured from the date all necessary proofs of loss were received to the date of payment to the insured or the beneficiary.

The examination period of the Claims Analysis was July 1, 2007 through June 30, 2008.

Non-Forfeiture Analysis

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

The examination period for the Non-Forfeiture Analysis was July 1, 2007 through June 30, 2008.

Policy Forms & Advertising Material Review

All policy forms, form letters, riders and advertising materials used in Illinois during the examination period were requested. These were reviewed for compliance as to format, content and terminology as required by Illinois Law.

The examination period for the Policy Forms & Advertising Material Review was July 1, 2007 through June 30, 2008.

Insurance Department and Consumer Complaints

The Company was requested to provide all files relating to complaints received via the Department 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 by the complainant to the date of response to the Department.

The examination period of this survey was July 1, 2007 through February 2, 2009.

SELECTION OF SAMPLE

<u>Survey</u>	<u>Population</u>	<u># Reviewed</u>	<u>% Reviewed</u>
<u>Producers Analysis</u>			
Producers/Applications	1,243/5,121	1,243/5,121	100.00
Terminated Agents Review	0	0	
<u>Claims Analysis</u>			
Paid Individual Life	34	34	100.00
Denied Individual Life	1	1	100.00
<u>Non-Forfeiture Analysis</u>			
Life Cash Surrenders	74	74	100.00
<u>Policy Forms & Advertising Material</u>			
	171	171	100.00
<u>Complaint Analysis</u>			
Department of Insurance Complaints	1	1	100.00
Consumer Complaints	1	1	100.00

IV. FINDINGS

A. Producer Analysis

1. A review of the 1,243 producers and 5,121 commission payments produced one (1) criticism. A general criticism was written under 215 ILCS Section 5/500-80 for payment of \$27,690.76 in commissions to fifty-three (53) producers/entities not duly licensed on one hundred nineteen (119) applications.

The Company agreed that commission payments to thirty-two (32) producer/entities on fifty (50) applications totaling \$17,319.12 were not paid to duly licensed insurance producers and entities as required by 215 ILCS 5/500-80.

The Company took the position that the remaining payments were consistent with 215 ILCS 5/500-80. The Company claims that sixteen of the commission payments were made pursuant to assignments, which the Company believes are permitted by 215 ILCS 5/500-80 subsection (d), while the remaining commission payments were "override" commission to an individual or firm who recruited and/or provided support services to the soliciting producer but did not participate in the actual solicitation of applications. However, the Company did not satisfactorily establish payments made were proper pursuant to assignments or that the individuals or entities did not actually participate in selling, soliciting, or negotiating insurance.

As a result of the foregoing, the Department maintains its criticism that the Company paid commissions to producers and entities that were not duly licensed in violation of the requirements of 215 ILCS 5/500-80.

2. There were no agents terminated for cause.

B. Claims Analysis

1. Paid Individual Life

Thirty-four Paid Individual Life claim files were reviewed. Two (2) of the claims needed a 45 day delay letter; 100% of the files that needed the 45 day delay letter were criticized. The Company was criticized for failure to provide the insured with the proper Notice of Availability of the Department of Insurance on the 45 day delay letter as required by 50 Ill. Adm. Code 919.70(a)(2). The Company agreed that it failed to provide the insureds with the proper Notice of Availability of the Department of Insurance on the

45 day delay letter as required in that the delay letters did not have the correct and complete addresses for the Illinois Department of Insurance.

The median for payment was three (3) days.

2. Denied Individual Life

A review of the Denied Individual Life claim file produced no criticisms.

No median for denial could be established.

C. Non-Forfeiture Analysis

1. Life Cash Surrenders

A review of the Life Cash Surrender claim files produced no criticisms.

The median for payment was seven (7) days.

D. Policy Forms & Advertising Material

A review of the policy forms and advertising material used during our survey period produced no criticisms.

E. Complaint Analysis

1. Department of Insurance Complaints

A review of the Department of Insurance Complaints produced no criticisms.

No median for response could be established.

2. Consumer Complaints

A review of the Consumer Complaints produced no criticisms.

No median for response could be established.

STATE OF NEW YORK)
) ss
COUNTY OF NEW YORK)

Danny Talkington, 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:

West Coast Life Insurance Company, NAIC #70335

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 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 Company's business and affairs and the manner in which the Companies conduct their 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;

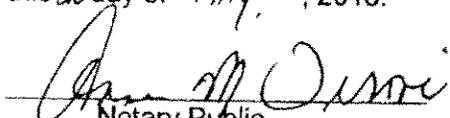
That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

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 Companies.


Danny Talkington
Examiner-In-Charge

Subscribed and sworn to before me
this 20 day of May, 2013.


Notary Public

ANNA M TIRONE
Notary Public - State of New York
No. 01TI6101625
Qualified in Richmond County
My Commission Expires Nov. 17, 2015

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:
WEST COAST LIFE INSURANCE COMPANY
NAIC # 70335

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, West Coast Life Insurance Company ("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 July 1, 2007 through June 30, 2008; 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.

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. That the Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and/or Department Regulations; and
2. That 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/or Department Regulations.

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

1. Institute and maintain procedures whereby the Company ensures that commissions are paid only to duly licensed insurance producers and entities as required by 215 ILCS 5/500-80.
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, 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 these Orders.
4. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$30,000 to be paid within 30 days of the execution of these Orders.

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 WEST COAST LIFE INSURANCE COMPANY:

Carolyn M. Johnson
Signature

Carolyn M. Johnson

Name

President

Title

Subscribed and sworn to before me this
3rd day of JUNE A.D. 2013.

Jo Anne Jolley
Notary Public

My commission expires May 10, 2016

DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE 6/07/13

Andrew Boron
Andrew Boron
Director



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

September 11, 2013

Sent via USPS certified mail
*return receipt requested

Laura Bagby
West Coast Life Insurance Company
2801 Highway 280 South
Birmingham, Alabama 35223

Re: West Coast Life Insurance Company
NAIC # 70335

Dear Ms Bagby:

Please be advised that the Department has reviewed the additional proof of compliance contained in your August 19, 2013 and September 9, 2013 correspondence. The proof of compliance submitted on behalf of West Coast Life Insurance Company is sufficient.

Accordingly, the Department is closing its files on this exam. This exam will be made public by posting on the Department's website as authorized by 215 ILCS 5/132.

Please contact me if you have any questions.

Sincerely,

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