



# Illinois Department of Insurance

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PAT QUINN  
Governor

ANDREW BORON  
Director

March 19, 2014

Lawrence Edmund Daurelle  
President  
Reliance Standard Life Insurance Company  
Two Commerce Square  
2001 Market St Suite 1500  
Philadelphia, PA 19103

Re: *Reliance Standard Life Insurance Company  
Market Conduct Examination Report*

Dear Mr. Daurelle:

The Department is in receipt of the \$1,000 civil forfeiture as required by the Stipulation and Consent Order. The Stipulation and Consent Order also requires the company to submit proof of compliance with Order #1 through Order #5. The 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 black ink, appearing to read "Lysa Saran".

Lysa Saran  
Assistant Deputy Director  
Consumer Outreach and Protection  
122 S. Michigan Avenue, 19th Floor  
Chicago, IL 60603  
Phone: 312-814-1767  
Cell: 312-833-4396  
E-mail: [Lysa.Saran@Illinois.gov](mailto:Lysa.Saran@Illinois.gov)



## Department of Insurance

IN THE MATTER OF  
THE EXAMINATION OF:

RELiance STANDARD LIFE INSURANCE COMPANY  
111 SOUTH WACKER DRIVE  
CHICAGO, ILLINOIS 60606-4410

### 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, John Staples and associates as the proper persons to examine the insurance business and affairs of Reliance Standard Life Insurance Company of Chicago, Illinois, and to make a full and true report to me of the examination made by them of Reliance Standard Life Insurance Company with a full statement of the condition and operation of the business and affairs of Reliance Standard 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 Reliance Standard 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 15<sup>th</sup> day of July, 2007.

*Michael T. McRaith*

Michael T. McRaith

Director

STATE OF ILLINOIS     )  
                                  ) SS  
COUNTY OF SANGAMON    )

I personally served a copy of the within Warrant by leaving  
said copy with CHARLES DENARDO , at the hour of 7 AM  
on SEPTEMBER 9, A.D., 2009.

  
\_\_\_\_\_  
Examiner

RELIANCE STANDARD LIFE INSURANCE COMPANY

## MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: September 8, 2009 through December 4, 2009

EXAMINATION OF: Reliance Standard Life Insurance Company

LOCATION OF EXAMINATION: 2 Commerce Square  
2001 Market Street, Suite 1500  
Philadelphia, Pennsylvania 19103

PERIOD COVERED BY EXAMINATION: June 1, 2008 through June 1, 2009

EXAMINERS: John J. Staples  
Max R. Weaver, Examiner-in-Charge

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## I. SUMMARY

The Illinois Department of Insurance conducted a Market Conduct Examination of Reliance Standard Life Insurance Company's Illinois group life, group accidental death and dismemberment (AD&D), annuity, group limited medical benefit, group short term disability and group long term disability insurance business. The period covered by the exam was June 1, 2008 through June 1, 2009. The Department's findings are as follows:

1. The Company was criticized under 215 ILCS 5/154.6(c) and 215 ILCS 5/154.6(d) for failure to adopt and implement reasonable standards for the prompt investigation and settlement of accidental death claims submitted and for not attempting in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear of accidental death claims submitted.
2. The Company was criticized under 215 ILCS 5/154.6(c) and 215 ILCS 5/154.6(d) and 215 ILCS 5/154.6(h) for the use of claim manuals and forms containing language requiring beneficiaries to submit duplicate proofs of loss and forcing them to be active participants in investigations the Company might wish to conduct.
3. The Company was criticized under 50 Ill. Adm. Code 919.70(a)(2) for failing to include Notice of Availability of the Department of Insurance with letters to beneficiaries explaining reasons for delay in processing accidental death claims.
4. The Company was criticized under 50 Ill. Adm. Code 919.70(a)(2) for failure to include Notice of Availability of the Department of Insurance with letters to beneficiaries explaining the delays in processing of long term disability claims.
5. The Company was criticized under 50 Ill. Adm. Code 926.50 for failure to maintain a complaint log with the required minimum information.

## II. BACKGROUND

Reliance Standard Life Insurance Company (the Company) is an Illinois domestic stock insurance company. The Company's original corporate name was Central Life Insurance Company of Illinois. In 1951, the corporate name was changed to Central Standard Life Insurance Company.

On September 25, 1963 the Reliance Insurance Company, a Pennsylvania Corporation, purchased the Company and subsequently changed the Company's name to its present form.

On December 31, 1981 the Company was acquired by Dresser Standard, Inc., a wholly owned subsidiary of Dresser Industries, Inc.

On November 6, 1987 the Company was acquired by Reliance Standard Life Insurance Company of Texas (RSLT) for \$220,000,000. RSLT is wholly owned by Delphi Financial Group, Inc. (formerly known as RSL Holding Company, Inc), a publicly traded Delaware corporation; 49.9% of the voting power is held by Rosenkranz & Company, a New York limited partnership.

The Company was licensed to do business in Illinois on April 2, 1907 and is licensed in the District of Columbia, Guam, Puerto Rico, U.S. Virgin Islands, and all States except New York.

### 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 analyzed 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 producer file analysis 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 applications reflecting an Illinois address for applicants.

#### Non-Forfeiture Analysis

The non-forfeiture analysis population was determined by policies having had the non-forfeiture clause enacted during the survey period.

### Claims Analysis

Claim surveys were selected using the following criteria:

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

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

### Illinois Department of Insurance Complaints

The Company was requested to provide all files relating to the complaints received via the Department of Insurance as well as those received directly from the insured or his/her representative. A copy of the complaint register was also requested.

The examination period for the Department of Insurance complaints was June 1, 2007 through June 1, 2009.

**SELECTION OF SAMPLE**

SURVEY	POPULATION	# REVIEWED	% REVIEWED
<b>Producer Production Analysis</b>			
Producer Production	14977	14977	100
Terminated Producers	0	0	0
<b>Non-Forfeiture Analysis</b>			
Annuity Cash Surrender	32	32	100
Approved Waiver of Premium	1	1	100
Rejected Waiver of Premium	57	20	35
<b>Claims Analysis</b>			
Paid Group Life	684	116	17
Paid Group Accidental Death and Dismemberment	8	8	100
Paid Group Limited Benefit Medical	3252	103	3
Denied Group Accidental Death and Dismemberment	2	2	100
Paid Annuity Death Settlements	17	17	100
Denied Group Limited Benefit Medical	2691	95	4
Paid Group Short-term Disability	14	14	100
Paid Group Long-term Disability	354	116	33
Denied Group Long-term Disability	56	56	100
<b>Policy Forms and Advertising</b>			
Policy Forms and Advertising	223	116	52
<b>Complaint Analysis</b>			
Department Complaints	35	35	100

#### IV. FINDINGS

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

###### 1. Terminated Producers

A review of producer production files developed no criticisms.

###### 2. Producer Production

There were no producer records that revealed that any producers were terminated for cause during the survey period.

##### B. Non-Forfeiture Analysis

###### 1. Annuity Cash Surrender

The review of the 32 annuity cash surrendered policy files produced no criticisms.

The median for surrender was 11 days.

###### 2. Approved Waiver of Premium

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

###### 3. Rejected Waiver of Premium

A review of the 20 rejected waiver of premium files produced no criticisms.

##### C. Claims Analysis

###### 1. Paid Group Life

A review of 116 paid group life claim files resulted in no criticisms.

The median for payment was three (3) days.

###### 2. Paid Group Accidental Death and Dismemberment

The review of eight (8) paid accidental death and dismemberment claim files produced five (5) criticisms. While the files did contain a delay of claim letter, all of the referenced letters failed to include the Notice of Availability of the Department of Insurance as required by 50 Ill. Adm. Code 919.70(a)(2).

Four (4) files of the eight (8) files or 50% of those reviewed, were criticized under 215 ILCS 5/154.6(c) and 215 ILCS 5/154.6(d) for failure to adopt and implement reasonable standards for prompt investigations and settlement of claims arising under its policies and not attempting in good faith to effectuate prompt, fair and equitable settlements of claims submitted in which liability has become reasonably clear. A general trend criticism was issued.

During review of paid group accidental death and dismemberment claim files, it was observed that procedures were being followed that relied strongly on the policyholders and beneficiaries to obtain and provide the Company with accident reports, autopsies and toxicology reports in addition to death certificates. Although, the Company will reimburse any costs involved, the beneficiary's time and efforts are used to conduct investigations and gather information for the Company.

The Company also relies heavily on email communications with employers and telephone calls to beneficiaries when requesting information. The manner in which these methods of communication are utilized have resulted in difficulties contacting beneficiaries causing lengthy and unnecessary claim and payment.

The company was cited under 215 ILCS 5/154.6(c) for failing to adopt and implement reasonable standards for the prompt investigations and settlement of claims arising under its policies; 215 ILCS 5/154.6(d) for not attempting in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear and 215 ILCS 5/154.6(h) for refusing to pay claims without conducting a reasonable investigation based on all available information. A general criticism was issued.

The median for payment was 19 days.

### 3. Denied Group Accidental Death and Dismemberment

A review of the two (2) denied accidental death and dismemberment claim files produced no criticisms.

No median for denial was established.

### 4. Paid Annuity Death Settlements

The review of 17 paid annuity death settlement claim files produced no criticisms.

The median for payment was 11 days.

5. Paid Group Limited Benefit Medical

A review of 103 paid group limited benefit medical claim files produced no criticisms.

The median for payment was seven (7) days.

6. Denied Group Limited Benefit Medical

The review of 95 denied group limited benefit medical claim files produced no criticisms.

The median for denial was seven (7) days.

7. Paid Group Short-Term Disability

A review of the 14 paid group short-term disability claim files produced no criticisms.

The median for payment was seven (7) days.

8. The mean for subsequent payments was seven (7) days. Paid Group Long-Term Disability

A review of 116 paid long-term disability claim files produced a general criticism. Fifty-one or 41% of the files reviewed were cited under 50 Ill. Adm. Code 919.70(a)(2) for failure to include a Notice of Availability of the Department of Insurance.

The median for payment was 10 days.

The mean for subsequent payments was 10 days.

9. Denied Group Long-Term Disability

A review of the 56 denied group long-term disability claim files produced no criticisms.

D. Life Claims Manual and Claims Instructions

Examiners conducted a review of the company's Life Claims Reference Manual and Claim Adjudication Instructions. Language contained in the referenced documents required that beneficiaries submit multiple and duplicate proofs of loss, additionally, beneficiaries were often times instructed to become active participants in Company investigations regarding their claim. For example one of the instructions on filing a claim reads as follows;

“The beneficiary (or policyholder on the beneficiary’s behalf) should typically also submit the following: A copy of the Police Report; A copy of any Autopsy Report, if available; copies of any newspaper articles... [regarding] . . . the accident; and A statement from the beneficiary/claimants explaining the circumstances of the accident . . .”

It has long been the position of the Department of Insurance as articulated in the Department publication Illinois Insurance Vol. XVI, No6 Nov.-Dec. 1985 that “due proof” does not include any investigation, medical records or other inquiry which the insurer may want to obtain as part of its own investigation of a claim. Due proof is not required to be furnished in any particular form, nor is it required to be the strongest or best proof available, but it must be such as to give the insurer the essential facts upon which its liability depends and is credible, including a belief in the truth of the facts stated.

The company was cited under 215 ILCS 5/154.6(c) for failing to adopt and implement reasonable standards for the prompt investigations and settlement of claims arising under its policies; 215 ILCS 5/154.6(d) for not attempting in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear and 215 ILCS 5/154.6(h) for refusing to pay claims without conducting a reasonable investigation based on all available information.

## E. Complaint Analysis

### I. Department of Insurance Complaint Analysis

The analysis of 35 Department of Insurance complaint files produced one (1) general criticism. The criticism was made under 50 Ill. Adm. Code 926.50 for failure to maintain the required minimum complaint log information. The Company complaint log lacked the identifying Department of Insurance complaint number.

The median for response was 13 days.

## V. INTERRELATED FINDINGS

A verbal request was made of the Company to remove objectionable language from its “Life Claim Authorization For Use In Obtaining Information” forms. A beneficiary should not be forced to sign a release of authorization to obtain medical information just to have their claim reviewed for payment.

## VI. TECHNICAL APPENDICES

(None)

STATE OF ILLINOIS )  
                          ) ss  
COUNTY OF COOK )

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:

Reliance Standard Life Insurance Company, NAIC #68381

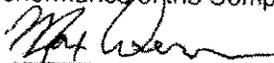
That, as Examiner-In-Charge, he was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish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

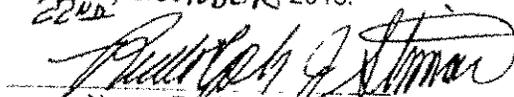
That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

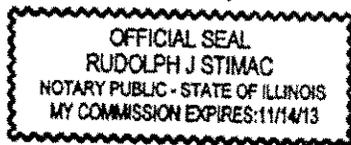
That he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

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 22<sup>ND</sup> day of OCTOBER, 2013.

  
Notary Public



STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

RELIANCE STANDARD LIFE INSURANCE COMPANY  
2 COMMERCE SQUARE  
2001 MARKET STREET, SUITE 1500  
PHILADELPHIA, PA 19103

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, Reliance Standard Life Insurance Company (Company) is authorized under the insurance laws of this State and by the Director as a domestic stock company, 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 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 examiners have 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. 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.

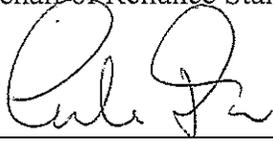
THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall :

1. Institute and maintain procedures whereby the Company adopts and implements reasonable standards for the prompt investigation and settlement of accidental death claims submitted as required by 215 ILCS 5/154.6(c) and 215 ILCS 5/154.6(d).
2. Institute and maintain procedures whereby the Company does not utilize claim manuals and forms that contain language requiring beneficiaries to submit duplicate proofs of loss and force the beneficiaries to be active participants in investigations the Company may wish to conduct as required by 215 ILCS 5/154.6(c), 215 ILCS 5/154.6(d) and 215 ILCS 5/154.6(h).
3. Institute and maintain procedures whereby the Company includes the Notice of Availability of the Department of Insurance with letters explaining reasons for delay in processing accidental death claims as required by 50 Ill. Adm. Code 919.70(a)(2).
4. Institute and maintain procedures whereby the Company includes Notice of Availability of the Department of Insurance with letters explaining reasons for delay in processing long term disability claims as required by 50 Ill. Adm. Code 919.70(a)(2).
5. Institute and maintain procedures whereby the Company maintains a complaint log with the required minimum information as required by 50 Ill. Adm. Code 926.50.
6. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above 5 orders within 30 days of the execution of these orders.
7. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$1,000.00 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 Reliance Standard Life Insurance Company:

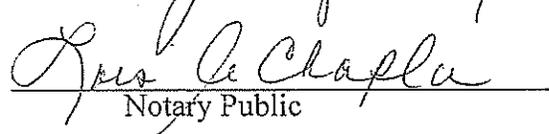
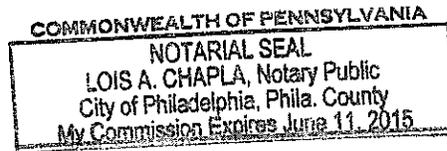


Signature

**Charles T. Denaro**  
Name **Vice President, Secretary and  
Deputy General Counsel**

Title

Subscribed and sworn to before me this  
6<sup>th</sup> day of January A.D. 2014

  
Notary Public

DEPARTMENT OF INSURANCE of the  
State of Illinois;

DATE January 9, 2014

  
Andrew Boron  
Director