



# Illinois Department of Insurance

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BRUCE RAUNER  
Governor

JENNIFER HAMMER  
Director

July 17, 2017

Mr. Scott A. Smith  
President  
American Income Life Insurance Company  
P O Box 2608  
1200 Wooded Acres Drive  
Waco, TX 76797

**Re: American Income Life Insurance Company, NAIC 60577**  
*Market Conduct Examination Report Closing Letter*

Dear Mr. Smith:

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](mailto:Jack.Engle@Illinois.gov)

**ILLINOIS DEPARTMENT OF INSURANCE**  
**MARKET CONDUCT EXAMINATION OF**  
**AMERICAN INCOME LIFE INSURANCE COMPANY**

## **MARKET CONDUCT EXAMINATION REPORT**

**DATE OF EXAMINATION:** January 4, 2016 through June 30, 2016

**EXAMINATION OF:** American Income Life Insurance Company  
NAIC Number: 60577

**LOCATION:** 3700 Stonebridge Drive  
McKinney, Texas 75070

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

**EXAMINERS:** David Bradbury MCM, Examiner-in-Charge  
Patricia Hahn MCM

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## **I. FOREWORD**

This is a comprehensive market conduct examination report of American Income Life Insurance Company (the “Company”), NAIC Code 60577. This examination was conducted at the offices of the parent company Torchmark Corporation, located at 3700 Stonebridge Drive, McKinney, Texas.

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures or files does not constitute approval thereof by the Illinois Department of Insurance.

During this examination, the examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

## **II. SCOPE OF THE EXAMINATION**

The Department has the authority to conduct this examination pursuant to, but not limited to, 215 ILCS 5/132.

The purpose of the examination was to determine if the Company complied with the Illinois Insurance Code (IIC), the Illinois Administrative Code (IAC), and to consider whether the Company’s operations are consistent with the public interest. The primary period covered by this review is January 1, 2015 through December 31, 2015 for claims and October 1, 2014 through December 31, 2015 for complaints and appeals unless otherwise noted. Errors outside of this time period discovered during the course of the examination, however, may also be included in the report.

The examination was a comprehensive examination involving the following business functions and lines of business: claims handling practices, policy forms and advertising in use, producer licensing and the handling of consumer complaints, appeals and Department complaints for all lines of business.

In performing this examination, the examiners reviewed a sample of the Company’s practices, procedures, products, forms, advertising, extra-contractual claim adjudication guidelines and files. Therefore, some noncompliant events may not have been discovered. As such, this report may not fully reflect all of the practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdictions does not constitute acceptance of such practices.

### III. SUMMARY

The following represent general findings, however specific details are found in each section of the report.

<b>TABLE OF TOTAL VIOLATIONS</b>							
<b>Criticism</b>	<b>Crit #</b>	<b>Statute/Rule</b>	<b>Description of Violation</b>	<b>Population</b>	<b>Sample</b>	<b># of Violations</b>	<b>Error %</b>
Paid Individual Life	24	215 ILCS 5/224(1)(l)	Failed to notify beneficiary of the availability of interest at time of claim	676	106	106	100%
Paid Individual Life	25	50 Ill. Adm. Code 919.70(a)(2)	Failed to provide Notice of Availability of the Department of Insurance on the delay letter	676	106	23	22%
Paid Individual Life	18, 20, 21 & 23	215 ILCS 5/224(1)(l)	Failed to pay beneficiary interest when claim paid after 31 days of receipt of due proof of loss totaling \$239.66	676	106	4	4%
Denied Individual Life	15	215 ILCS 5/224(1)(l)	Failed to notify beneficiary of the availability of interest at time of claim	5	5	5	100%
Denied Individual Life	16	50 Ill. Adm. Code 919.70(a)(2)	Failed to provide the Notice of Availability of the Department of Insurance on the delay letter	5	5	4	80%
Paid Individual Accidental Death	14	50 Ill. Adm. Code 919.70(a)(2)	Failed to provide the beneficiary with a reasonable written explanation of delay beyond 45 days	1	1	1	100%
Paid Group Accidental Death	30	50 Ill. Adm. Code 919.70(a)(2)	Failed to provide the insured with a reasonable written explanation of delay beyond 45 days	69	69	1	1%
Paid Individual Health	50	215 ILCS 5/368a(c)	Failed to ensure a claim was paid within 30 days after receipt of due proof of loss	574	106	1	1%
Paid Individual Health	51	215 ILCS 5/368a(c)	Failed to notify parties of insufficient documentation with 30 days	574	106	18	17%
Paid Individual Health	44	215 ILCS 5/368a(c)	Failed to pay interest due when a claim remained unpaid for 30 days totaling \$1.85	574	106	1	1%
Denied Individual Health	68	50 Ill. Adm. Code 919.50(a)(1)	Failed to provide the Notice of Availability of the Department of Insurance on the denial letter	21	21	10	48%
Closed Without Payment Health	62	50 Ill. Adm. Code 919.70(a)(2)	Failed to provide the Notice of Availability of the Department of Insurance on the delay letter	60	60	35	58%

**TABLE OF TOTAL VIOLATIONS**

Criticism	Crit #	Statute/Rule	Description of Violation	Population	Sample	# of Violations	Error %
Approved Waiver of Premium	13	50 Ill. Adm. Code 919.70(a)(2)	Failed to provide the insured with the Notice of Availability of the Department of Insurance on the 45 day delay letter	2	2	1	50%
Department of Insurance Complaints	8	215 ILCS 5/224(1)(l)	Failed to pay beneficiary interest when claim paid after 31 days of receipt of due proof of loss totaling \$268.54	11	11	1	9%
Department of Insurance Complaints	9	215 ILCS 5/224(1)(l)	Failed to notify beneficiary of the availability of interest at time of claim	11	11	1	9%
Department of Insurance Complaints	10	50 Ill. Adm. Code 919.70(a)(2)	Failed to provide the insured with a reasonable written explanation of delay beyond 45 days	11	11	1	9%
Non-Forfeiture	71	215 ILCS 5/234.1	Failed to provide a Notice of Enactment of Non-Forfeiture Options	9	9	2	22%
Non-Forfeiture	72	215 ILCS 5/229.2(1)(iii)	Failed to place the non-forfeiture option called for in the insured's insurance plan	9	9	1	11%
Replacements	52	50 Ill. Adm. Code 917.70(c) & 215 ILCS 5/224(2)	Failed to provide a buyer's guide within three working days	8	8	8	100%
Replacements	54	50 Ill. Adm. Code 917.70(a) & (b)	Failed to require the producer to send a copy of the replacement notice to the Company and to require a signed statement regarding replacement	8	8	7	88%
Replacements	55	215 ILCS 5/224(2)	Failed to provide the insured with a 20-day "Free Look" when the newly issued policy is a replacement	8	8	8	100%
Policy Forms	32	50 Ill. Adm. Code 2007.70(b)(8)(A)(x)	Excluded skin cancer as a covered benefit on a cancer policy	33	33	1 form	NA
Advertising	34	50 Ill. Adm. Code 2007.70(b)(8)(A)(x)	Excluded skin cancer as a covered benefit on a cancer policy	NA	NA	Example form used with Advertising	NA

#### **IV. BACKGROUND**

American Income Life Insurance Company (AIL) based in Waco, Texas, provides supplemental life insurance to labor unions, credit unions, and associations. AIL was founded in 1951. The Company's executive offices have been located in Waco, Texas since 1959. AIL is licensed in 49 states, the District of Columbia, Canada, and is registered to carry on business in New Zealand. AIL also has two wholly owned subsidiaries.

The Company's history began in 1951 under the name American Income. American Income was chartered as a mutual assessment association in Indiana with \$25,000 of borrowed capital. It was reinsured through American Standard Insurance Company as a new mutual reserve company in March 1951. American Income Insurance Company was officially founded in May 1951. The Company's home offices were located in Indianapolis, Indiana.

In March 1958, the Company's home offices were moved from Indianapolis, Indiana to Waco, Texas.

In 1994, AIL was sold to Torchmark Corporation for \$563 million.

#### **V. METHODOLOGY**

The market conduct examination covered the business for the period of January 1, 2015 through December 31, 2015 for claims and October 1, 2014 through December 31, 2015 for the Department complaint/consumer complaint file review. Specifically, the examination focused on a review of the following areas:

1. Producer Production
2. Claims
3. Department Complaints and Consumer Appeals
4. Policyholder Services
5. Policy Forms and Advertising

The review of the categories was accomplished through examination of appointed and terminated producer files, claim files and complaint files. Each of the categories was 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 valid violations are cited in the report. The following methods were used to obtain the required samples and to assure a methodical selection.

##### Producer Production

New business was reviewed to determine if solicitations had been made by duly licensed persons.

##### Claims

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 certificate of coverage provisions.



All claims were reviewed for compliance with policy contracts and applicable sections of the Illinois Insurance Code (215 ILCS 5/1 *et seq.*), the Managed Care Reform and Patient Rights Act (215 ILCS 134/1 *et seq.*) and the Illinois Administrative Code (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 or denial to the member.

The period under review was January 1, 2015 through December 31, 2015.

#### Department Complaints and Consumer Appeals

The Company was requested to provide all files relating to complaints received via the Department of Insurance and those received directly from members. The Company was also requested to provide files of all member complaints handled during the survey period.

Median periods were measured from the date of notification by the complainants to the date of response by the Company.

The period under review was October 1, 2014 through December 31, 2015.

#### Policyholder Services

New business including declinations for life coverages, life cash surrenders, life non-forfeitures and life policy replacements reviewed for compliance with policy contracts and applicable sections of the Illinois Insurance Code (215 ILCS 5/1 *et seq.*), the Managed Care Reform and Patient Rights Act (215 ILCS 134/1 *et seq.*) and the Illinois Administrative Code (50 Ill. Adm. Code 101 *et seq.*).

#### Policy Forms and Advertising

All policy forms and advertising currently in use were reviewed for compliance with applicable sections of the Illinois Insurance Code (215 ILCS 5/1 *et seq.*), the Managed Care Reform and Patient Rights Act (215 ILCS 134/1 *et seq.*) and the Illinois Administrative Code (50 Ill. Adm. Code 101 *et seq.*).

**American Income Life Insurance Company**

<u>Survey</u>	<u>Population</u>	<u># Reviewed</u>	<u>% Reviewed</u>
<b>CLAIMS ANALYSIS</b>			
Paid Individual Life	676	106	16%
Denied Individual Life	5	5	100%
Paid Individual Accidental Death	1	1	100%
Paid Group Accidental Death	69	69	100%
Paid Individual Health	574	106	18%
Denied Individual Health	21	21	100%
Closed Without Payment Individual Health	60	60	100%
Approved Waiver of Premium	2	2	100%
<b>CONSUMER COMPLAINTS</b>			
	3	3	100%
<b>DEPARTMENT OF INSURANCE COMPLAINTS</b>			
	11	11	100%
<b>POLICYHOLDER SERVICES</b>			
Declined Life Applications	1180	107	9%
Group Life New Business	1	1	100%
Juvenile Life New Business	676	109	16%
Individual Life New Business	17278	109	1%
Accidental Death New Business	966	57	6%
Non-Forfeiture	9	9	100%
Individual Life Cash Surrender	34	34	100%
Life Replacements	8	8	100%
<b>PRODUCER LICENSING</b>			
Agents	1574	1574	100%
Application	66,673	66,673	100%
<b>POLICY FORMS AND ADVERTISING</b>			
Policy Forms	33	33	100%
Advertising	NA	NA	100%

## VI. FINDINGS

### A. Claims

#### 1. Paid Individual Life

- In 106 instances out of 106 files reviewed for an error percentage of 100%, the Company failed to notify the beneficiary at the time of claim of the availability of interest payment due to delayed claim processing beyond 31 days. This is a violation of 215 ILCS 5/224(1)(l).
- In 23 instances out of 106 files reviewed for an error percentage of 22%, the Company failed to provide the Notice of Availability of the Department of Insurance on the delay letter. This is a violation of 50 Ill. Adm. Code 919.70(a)(2).
- In four (4) instances out of 106 files reviewed for an error percentage of 4%, the Company failed to pay the beneficiary interest when the claim was paid after 31 days of receipt of due proof from loss totaling \$239.66. This is a violation of 215 ILCS 5/224(1)(l).

Criticism	Crit #	Statute or Rule	Description of Violation	Interest Underpayment
DB PIL	18	215 ILCS 5/224(1)(l)	Agreed – Interest due to late payment	\$113.42
DB PIL	20	215 ILCS 5/224(1)(l)	Agreed – Interest due to late payment	\$8.38
DB PIL	21	215 ILCS 5/224(1)(l)	Agreed – Interest due to late payment	\$1.38
DB PIL	23	215 ILCS 5/224(1)(l)	Agreed – Interest due to late payment	\$116.48
		Total		\$239.66

The median for payment was one (1) day.

#### 2. Denied Individual Life

- In five (5) instances out of five (5) files reviewed for an error percentage of 100%, the Company failed to notify the beneficiary at the time of claim of the availability of interest payment due to delayed claim processing beyond 31 days. This is a violation of 215 ILCS 5/224(1)(l).
- In four (4) instances out of five (5) files reviewed for an error percentage of 80%, the Company failed to provide the Notice of Availability of the Department of Insurance on the delay letter when a claim was delayed beyond 45 days. This is a violation of 50 Ill. Adm. Code 919.70(a)(2).

The median for denial was 142 days.

### 3. Paid Individual Accidental Death

- In one (1) instance out of one (1) file reviewed for an error percentage of 100%, the Company failed to provide the beneficiary with a reasonable written explanation of delay beyond 45 days. This is a violation of 50 Ill. Adm. Code 919.70(a)(2).

The median for payment could not be established.

### 4. Paid Group Accidental Death

- In one (1) instance out of 69 files reviewed for an error percentage of 1%, the Company failed to provide the insured with a reasonable written explanation of delay beyond 45 days. This is a violation of 50 Ill. Adm. Code 919.70(a)(2).

The median for denial was 13 days.

### 5. Paid Individual Health

- In one (1) instance out of 106 files reviewed for an error percentage of 1%, the Company failed to ensure a claim was paid within 30 days after receipt of due proof of loss. This is a violation of 215 ILCS 5/368a(c).
- In 18 instances out of 106 files reviewed for an error percentage of 17%, the Company failed to notify parties of insufficient documentation within 30 days. This is a violation of 215 ILCS 5/368a(c).
- In one (1) instance out of 106 files reviewed for an error percentage of 1%, the Company failed to pay interest when a claim remained unpaid for 30 days totaling \$1.85. This is a violation of 215 ILCS 5/368a(c).

The median for payment was six (6) days.

### 6. Denied Individual Health

- In 10 instances out of 21 files reviewed for an error percentage of 48%, the Company failed to provide the Notice of Availability of the Department of Insurance on the denial letter to the beneficiary. This is a violation of 50 Ill. Adm. Code 919.50(a)(1).

The median for denial was five (5) days.

### 7. Closed Without Payment Individual Health

- In 35 instances out of 60 files reviewed for an error percentage of 58%, the Company failed to provide the Notice of Availability of the Department of Insurance on the delay letter. This is a violation of 50 Ill. Adm. Code 919.70(a)(2).

The median for payment was 56 days.

## 8. Approved Waiver of Premium

- In one (1) instance out of two (2) files reviewed for an error percentage of 50%, the Company failed to provide the Notice of Availability of the Department of Insurance on the 45 day delay letter. This is a violation of 50 Ill. Adm. Code 919.70(a)(2).

The median could not be established.

## B. Consumer Complaints

A review of three (3) consumer complaint files produced no exceptions.

The median response time to the complainant was 14 days.

## C. Department of Insurance Complaints

- In one (1) instance out of 11 files reviewed for an error percentage of 9%, the Company failed to pay beneficiary interest when the claim was paid after 31 days of receipt of due proof of loss totaling \$268.54. This is a violation of 215 ILCS 5/224(1)(1).
- In one (1) instance out of 11 files reviewed for an error percentage of 9%, the Company failed to notify the beneficiary at the time of claim of the availability of interest payment due to delayed claim processing beyond 31 days. This is a violation of 215 ILCS 5/224(1)(1).
- In one (1) instance out of 11 files reviewed for an error percentage of 9%, the Company failed to provide the Notice of Availability of the Department of Insurance on the delay letter when a claim was delayed beyond 45 days. This is a violation of 50 Ill. Adm. Code 919.70(a)(2).

The median for response to the Department was 13 days.

## D. Policyholder Services

### 1. Declined Life Applications

A review of 107 declined life applications produced no exceptions.

The median for declination was 13 days.

### 2. Group Life New Business

A review of one (1) life new business application produced no exceptions.

### 3. Juvenile Life New Business

A review of 109 juvenile life new business applications produced no exceptions.

4. Individual Life New Business

A review of 109 individual life new business applications produced no exceptions.

5. Accidental Death New Business

A review of 57 accidental death applications produced no exceptions.

6. Non-Forfeiture Review

- In two (2) instances out of nine (9) for an error percentage of 22%, the Company was criticized for failure to provide a Notice of Enactment of the Non-Forfeiture Options to the insured. This is a violation of 215 ILCS 5/234.1.
- In one (1) instance out of nine (9) for an error percentage of 11%, the Company was criticized for failure to place the policy under the non-forfeiture option called for in the insured's policy. This is a violation of 215 ILCS 5/229.2(1)(iii).

7. Life Cash Surrenders

A review of 34 life cash surrenders produced no exceptions.

The median for surrender was 16 days.

8. Life Replacements

- In eight (8) instances out of eight (8) for an error percentage of 100%, the Company was criticized for failure to provide a Buyer's Guide to the applicant within three (3) business days after receipt of the application for life insurance. This is a violation of 215 ILCS 5/224(2) and 50 Ill. Adm. Code 917.70(c).
- In seven (7) instances out of eight (8) for an error percentage of 88%, the Company was criticized for failure to require the producer to send a Notice Regarding Replacement of Life Insurance to the Company and to require information signed by the agent and applicant as to whether or not an existing life insurance policy will be replaced. This is a violation of 50 Ill. Adm. Code 917.70(a) and (b).
- In eight (8) instances out of eight (8) for an error percentage of 100%, the Company was criticized for failure to provide the insured with a 20 day "Free Look" for a newly issued policy replacement. This is a violation of 215 ILCS 5/224(2).

E. Producer Licensing

Agent Production

A review of 1574 producer licenses and 66,673 applications produced no criticisms.

F. Policy Forms and Advertising

1. Reviews of the policy forms filed and in use for the period under review did not meet the current standards.
  - In one (1) instance the insurer was criticized under 50 Ill. Adm. Code 2007.70(b)(8)(A)(x) for use of cancer policy forms that exclude skin cancer as a covered benefit. This is the risk purported to be assumed under the described coverage.
2. Reviews of the advertising forms in use for the period under review did not meet the current standards.
  - In one (1) instance the insurer was criticized under 50 Ill. Adm. Code 2007.70(b)(8)(A)(x) for use of cancer policy forms that exclude skin cancer as a covered benefit. This is the risk purported to be assumed under the described coverage.

STATE OF OKLAHOMA        )  
  ) ss  
COUNTY OF OKLAHOMA    )

David Bradbury, 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 AMERICAN INCOME LIFE INSURANCE COMPANY (collectively the "Company").

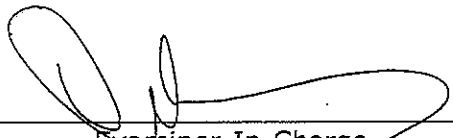
That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish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

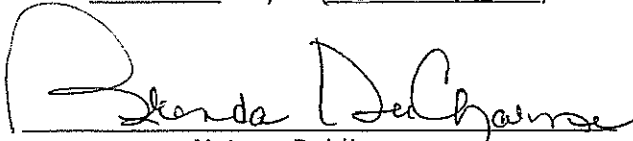
That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

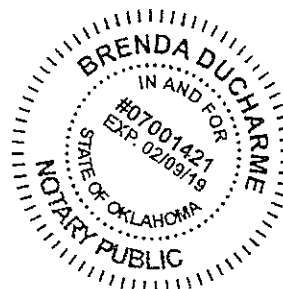
That she/he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

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 8th day of December, 2016

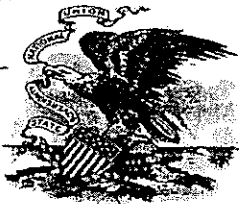
  
\_\_\_\_\_  
Notary Public





# STATE OF ILLINOIS

## DEPARTMENT OF INSURANCE



IN THE MATTER OF:

**AMERICAN INCOME LIFE INSURANCE COMPANY  
1200 WOODDED ACRES DRIVE  
PO BOX 2608  
WACO, TX 76797**

### STIPULATION AND CONSENT ORDER

WHEREAS, the 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, American Income Life Insurance Company, NAIC 60577, 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 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 their 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, they waive 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 policies and procedures whereby the Company shall ensure all parties are notified of any known failure to provide sufficient documentation for a due proof of loss within 30 days after receipt of the claim as required by 215 ILCS 5/368a(c).
2. Institute and maintain policies and procedures whereby the Company shall provide notice to the beneficiary, at the time a beneficiary makes a claim, of the availability of interest on life claims if payment is delayed beyond 31 days as required under 215 ILCS 5/224(1)(I).
3. Institute and maintain policies and procedures whereby the Company shall provide to the insured a 20-day "Free Look" when the newly issued policy is a replacement as required by 215 ILCS 5/224(2).
4. Institute and maintain policies and procedures whereby the Company shall, in the case of a replacement, provide to the applicant a copy of the Buyer's Guide within three working days after receipt of the application as required by 215 ILCS 5/224(2) and 50 Ill. Adm. Code 917.70(c).
5. 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).
6. Institute and maintain policies and procedures whereby the Company shall provide the insured with a Notice of Availability of the Department of Insurance on denied claims as required by 50 Ill. Adm. Code 919.50(a)(1).
7. Institute and maintain policies and procedures whereby the Company shall require the producer to send a Notice Regarding Replacement of Life Insurance to the Company and statements signed by the applicant and producer as to whether or not existing insurance will be replaced as required by 50 Ill. Adm. Code 917.70(a) and (b).
8. Institute and maintain policies and procedures whereby the Company shall provide policy owners with a Notice of Enactment of a Non-Forfeiture Option prior to enactment of the non-forfeiture option as required by 215 ILCS 5/234.1.

9. Institute and maintain policies and procedures whereby the Company shall not limit skin cancer benefits within a cancer policy as it is a minimum standard of specified disease coverage and is a risk purported to be assumed as required by 50 Ill. Adm. Code 2007.70(b)(8)(A)(x).
10. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above nine (9) orders within 30 days of execution of this Order.
11. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$23,650 to be paid within 30 days of execution of this 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 AMERICAN INCOME LIFE INSURANCE COMPANY

  
Signature

Joel Scarborough  
Name

SVP and General Counsel  
Title

Subscribed and sworn to before me this  
15 day of MAY 2017.

Kelly L. Kinser  
Notary Public



DEPARTMENT OF INSURANCE of the  
State of Illinois:

DATE 5/16/17

Jennifer Hammer p/d  
Jennifer Hammer  
Director

