



# Illinois Department of Insurance

---

BRUCE RAUNER  
Governor

JENNIFER HAMMER  
Director

August 2, 2017

Stephanie Massad  
Director of Regulatory Affairs  
Globe Life and Accident Insurance Company  
3700 S. Stonebridge Drive  
McKinney, Texas 75070-8080

Re: Globe Life and Accident Insurance Company, NAIC 91472  
*Market Conduct Examination Report Closing Letter*

Dear Ms. Massad:

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)

**GLOBE LIFE & ACCIDENT INSURANCE COMPANY**  
**EXAMINATION REPORT**

## MARKET CONDUCT EXAMINATION REPORT

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

EXAMINATION OF: Globe Life & Accident Insurance Company  
NAIC Number: 91472

LOCATION: 3700 Stonebridge Drive  
McKinney, Texas 75070

PERIOD COVERED  
BY EXAMINATION: July 1, 2014 through June 30, 2015 - Claims  
January 1, 2014 through June 30, 2015 - Complaints

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

## INDEX

I.	FOREWORD	1
II.	SCOPE OF THE EXAMINATION	1
III.	SUMMARY	2
IV.	BACKGROUND	6
V.	METHODOLOGY	6
VI.	FINDINGS	9
	A. Claims	9
	1. Paid Individual Life	
	2. Denied Individual Life	
	3. Paid Group Life	
	4. Denied Group Life	
	5. Paid Accidental Death	
	6. Paid Waiver of Premium	
	7. Paid Cancer	
	8. Denied Cancer	
	9. Paid Hospital Medical Surgical	
	10. Denied Hospital Medical Surgical	
	11. Paid Medicare Supplement	
	12. Denied Medicare Supplement	
	B. Consumer Complaints	12
	C. Department of Insurance Complaints	12
	D. Policy Holder Services	12
	1. Declined Life Applications	
	2. Life New Business	
	3. Medicare Supplement New Business	
	4. Non-Forfeiture Review	
	5. Life Cash Surrenders	
	6. Life Replacements	
	E. Producer Licensing	14
	1. Agent Production	
	2. Terminated Agent Review	
	F. Policy Forms and Advertising	14
	1. Policy Forms	
	2. Advertising	

## **I. FOREWORD**

This is a comprehensive market conduct examination report of Globe Life & Accident Insurance Company (the "Company"), NAIC Code 91472. This examination was conducted at the offices of Globe Life & Accident Insurance Company, 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, the Illinois Administrative Code and to consider whether the Company's operations are consistent with the public interest. The primary period covered by this review is July 1, 2014 through June 30, 2015, for claims and January 1, 2014 through June 30, 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>							
Criticism	Crit #	Statute/Rule	Description of Violation	Population	Sample	# of Violations	Error %
DB Paid Individual Life	27	215 ILCS 5/224(1)(1)(3)	Failed to notify beneficiary of the availability of interest at time of claim	381	82	82	100%
DB Paid Individual Life	26	50 Ill. Adm. Code 919.70(a)(2)	Failed to provide the beneficiary with a reasonable written explanation of delay beyond 45 days	381	82	4	5%
DB Paid Individual Life	25	50 Ill. Adm. Code 919.70(a)(2)	Failed to provide the Notice of Availability of the Dept of Insurance on the delay letter	381	82	12	15%
DB Paid Individual Life	Various	215 ILCS 5/224(1)(1)	Failed to pay beneficiary interest when claim was paid after 31 days of receipt of due proof of loss totaling \$430.14	381	82	2	2%
PH Denied Individual Life	17	215 ILCS 5/224(1)(1)(3)	Failed to notify beneficiary of the availability of interest at time of claim	6	6	6	100%
PH Denied Individual Life	21	50 Ill. Adm. Code 919.50(a)(1)	Failed to provide the Notice of Availability of the Dept of Insurance on the denial letter	6	6	3	50%
PH Denied Individual Life	22	50 Ill. Adm. Code 919.70(a)(2)	Failed to provide the Notice of Availability of the Dept of Insurance on the delay letter	6	6	4	67%
DB Paid Group Life	47	50 Ill. Adm. Code 919.70(a)(2)	Failed to provide the beneficiary with a reasonable written explanation of delay beyond 45 days	1461	107	4	4%
DB Paid Group Life	46	50 Ill. Adm. Code 919.70(a)(2)	Failed to provide the Notice of Availability of the Dept of Insurance on the delay letter	1461	107	24	22%
PH Denied Group Life	16	50 Ill. Adm. Code 919.50(a)	Failed to affirm or deny coverage within 30 days	126	75	4	5%
PH Denied Group Life	20	50 Ill. Adm. Code 919.70(a)(2)	Failed to provide the Notice of Availability of the Dept of Insurance on the delay letter	125	75	37	49%

**TABLE OF TOTAL VIOLATIONS**

Criticism	Crit #	Statute/Rule	Description of Violation	Population	Sample	# of Violations	Error %
PH Denied Group Life	18	50 Ill. Adm. Code 919.50(a)(1)	Failed to provide the Notice of Availability of the Dept of Insurance on the denial letter	125	75	6	8%
PH Denied Group Life	19	50 Ill. Adm. Code 919.70(a)(2)	Failed to provide the beneficiary with a reasonable written explanation of delay beyond 45 days	125	75	5	7%
DB Paid Group Accidental Death	114	50 Ill. Adm. Code 919.70(a)(2)	Failed to provide the beneficiary with a reasonable written explanation of delay beyond 45 days	12	12	11	92%
PH 98 Paid Cancer	98	50 Ill. Adm. Code 2007.70(b)(8)(A)(x)	Excluded risk purported to be assumed "Skin Cancer"	9	9	9	100%
PH 110 Denied Cancer	110	50 Ill. Adm. Code 919.50(a)(1)	Failed to provide the Notice of Availability of the Dept of Insurance on the denial letter	4	4	1	25%
PH 111 Denied Cancer	111	50 Ill. Adm. Code 919.50(a)	Failed to affirm or deny coverage within 30 days	4	4	1	25%
PH 117 Paid Hospital-Medical-Surgical	117	50 Ill. Adm. Code 919.50(a)(1)	Failed to provide the Notice of Availability of the Dept of Insurance on the partial denial letter	19	19	2	11%
PH 119 Denied Hospital-Medical-Surgical	119	50 Ill. Adm. Code 919.50(a)(1)	Failed to provide the Notice of Availability of the Dept of Insurance on the denial letter	28	28	28	100%
PH IDOI Complaints	9	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 \$168.50	61	61	1	2%
PH Department of Insurance	12	50 Ill. Adm. Code 926.40(a)	Failure to respond in required time	61	61	1	2%
PH ETI/RPU	116 & 142	215 ILCS 5/234.1	Failure to provide a "Notice of Enactment of a Non-Forfeiture Options"	1649	114	23	20%
PH ETI/RPU	131	215 ILCS 5/229.2(1)(i)	Failure to place the provisions on the non-forfeiture option in the policy	1649	114	82	72%

**TABLE OF TOTAL VIOLATIONS**

Criticism	Crit #	Statute/Rule	Description of Violation	Population	Sample	# of Violations	Error %
PH Life Cash Surrender	75	50 Ill. Adm. Code 1405.30(c)	Automatic Premium Loan automatic option in the policy	120	102	5	5%
PH Life Cash Surrender	144	50 Ill. Adm. Code 1405.40(c)(1)	Automatic Premium Loan applied without a positive election	120	102	12	12%
PH Life Replacements	125	215 ILCS 5/224(2)	Failed to provide the existing insurer a policy summary within three days	761	113	113	100%
PH Life Replacements	122	50 Ill. Adm. Code 917.70(b)	Failed to provide Exhibit B notice regarding replacement	761	113	24	21%
PH Life Replacements	124	50 Ill. Adm. Code 917.70(c) & 50 Ill. Adm. Code 930.50	Failed to provide a Buyer's Guide within three working days	761	113	77	68%
PH Life Replacements	134	50 Ill. Adm. Code 917.80(c)(2)	Failed to forward to the existing insurer within three days of the receipt of application the Notice Regarding Replacement	761	113	16	14%
DB Policy Forms	58	215 ILCS 5/143(1)	Exclusion for insured's intoxication above the legal limit when it is not a direct cause of death	128	128	16	NA
DB Policy Forms	59	215 ILCS 5/143(1)	Exclusions that use language regarding illegal acts or illegal activity	128	128	19	NA
DB Policy Forms	60	215 ILCS 5/143(1)	Exclusions that use language regarding "gang" activity	128	128	4	NA
DB Policy Forms	52 & 61	215 ILCS 5/224(1)	Incorrect timeline and penalty interest for late claim payment	128	128	7	NA
DB Policy Forms	51&57	50 Ill. Adm. Code 1405.20(a)(3)(B)	Hazardous sports exclusions	128	128	22	NA
DB Policy Forms	53	50 Ill. Adm. Code 1405.20(a)(3)(B)	Hazardous sports exclusion & does not cover loss within 90 days of accident	128	128	1	NA
DB Policy Forms	62	50 Ill. Adm. Code 1405.40(c)(1)	Premium loan as the automatic non-forfeiture option	128	128	1	NA



**TABLE OF TOTAL VIOLATIONS**

Criticism	Crit #	Statute/Rule	Description of Violation	Population	Sample	# of Violations	Error %
DB Policy Forms	63	50 Ill. Adm. Code 1407.20	Failed to define terminal illness as generally resulting in the insured's death within 24 months	128	128	1	NA
DB Advertising Review	85	50 Ill. Adm. Code 909.50(a), (b), (d), (e) and (m)	Accidental Death marketed deceptively as Mortgage Credit coverage	762	762	4	NA
DB Advertising Review	87	50 Ill. Adm. Code 909.50(m)	Imply substantial advantages not available at a later date with the tendency to mislead	762	762	11	NA

#### **IV. BACKGROUND**

Globe Life & Accident Insurance Company was organized as a stock life, health and accident insurance company in 1951. Globe Life was licensed to do business in Illinois on May 6, 1960. The Company purchased American Life Insurance Company in 1970.

The Company was re-domiciled in Delaware in 1979, and in 1980, Globe Life was acquired by Liberty National Life Insurance Company. Subsequently, in July 1980, Torchmark Corporation was created as a holding company and owns Globe Life and seven (7) subsidiaries. The Company is licensed to do business in all states except New York.

Globe Life & Accident Insurance Company had 2014 direct Illinois premiums of \$38,935,926 with a 60 percent market share.

#### **V. METHODOLOGY**

The Market Conduct Examination covered the business for the period of July 1, 2014 through June 30, 2015, for claims and January 1, 2014 through June 30, 2015, for the complaint/appeal file review. Specifically, the examination focused on a review of the following areas:

1. Producer Production
2. Claims
3. Department Complaints and Consumer Appeals

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 were 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.

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. As stated by the Company to the IDOI in response to IDOI Complaints, it takes the Company seven (7) days from the approval/process date of the claim until payment is mailed. The seven (7) days were factored into the calculation of the time studies with regard to all payment dates as part of the claim surveys.

The period under review was July 1, 2014 through June 30, 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 and external independent reviews 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 January 1, 2014 through June 30, 2015.

**Globe Life & Accident Insurance Company**

<u>Survey</u>	<u>Population</u>	<u>Reviewed</u>	<u>% Reviewed</u>
<b>CLAIMS ANALYSIS</b>			
Paid Individual Life	381	82	22.00%
Denied Individual Life	6	6	100.00%
Paid Group Life	1461	107	7.32%
Denied Group Life	126	75	59.52%
Paid Accidental Death	12	12	100.00%
Approved Waiver of Premium	1	1	100.00%
Paid Cancer	9	9	100.00%
Denied Cancer	4	4	100.00%
Paid Hospital Medical Surgical	19	19	100.00%
Denied Hospital Medical Surgical	28	28	100.00%
Paid Medicare Supplement	4057	108	2.66%
Denied Medicare Supplement	36	36	100.00%
Closed w/o Payment Medicare Supplement	31	31	100.00%
<b>PRODUCER LICENSING</b>	355 Agents/ 92,865 apps	355 Agents/ 92,865 apps	100.00%
<b>CONSUMER COMPLAINTS</b>	76	76	100.00%
<b>DOI COMPLAINTS</b>	61	61	100.00%
<b>POLICYHOLDER SERVICES</b>			
Declined Life Applications	14852	116	0.78%
Life New Business	75761	116	0.15%
Medicare Supplement New Issue	18	18	100.00%
Non-Forfeiture Review	1649	114	6.91%
<b>POLICY FORMS AND ADVERTISING</b>			
Policy Forms	128	128	100.00%
Advertising	762	762	100.00%

## VI. FINDINGS

### A. Claims

#### 1. Paid Individual Life

- In 82 instances out of 82 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)(1)(3).
- In four (4) instances out of 82 files reviewed for an error percentage of 5%, 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).
- In 12 instances out of 82 files reviewed for an error percentage of 15%, 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).
- In two (2) instances out of 82 files reviewed for an error percentage of 2%, the company failed to pay beneficiary interest when the claim was paid after 31 days of receipt of due proof of loss totaling \$430.14. This is a violation of 215 ILCS 5/224(1)(1).

The median for payment was 15 days.

Criticism	Crit#	Statute/Rule	Description of Violation	Interest Underpayment
DB PIL	30	215 ILCS 5/224(1)(1)	Interest due to late payment	\$169.87
DB PIL	35	215 ILCS 5/224(1)(1)	Interest due to late payment	\$260.27
			TOTAL	\$430.14

#### 2. Denied Individual Life

- In six (6) instances out of six (6) 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)(1)(3).
- In three (3) instances out of six (6) files reviewed for an error percentage of 50%, 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).

- In four (4) instances out of six (6) files reviewed for an error percentage of 67%, 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 nine (9) days.

### 3. Paid Group Life

- In four (4) instances out of 107 files reviewed for an error percentage of 4%, 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).
- In 24 instances out of 107 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 when a claim was delayed beyond 45 days. This is a violation of 50 Ill. Adm. Code 919.70(a)(2).

The median for payment was 17 days.

### 4. Denied Group Life

- In four (4) instances out of 75 files reviewed for an error percentage of 5%, the company failed to deny coverage within 30 days. This is a violation of 50 Ill. Adm. Code 919.50(a).
- In 37 instances out of 75 files reviewed for an error percentage of 49%, 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).
- In six (6) instances out of 75 files reviewed for an error percentage of 8%, 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).
- In five (5) instances out of 75 files reviewed for an error percentage of 7%, 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 denial was 28 days.

### 5. Paid Accidental Death

- In 11 instances out of 12 files reviewed for an error percentage of 92%, 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 was 35 days.

#### 6. Paid Waiver of Premium

A single waiver of premium was reviewed. No exceptions were noted.

#### 7. Paid Cancer

- In nine (9) instances of nine (9) files reviewed for an error percentage of 100%, it was revealed the policy form in use is in violation. The company was criticized for policy language that excluded skin cancer. Cancer is the risk purported to be assumed. This is a violation of 50 Ill. Adm. Code 2007.70(b)(8)(A)(x).

The median for payment was two (2) days.

#### 8. Denied Cancer

- In one (1) instance out of four (4) files reviewed for an error percentage of 25%, 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).
- In one (1) instance out of four (4) files reviewed for an error percentage of 25%, the company failed to send a denial letter within 30 days. This is a violation of 50 Ill. Adm. Code 919.50(a).

The median for denial was nine (9) days.

#### 9. Paid Hospital Medical Surgical

- In two (2) instances out of 19 files reviewed for an error percentage of 11%, the company failed to provide the Notice of Availability of the Department of Insurance on the partial denial letter to the beneficiary. This is a violation of 50 Ill. Adm. Code 919.50(a)(1).

The median for payment was 15 days.

#### 10. Denied Hospital Medical Surgical

- In 28 instances out of 28 files reviewed for an error percentage of 100%, the company failed to provide a "Notice of Availability of the Department of Insurance" on denied claims. This is a violation of 50 Ill. Adm. Code 919.50(a)(1).

The median for denial is 23 days.

#### 11. Paid Medicare Supplement

A review of 108 Paid Medicare Supplement claims produced no exceptions.

The median for payment was 10 days.

## 12. Denied Medicare Supplement

A review of 36 Denied Medicare Supplement claims produced no exceptions.

The median for denial was three (3) days.

### B. Consumer Complaints

A review of 76 consumer complaint files produced no exceptions.

The median response time to the complainant was 10 days.

### C. Department of Insurance Complaints

- In one (1) instance out of 61 complaint files for an error percentage of 2%, the company failed to pay a life claim within 31 days of the date the file was complete and interest resulted. This is a violation of 215 ILCS 5/224(1)(I). The amount of interest for the criticism was \$168.50. The Company disagreed with the criticism but made the payment of the interest due.

Criticism	Crit#	Statute/Rule	Description of Violation	Interest Underpayment
PH DOI	9	215 ILCS 5/224(1)(I)	Interest due to late payment	\$168.50

- In one (1) instance out of 61 for an error percentage of 2%, the company was criticized for failure to respond to the Department of Insurance within the required time. This is a violation of 50 Ill. Adm. Code 926.40(a).

The median for response to the Department was 21 days.

### D. Policy Holder Services

#### 1. Declined Life Applications

A review of 116 declined life applications produced no exceptions.

The median for declination was seven (7) days.

#### 2. Life New Business

A review of 116 life new business applications produced no exceptions.

#### 3. Medicare Supplement New Business

A review of 18 Medicare supplement applications produced no exceptions.



#### 4. Non-Forfeiture Review

- In 23 instances out of 114 for an error percentage of 20%, the company was criticized for failure to respond to provide a “Notice of Enactment of a Non-Forfeiture Options” to the insured. This is a violation of 215 ILCS 5/234.1.
- In 82 instances out of 114 for an error percentage of 72%, the company was criticized for failure to place the provisions on the non-forfeiture option called for in the insured’s policy. This is a violation of 215 ILCS 5/229.2(1)(i).

#### 5. Life Cash Surrenders

- In five (5) instances out of 102 for an error percentage of 5%, the company was criticized for use of an automatic premium loan provision without request of the policyowner pursuant to the application contained in the file. This is a violation of 50 Ill. Adm. Code 1405.30(c).
- In 12 instances out of 102 for an error percentage of 12%, the company was criticized for enacting an automatic premium loan option when it had not been requested by the policyowner at time of non-forfeiture. This is a violation of 50 Ill. Adm. Code 1405.40(c)(1).

The median for surrender was 12 days.

#### 6. Life Replacements

- In 113 instances out of 113 for an error percentage of 100%, the company was criticized for failure to provide the existing insurers with policy summaries within three (3) business days. This is in violation of 215 ILCS 5/224(2).
- In 24 instances out of 113 for an error percentage of 21%, the company was criticized for failure to send a Notice Regarding Replacement of Life Insurance to the replacing insurer 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(b).
- In 77 instances out of 113 for an error percentage of 68%, 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 in violation of 50 Ill. Adm. Code 917.70(c) and 50 Ill. Adm. Code 930.50.
- In 16 instances out of 113 for an error percentage of 14%, the company was criticized for failure to forward to the existing insurer within three (3) business days after receipt of the application, the Notice Regarding Replacement of Life Insurance when the policy is being replaced. This is a violation of 50 Ill. Adm. Code 917.80(c)(2).

E. Producer Licensing

1. Agent Production

A review of 355 producers and 92,865 applications produced no criticisms.

2. Terminated Agent Review

There were no agents terminated for cause.

F. Policy Forms and Advertising

1. Policy Forms

Reviews of the 128 policy forms filed and in use for the period under review resulted in the following criticisms.

- In 16 instances the insurer was criticized under 215 ILCS 5/143(1) for use of life policy forms that include exclusions for the insured's intoxication above the legal limit when it is not the direct cause of death and does not meet current standards.
- In 19 instances the insurer was criticized under 215 ILCS 5/143(1) for use of life policy forms that include exclusions that use language regarding illegal acts or illegal activity and are not permitted.
- In four (4) instances the insurer was criticized under 215 ILCS 5/143(1) for use of life policy forms that include exclusions for gang activity. No definition accompanies this exclusion and it is both ambiguous and subjective.
- In seven (7) instances the insurer was criticized under 215 ILCS 224(l) for use of an incorrect timeline for penalty interest due to late claim payment.
- In 22 instances the insurer was criticized under 50 Ill. Adm. Code 1405.20(a)(3)(B) for use of life forms that include exclusions that exclude coverage for hazardous sports and activities.
- In one (1) instance the insurer was criticized under 50 Ill. Adm. Code 1405.20(a)(3)(B) for use of a life form that includes exclusions that exclude coverage for hazardous sports and activities and does not cover loss if it happens within 90 days of the accident. Loss from accident is the risk purported to be assumed and must not contain this limitation.
- In one (1) instance the insurer was criticized under 50 Ill. Adm. Code 1405.40(c)(1) for use of life forms that state automatic premium loan at time of non-forfeiture is the automatic option.
- In one (1) instance the insurer was criticized under 50 Ill. Adm. Code 1407.20 for use of life policy forms that fail to define terminal illness as generally resulting in the insured's death within 24 months.

## 2. Advertising

Reviews of the 762 advertising forms in use for the period under review resulted in the following criticisms.

- In four (4) instances the insurer marketed Accidental Death coverage deceptively as mortgage credit protection in violation of 50 Ill. Adm. Code 909.50(a), (b), (d), (e) and (m).
- In 11 instances the insurer implied in the advertising that substantial advantages would not be available at a later date and has the tendency to mislead in violation of 50 Ill. Adm. Code 909.50(m).

STATE OF MISSOURI            )  
  ) ss  
COUNTY OF St. Louis        )

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 Globe Life and Accident Insurance Company, (the "Company"), NAIC 91472.

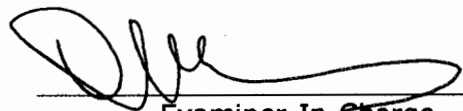
That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish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

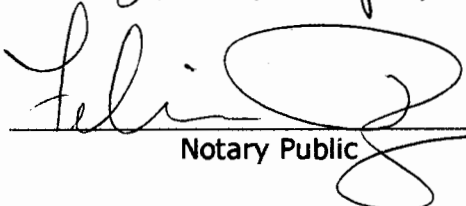
That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

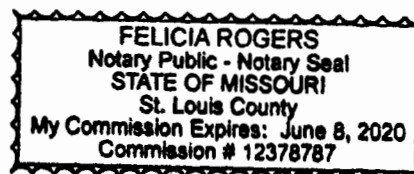
That she/he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

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 8 day of September, 2016

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



**STATE OF ILLINOIS**  
**DEPARTMENT OF INSURANCE**



IN THE MATTER OF:

**GLOBE LIFE & ACCIDENT INSURANCE COMPANY**  
**GLOBE LIFE CENTER**  
**OKLAHOMA CITY, OK 73184**

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, Globe Life and Accident Insurance Company (“the Company”), NAIC 91472, 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 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 policies and procedures whereby the Company shall notify the insured's beneficiary of the availability of interest due to delayed claim processing on life claims as required by 215 ILCS 5/224(1)(1)(3).
2. 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).
3. Institute and maintain policies and procedures whereby the Company shall provide the insured or insured's beneficiary a Notice of Availability of the Department of Insurance as required by 50 Ill. Adm. Code 919.50(a)(1).
4. 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).
5. Institute and maintain policies and procedures whereby the Company shall provide policy owners with a Notice of Non-Forfeiture Option prior to enactment of the non-forfeiture option as required by 215 ILCS 5/234.1.
6. Institute and maintain policies and procedures whereby the Company shall ensure the enactment of non-forfeiture options within 60 days as required by 215 ILCS 5/229.2(1)(i).
7. Institute and maintain policies and procedures whereby the Company shall not enact an automatic premium loan provision as an automatic non-forfeiture benefit as required by 50 Ill. Adm. Code 1405.40(c)(1).
8. Institute and maintain policies and procedures whereby the Company shall provide the existing insurer with a policy summary within 3 working days after the date the replacement policy is issued as required under 215 ILCS 5/224(2).

9. Institute and maintain policies and procedures whereby the Company shall provide the applicant a copy of the Buyer's Guide as required by 50 Ill. Adm. Code 917.70(c) and 50 Ill. Adm. Code 930.50.
10. Institute and maintain policies and procedures whereby the Company shall send a Notice Regarding Replacement of Life Insurance to the replacing insurer 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(b).
11. Institute and maintain policies and procedures whereby the Company shall forward to the existing insurer, within 3 working days after receipt of the application the Notice Regarding Replacement of Life Insurance as required by 50 Ill. Adm. Code 917.80(c)(2).
12. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above eleven (11) orders within 30 days of execution of this Order.
13. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$80,000 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 **GLOBE LIFE & ACCIDENT INSURANCE COMPANY**

  
Signature

JOEL SCARBOROUGH  
Name

SVP AND GENERAL COUNSEL  
Title

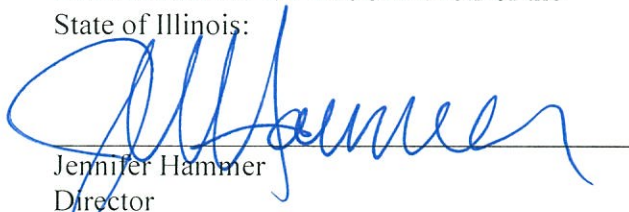
Subscribed and sworn to before me this  
10 day of April 2017.

Kelly L. Kinser  
Notary Public



DEPARTMENT OF INSURANCE of the  
State of Illinois:

DATE 4/12/2017

  
Jennifer Hammer  
Director

