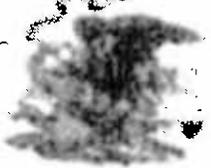


STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF THE EXAMINATION OF

AMERICO FINANCIAL LIFE & ANNUITY INSURANCE COMPANY
PO BOX 139061
DALLAS, TX 75313-9061

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 401(b), 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/401(b), 5/402, 5/403, and 5/425) do hereby appoint Examiner-In-Charge, Max Weaver and associates as the proper persons to examine the insurance business and affairs of Americo Financial Life & Annuity Insurance Company, NAIC # 61999, and to make a full and true report to me of the examination made by them of Americo Financial Life & Annuity Insurance Company, with a full statement of the condition and operation of the business and affairs of Americo Financial Life & Annuity 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 costs of this examination shall be borne by the company.

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



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

Done at the City of Chicago this 22nd day of January, 2013.

Andrew Boron

Andrew Boron

Director

AMERICO FINANCIAL LIFE AND ANNUITY INSURANCE COMPANY

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION:	March 18, 2013 through June 24, 2013
EXAMINATION OF:	Americo Financial Life and Annuity Insurance Company NAIC # 61999
LOCATION OF EXAMINATION:	301 11 th Street Kansas City, Missouri
PERIOD COVERED BY EXAMINATION:	Central Company Data January 1, 2012 to January 1, 2013 Department of Insurance Complaints: January 1, 2010 to January 1, 2013
EXAMINER:	Max R. Weaver Examiner-in-charge

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I. SUMMARY

1. The Company was criticized for failing to notify beneficiaries at the time of claim that 10% interest would accrue, from the date of death to the date of payment, on all life claims not paid within 31 days as required by 215 ILCS 5/224(1)(l).
2. The Company was criticized for underpayment of interest, in the amount of \$28.72, on a claim not paid within 31 days as required by 215 ILCS 5/224(1)(l).
3. The Company was criticized under 215 ILCS 5/234.1 for failing to give policy owners all available non - forfeiture options before enacting a non-forfeiture option.
4. The Company was criticized under 215 ILCS 5/143d(b) for failing to reply to three (3) consumer complaints within 21 days.
5. The Company was criticized under 50 Ill. Adm. Code 919.70(a)(2) for failing to notify the insured's beneficiary of the availability of the Department of Insurance with the 45 day delay letter providing the reasonable written explanation for the delay in payment of an annuity death settlement.
6. The Company was criticized under 50 Ill. Adm. Code 919.70(a)(2) for failing to notify the insured's beneficiary of the availability of the Department of Insurance with the 45 day delay letter providing the reasonable written explanation for the delay in payment of a life insurance claim.
7. The Company was criticized under 50 Ill. Adm. Code 919.70(a)(2) for failing to notify the insured of the availability of the Department of Insurance with the 45 day delay letter providing the reasonable written explanation for the delay in processing of a waiver of premium request.
8. The Company was criticized under 50 Ill. Adm. Code 919.70(a)(2) for failing to notify insureds of the availability of the Department of Insurance with the 45 day delay letter providing the reasonable written explanation for the delay in processing of a disability insurance claim.

II. BACKGROUND

Americo Financial Life and Annuity Insurance Company (“Company”) was incorporated on July 1, 1946 and commenced business on July 25, 1946. The Company at that time was known as The College Life Insurance Company of America. The Company was originally incorporated in the state of Indiana. The Company re-domesticated to the state of Texas in 1995. The current name was adopted in 2001.

The Americo group of companies acquired the Company on March 29, 1998. Operations continued in the Company’s Indianapolis, Indiana location for a short period before relocating to their present location in Kansas City, Missouri. The Company is a foreign stock company licensed in 48 states, the District of Columbia, Puerto Rico, the Cayman Islands and the U.S. Virgin Islands.

The Company markets through independent agents and marketing organizations. Products offered include individual and group life, disability and annuities.

The Company was licensed to do business in Illinois on September 9, 1946.

The Company’s Annual Statement for the year 2012, Schedule T for Illinois, reported direct premium for group and ordinary life in the amount \$7,104,134 direct annuity considerations in the amount of \$4,143,612 and direct premium for accident and health in the amount of \$120.

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. Policy Forms and Advertising Analysis
3. Non-forfeiture Analysis
4. Claims Analysis
5. Complaint Analysis

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

The report concerns itself with improper practices performed with such frequency as to indicate general business practices. Individual criticisms are identified and communicated to the insurer but are not cited in the report if not indicative of a general trend, except if there were underpayments and/or overpayments in claims surveys or undercharges and/or overcharges in underwriting surveys.

The following methods were used to obtain the required samples to assure a methodical selection.

Producer Licensing and Production Analysis

Populations for the producer file reviews were determined by whether or not the producers were licensed by the State of Illinois. New business listings were retrieved from Company records selecting newly solicited insurance applications which reflected Illinois addresses for the applicants.

Policy Forms and Advertising Material Analysis

The Company was requested to provide specimen copies of all policy forms and samples of all advertising material in use during the survey period.

Non-forfeiture Analysis

Listings were requested of all policies cash surrendered, placed on extended term insurance status, or converted to reduced paid-up insurance during the survey period covered by the examination. These listings were retrieved by a search of Illinois life

policies which either lapsed for nonpayment of premium or were requested non-forfeiture option conversions made by the policyholders.

Claims

Claim surveys were selected using the following criteria:

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

All median payment periods were measured from the date necessary proofs of loss were received to the date of payment or denial to the insured or the beneficiary.

Department of Insurance Complaints

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

Median periods were measured from the date of notification of the complaint to the date of response to the Department of Insurance.

The examination period for Department of Insurance complaints was January 1, 2010 through January 1, 2013.

SELECTION OF SAMPLE

SURVEY	POPULATION	# REVIEWED	%REVIEWED
<u>Producer Production Analysis</u>			
Number of Producers	127	127	100
Number of Transactions	2633	2633	100
Terminated Producers	237	237	100
<u>Non-Forfeiture Analysis</u>			
Cash Surrendered Life Policies	51	51	100
Extended Term and Reduced Paid-up	19	19	100
Annuity Cash Surrendered Policies	35	35	100
Approved Waiver of Premium	6	6	100
Rejected Waiver of Premium	1	1	100
<u>Claims Analysis</u>			
Paid Individual Life	96	96	100
Denied Individual Life	7	7	100
Annuity Death Settlements	18	18	100
Paid Disability	6	6	100
Denied Disability	6	6	100
Paid Group Life	11	11	100
<u>Policy Forms Advertising Analysis</u>			
Policy Forms	133	133	100
<u>Replacement Policy Analysis</u>			
Internal and External Annuities	62	62	100
<u>Declined Life Application Analysis</u>			
Declined Life Applications	71	71	100

Complaint Analysis

Department Complaints	6	6	100
Consumer Complaints	36	36	100

IV. FINDINGS

A. Producer Production Analysis

1. Producer Production

A review of the new business and producer licensing produced no criticisms.

2. Terminated Producers

The review of 237 terminated producer files revealed that no producers were terminated for reasons which require reporting to the Director pursuant to 215 ILCS 5/500-70.

B. Non-Forfeiture Analysis

1. Cash Surrendered Life Policies

The review of the 51 cash surrendered life policies files produced no criticisms.

The median for surrender was 15 days.

2. Extended Term and Reduced Paid-up Policies

The review of all 19 extended term and reduced paid-up policy files produced one general criticism for failing to give policy-owners all available options, as required by 215 ILCS5/234.1, prior to the enactment of a non-forfeiture option. The Company's procedure is to refer the policy-owners to their policy for other available options.

3. Annuity Cash Surrendered Policies

The review of all 35 of the cash surrendered annuity policy files produced no criticisms.

The median for surrender was 14 days.

4. Approved Waiver of Premium

The review of all six (6) approved waiver of premium files produced one general criticism under 50 Ill. Adm. Code 919.70(a)(2) for failing to notify the insured of the availability of the Department of Insurance with the 45 day delay letter providing the reasonable written explanation for the delay in processing the request for waiver of premium payment.

Prior to the termination of the examination, the Company advised the examiner that procedures were being instituted to comply with this provision.

The median for approval was 14 days. The time to approve waiver requests ranged from 51 days to 177 days.

5. Rejected Waiver of Premium

The review of the one (1) rejected waiver of premium file produced a criticism. The criticism was for failing to notify the insured of the availability of the Department of Insurance with the letter providing the reasonable written explanation for the delay in processing of the waiver request as required by 50 Ill. Adm. Code 919.70(a)(2).

Prior to the termination of the examination, the Company advised the examiner procedures were being instituted to comply with the code.

No median could be established.

C. Claims Analysis

1. Paid Individual Life

The review of all 96 paid individual life claim files produced three (3) criticisms. The first criticism was an individual criticism made under 215 ILCS 5/224(1)(I) for under-payment of interest in the amount of \$28.72 on a claim not paid within 31 days. The Company had paid interest at the correct rate but miscalculated the number of days until the date of claim payment. As a result, the Company failed to pay interest for six days of the delay. Prior to the termination of the examination, the Company provided the examiner with a copy of the \$28.72 check dated 5/16/13 in payment of the additional interest due. Six other claims were not paid within 31 days. For these six claims, the Company did pay interest at the correct rate for the correct number of days.

The second criticism was a general criticism for failing to notify beneficiaries at the time of claim that 10% interest would accrue, from date of death to date of payment, if the claim is not paid within 31 days from the latest to occur of the three conditions in 215 ILCS 5/224(1)(I). The Company did have an Illinois specific notice that complies with 215 ILCS 5/224(1)(I). This Illinois specific notice was used on 74% of the files reviewed. For the other 26% of files reviewed, the Company's standard notice, as opposed to the Illinois specific notice, was used.

The third criticism was a general criticism for failing to notify the insured's beneficiary of the availability of the Department of Insurance with the 45

delay letter providing the reasonable written explanation for the delay in payment of the claim as required by 50 Ill. Adm. Code 919.70(a)(2).

The Company stated that it was implementing a process, to be completed by May 30, 2013, to notify the beneficiary with Notice of Availability of the Department of Insurance. The Company has reminded its associates that it is very important to see that Illinois specific forms are used for all Illinois claims since the Illinois specific forms contain language that complies with both 50 Ill. Adm. Code Part 919 and 215 ILCS 5/224(1)(1).

The median for payment was 14 days.

2. Denied Individual Life

The review of the seven (7) denied individual life claim files produced two (2) general criticisms. The first general criticism was for failing to notify beneficiaries, at the time of claim, that 10% interest would accrue, from the date of death to the date of payment, if the claim was not paid within 31 days as required by 215 ILCS 5/224(1)(1).

The second general criticism was for failing to notify the insured's beneficiary of the availability of the Department of Insurance with the 45 day delay letter providing the reasonable written explanation for the delay in processing the claim as required by 50 Ill. Adm. Code 919.70(a)(2).

Prior to the termination of the examination, the Company provided the examiner with written information, stating that procedures would be in place by May 30, 2013 to comply with the Notice of Availability of the Department of Insurance requirement. Also, the Company stated that its general practice is to include the 215 ILCS 5/224(1)(1) interest notification. The Company has instructed its associates to use the existing Illinois specific forms for all Illinois claims.

The median for denial was 25 days.

3. Paid Annuity Death Settlements

The review of the 18 annuity death settlement claim files produced one general criticism. The criticism was made under 50 Ill. Adm. Code 919.70(a)(2) for failing to notify the insured's beneficiary of the availability of the Department of Insurance in 11 or 72% of the 45 day delay letters providing the reasonable written explanation for the delay in payment of the claim.

Prior to the termination of the examination, the Company provided the examiner with information that procedures were being implemented and all notifications regarding unresolved claims will be in compliance by May 30, 2013.

The median for payment was 11 days.

4. Paid Disability

The review of six (6) paid disability claims produced no criticisms.

The median for payment was 14 days.

5. Denied Disability

The review of six (6) denied disability claims produced one criticism. The criticism is for failing to include a Notice of the Availability of the Department of Insurance with the 45 day delay letters providing a reasonable written explanation for the delay as required by 50 Ill. Admin. Code 919.70(a)(2).

6. Paid Group Life

The review of 11 or 100% of paid group life claim files produced no criticisms. (Note: There were no denied group life claims.)

The median for payment was 14 days.

D. Policy Forms and Advertising Analysis

The review of 96 policy forms and 37 advertising material brochures produced no criticisms.

E. Replacement Policy Analysis

A review of 62 internal and external annuity policies produced no criticisms.

F. Declined Life Application Analysis

A review of 71 declined life applications produced no criticisms.

G. Complaint Analysis

1. Department Complaints

The review of all six (6) Department complaint files produced no criticisms.

The median for response was 16 days.

2. Consumer Complaints

The review of the 36 consumer complaint files produced one (1) criticism. A general criticism was made under 215 ILCS 5/143d(b) for failing to reply to three (3) consumer complaints within 21 days.

Prior to the termination of the examination, the Company advised the examiner that procedures would be implemented to comply with the requirements.

The median for response was seven (7) days.

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:

Americo Financial Life and Annuity Insurance Company, NAIC #61999

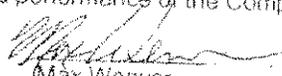
That, as Examiner-In-Charge, he was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish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

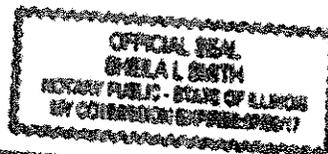
That he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

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 16 day of October, 2013.


Notary Public



STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF:
AMERICO FINANCIAL LIFE & ANNUITY INSURANCE COMPANY
NAIC # 61999

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, Americo Financial Life & Annuity Insurance Company (“Company”) is authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by 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, and 407 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Company understands and agrees that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and

WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order.

NOW, THEREFORE, IT IS agreed by and between the Company and the Director as follows:

1. The Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and
2. The Director and the Company consent to this Order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and Department Regulations.

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

1. Institute and maintain procedures whereby the Company will to notify beneficiaries at the time of claim that 10% interest will accrue from the date of death to the date of payment on all life insurance claims not paid within 31 days as required by 215 ILCS 5/224(1)(l).
2. Institute and maintain procedures whereby the Company will pay interest from the date of death to the date of payment on all life insurance claims not paid within 31 days as required by 215 ILCS 5/224(1)(l).
3. Institute and maintain procedures whereby the Company will notify policy owners of all available non-forfeiture options before enacting a non-forfeiture option as required by 215 ILCS 5/234.1.
4. Institute and maintain procedures whereby the Company will notify the insured's beneficiary of the availability of the Department of Insurance with the letter providing the reasonable written explanation for a 45 day delay in payment of an annuity settlement as required by 50 Ill. Admin. Code 919.70(a)(2).
5. Institute and maintain procedures whereby the Company will notify the insured's beneficiary of the availability of the Department of Insurance with the letter providing the reasonable written explanation for a 45 day delay in payment of a life insurance claim as required by 50 Ill. Admin. Code 919.70(a)(2).
6. Institute and maintain procedures whereby the Company will notify the insured of the availability of the Department of Insurance with the letter providing the reasonable written explanation for a 45 day delay in processing a request for waiver of premium as required by 50 Ill. Admin. Code 919.70(a)(2).
7. Institute and maintain procedures whereby the Company will notify the insured of the availability of the Department of Insurance with the letter providing the reasonable written explanation for the 45 day delay in processing a disability insurance claim as required by 50 Ill. Admin. Code 919.70(a)(2).
8. Institute and maintain procedures whereby the Company will provide a written response to consumer complaints within 21 days of receipt as required by 215 ILCS 5/143d(b).

- 9. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above eight (8) orders within 30 days of receipt of this Order.
- 10. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$7,000 to be paid within 30 days of execution of this Order.

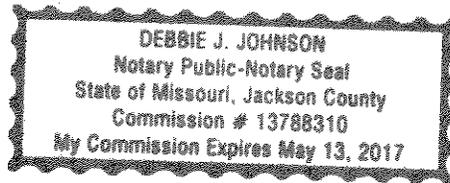
NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code, including but not limited to levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of AMERICO FINANCIAL LIFE & ANNUITY INSURANCE COMPANY

Cathy A. Cavitt
 Signature
Cathy A. Cavitt
 Name
V.P.
 Title

Subscribed and sworn to before me this
16th day of DECEMBER 2013.

Debbie J. Johnson
 Notary Public



DEPARTMENT OF INSURANCE of the
 State of Illinois:

DATE 1-3-2014

Andrew Boron
 Andrew Boron
 Director



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

January 8, 2014

Mr. Gary Lee Muller
President
Americo Financial Life & Annuity
Insurance Company
P.O. Box 410288
Kansas City, MO 64141-0288

Re: ***Americo Financial Life & Annuity Insurance Company
Market Conduct Examination Report***

Dear Mr. Muller:

Attached you will find a fully executed copy of the Stipulation and Consent Order for your records. The company has submitted to the Department proofs of compliance with Order # 1 through Order #8 and has submitted the \$7,000 civil forfeiture as outlined in the Stipulation and Consent Order. These proofs of compliance have been reviewed and are satisfactory.

The Department is closing its file on this exam. I intend to ask the Director to make the Examination Report available for public inspection as authorized by 215 ILCS 5/132.

Sincerely,

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