



# Illinois Department of Insurance

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PAT QUINN  
Governor

ANDREW BORON  
Director

VIA USPS CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

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July 22, 2014

Robert Senkler  
President  
Minnesota Mutual Life Center  
400 North Robert Street  
St. Paul, MN 55101

Re: *Minnesota Life Insurance Company-NAIC # 66168  
Market Conduct Examination Report Closing letter*

Dear Mr.Senkler:

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 available for public inspection as authorized by 215 ILCS 5/132.

If you have any questions, my contact information is listed below.

Sincerely,

A handwritten signature in cursive script that reads "Lysa Saran /ms".

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

STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE



IN THE MATTER OF THE EXAMINATION OF

MINNESOTA LIFE INSURANCE COMPANY  
MINNESOTA MUTUAL LIFE CENTER  
400 NORTH ROBERT STREET  
ST. PAUL, MN 55101

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402 and 5/425) do hereby appoint Bernie Sullivan, of the Illinois Department of Insurance, as Examiner-In-Charge, and Andrew R. Greene, Iain D. Johnston, Philip Ackerman, Erika Kruse, Gabriela D'Adamo, and Rachael Blackburn, each of Johnston Greene LLC, as Examiners, to examine the insurance business and affairs of Minnesota Life Insurance Company, NAIC # 66168, and to make a full and true report to me of the examination made by them of Minnesota Life Insurance Company, with a full statement of the condition and operation of the business and affairs of Minnesota Life Insurance Company, with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business. This will be a specific targeted exam on the credit business of the company and will involve determining whether the company is paying commissions to unlicensed individuals. 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 Minnesota Life Insurance Company. This warrant supersedes the warrant dated December 26, 2012 that was previously issued by the Illinois Department of Insurance for Minnesota Life Insurance Company.



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

Done at the City of Chicago, this 24<sup>th</sup> day of January, 2013.

*Andrew Boron*

Andrew Boron

Director

MINNESOTA LIFE INSURANCE COMPANY

## MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: January 3, 2013 through June 1, 2013

EXAMINATION OF: Minnesota Life Insurance Company, NAIC # 66168  
(Foreign Stock)

COMPANY ADDRESS: Minnesota Mutual Life Center  
400 North Robert Street  
St. Paul, Minnesota 55101

PERIOD COVERED  
BY EXAMINATION: January 1, 2012 through December 31, 2012

EXAMINER: Andrew Greene  
Rachael Blackburn  
Bernie Sullivan Jr. LUTCF  
Examiner-in-Charge

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I: EXECUTIVE SUMMARY:

The material findings, comments, violations and recommendations contained in this report are summarized below.

1. The Company was criticized under 215 ILCS 5/500-70(a)(12) for knowingly accepting insurance business from an individual who is not licensed.
2. The Company was criticized under 215 ILCS 5/500-80 and Department Company Bulletin 2009-04 for paying commissions to producers/entities who were not duly licensed under the laws of the State of Illinois.

## II: SCOPE OF EXAMINATION:

This examination comprised of a review of credit life insurance and credit health insurance business issued by the company and involved a determination of whether the company was paying commissions to unlicensed individuals or entities or allowing unlicensed individuals or entities to sell, solicit or negotiate insurance. The examiners utilized the interpretation of the applicable statutes set forth in Department Company Bulletin 2009-04, "Producer Licensing Requirements Regarding Group Credit Insurance."

The period of time covered by the examination was from January 1, 2012 through December 31, 2012 and was limited to Illinois business only. The examination was conducted pursuant to Illinois Department of Insurance policies and procedures and the National Association of Insurance Commissioners' Market Regulation Handbook. This report on the examination is confined to comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

III: BACKGROUND:

Originally organized as an assessment company in 1880 under the title Bankers Life Association, the title was changed to Minnesota Mutual Life Insurance Company in 1901 when it became a mutual legal reserve company. In 1998, the present title was adopted when the company converted from a mutual insurer to a stock life insurance company by adopting the mutual insurance holding company structure under the holding company, Minnesota Mutual Companies, Inc. The Company is authorized to write life, health and annuity insurance products in all states except New York.

The Company's 2012 NAIC Annual Statement Page 24 Accident and Health (Illinois) reflects the following: NAIC #66168

	<u>Line</u>	<u>Direct premium written</u>	<u>Direct premium earned</u>	<u>Direct losses paid</u>	<u>Direct losses incurred</u>
24.2	Credit (group and individual)	\$2,051,374	\$1,891,359	\$969,862	\$905,422

The Company's 2012 NAIC Annual Statement Page 24 Life (Illinois) reflects the following: NAIC #66168

	<u>Line</u>	<u>Direct premium written</u>	<u>Direct premium earned</u>	<u>Direct losses paid</u>	<u>Direct losses incurred</u>
05	Credit Life (group and individual)	\$1,506,515	\$	\$	\$
15	Credit Life (group and individual)	\$	\$684,999	\$	\$
17	Credit Life (group and individual)	\$	\$	\$	\$695,652
18.3	Credit Life (group and individual)	\$	\$	\$684,999	

#### IV: METHODOLOGY:

The Market Conduct Examination places emphasis on an insurer's systems and procedures used in dealing with insureds and claimants.

The following categories are the general areas examined:

- A. Producer Licensing
- B. Commission Payments

The review of these categories is accomplished through examination of individual files Company records. Each of these categories is examined for compliance with Department of Insurance rules and regulations and applicable state laws.

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

The following method was used to obtain the required samples and to assure a methodical selection. Statistical printout reports were generated by the Company and provided to the examiners. Surveys were developed from the Company generated Excel spreadsheets.

##### Producer Licensing

The Company was asked for and provided a list of all producers/agents submitting new business applications for any credit life or accident or health policies during the examination period. This list was then compared to the Department's licensing records to determine whether each Producer and Agent was licensed in the state of Illinois. Agreements between the Company and Producers were also reviewed.

##### Producer Commission Payments

The Company was asked for and provided a list of all commissions or fees paid to producers/agents for any credit life or accident or health policies during the examination period. This list was then compared to the Department's licensing records to determine whether each Producer and Agent was licensed in the state of Illinois prior to payment of these commissions. Agreements between the Company and Producers were also reviewed.

V: SELECTION OF SAMPLE:

<u>Survey</u>	<u>Population</u>	<u># Reviewed</u>	<u>% Reviewed</u>
Producer Review			
Producer Licensing	25	25	100.00%
Producer Commission Payments	25	25	100.00%



215 ILCS 5/500.70(a)(12)	knowingly accepting insurance business from an individual who is not licensed
215 ILCS 5/500.70(a)(12)	knowingly accepting insurance business from an individual who is not licensed
215 ILCS 5/500.70(a)(12)	knowingly accepting insurance business from an individual who is not licensed

2. Producer Commission Payments

Commission payments, administration fees or marketing allowances payments amounting to \$261,602.93 were made to nineteen producer/entities (76.00% of the 25 producer/entities reviewed) who were not duly licensed in violation of 215 ILCS 5/500-80 of the Illinois Insurance Code and as defined in Department of Insurance Bulletin #2009-4 dated May 29, 2009. A class trend criticism was issued.

<u>CODE VIOLATED</u>	<u>CRITICISM</u>	<u>AMOUNT PAID</u>
215 ILCS 5/500.80	paying commissions to an individual for selling, soliciting or negotiating insurance business while unlicensed	\$5,149.07
215 ILCS 5/500.80	paying commissions to an individual for selling, soliciting or negotiating insurance business while unlicensed	\$2,071.54
215 ILCS 5/500.80	paying commissions to an individual for selling, soliciting or negotiating insurance business while unlicensed	\$307.26
215 ILCS 5/500.80	paying commissions to an individual for selling, soliciting or negotiating insurance business while unlicensed	\$134.02
215 ILCS 5/500.80	paying commissions to an individual for selling, soliciting or negotiating insurance business while unlicensed	\$134.02
215 ILCS 5/500.80	paying commissions to an individual for selling, soliciting or negotiating insurance business while unlicensed	\$17,402.93
215 ILCS 5/500.80	paying commissions to an individual for selling, soliciting or negotiating insurance business while unlicensed	\$95.29
215 ILCS 5/500.80	paying commissions to an individual for selling, soliciting or negotiating insurance business while unlicensed	\$63,307.77
215 ILCS 5/500.80	paying commissions to an individual for selling, soliciting or negotiating insurance business while unlicensed	\$9,494.47
215 ILCS 5/500.80	paying commissions to an individual for selling, soliciting or negotiating insurance business while unlicensed	\$8,338.21
215 ILCS 5/500.80	paying commissions to an individual for	\$15,044.82

	selling, soliciting or negotiating insurance business while unlicensed	
215 ILCS 5/500.80	paying commissions to an individual for selling, soliciting or negotiating insurance business while unlicensed	\$15,950.04
215 ILCS 5/500.80	paying commissions to an individual for selling, soliciting or negotiating insurance business while unlicensed	\$7,655.23
215 ILCS 5/500.80	paying commissions to an individual for selling, soliciting or negotiating insurance business while unlicensed	\$83,356.59
215 ILCS 5/500.80	paying commissions to an individual for selling, soliciting or negotiating insurance business while unlicensed	\$2,700.77
215 ILCS 5/500.80	paying commissions to an individual for selling, soliciting or negotiating insurance business while unlicensed	\$18,099.13
215 ILCS 5/500.80	paying commissions to an individual for selling, soliciting or negotiating insurance business while unlicensed	\$480.10

VII: TECHNICAL APPENDICES:

STATE OF ILLINOIS            )  
  ) ss  
COUNTY OF COOK            )

Bernie Sullivan, 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:

Minnesota Life Insurance Market Conduct Examination, NAIC #66168 (the "Company")

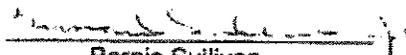
That, as Examiner-In-Charge, he was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish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

That neither he nor any other persons designated as examiners nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as policyholders, and that neither he nor any other persons designated as examiners nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

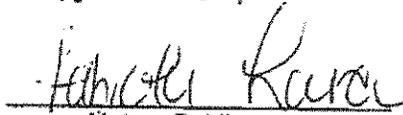
That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

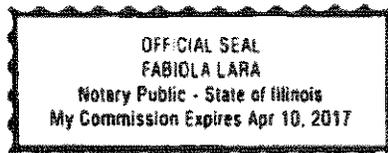
That he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the Companies.

  
Bernie Sullivan  
Examiner-In-Charge

Subscribed and sworn to before me  
this 10 day of September, 2013.

  
Fabiola Lara  
Notary Public



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



IN THE MATTER OF:

MINNESOTA LIFE INSURANCE COMPANY, NAIC # 66168  
MINNESOTA MUTUAL LIFE CENTER  
400 NORTH ROBERT STREET  
ST. PAUL, MINNESOTA 55101

**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, Minnesota Life Insurance Company, NAIC # 66168 (the "Company") is authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by duly qualified examiners of the Department pursuant to Sections 132, 401, 402, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, and 5/425) covering the period of January 1, 2012 through December 31, 2012; and

WHEREAS, as a result of the Market Conduct Examination, the Department examiners filed a Market Conduct Examination Report which is an official document of the Department; and

WHEREAS, said report cited various areas in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and/or Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS nothing herein contained, nor any action taken by the Company in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Company;

WHEREAS, the Company is aware of and understands the various rights of the Company 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, the Company 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/or 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/or Department Regulations.

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

1. Institute and maintain procedures whereby all business accepted by the Company is only from licensed individuals/entities pursuant to 215 ILCS 5/500-70(a)(12).
2. Institute and maintain procedures whereby commissions, administration fees and marketing fees are only paid to licensed individuals/entities pursuant to 215 ILCS 5/500-80 and as defined in the Illinois Department of Insurance Bulletin 2009-4.
3. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above two (2) Orders within 60 days of receipt of these Orders.
4. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$20,000 to be paid within 30 days of the execution of these Orders.

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

On behalf of:

MINNESOTA LIFE INSURANCE COMPANY

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*Nancy Christensen*  
Signature

*Gary Christensen*  
Name

*Senior Vice President*  
Title

Subscribed and sworn to before me this  
*15th* day of *April* A.D. 2014.

*Joann Marie Heuer Kirkwood*  
Notary Public



DATE *5-20-14*

DEPARTMENT OF INSURANCE of the  
State of Illinois:

*Andrew Boron*  
Andrew Boron  
Director