



# Illinois Department of Insurance

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BRUCE RAUNER  
Governor

JENNIFER HAMMER  
Director

August 22, 2017

Mr. Michael E. Fleitz  
President  
Wilco Life Insurance Company  
20 Glover Avenue 4th Floor  
Norwalk, CT 06850

**Re: Wilco Life Insurance Company, NAIC 65900**  
*Market Conduct Executed Stipulation and Consent Order*

Dear Mr. Fleitz:

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**  
**WILCO LIFE INSURANCE COMPANY**

## **MARKET CONDUCT EXAMINATION REPORT**

DATE OF EXAMINATION: September 21, 2016 through April 11, 2017

EXAMINATION OF: Wilco Life Insurance Company  
NAIC #65900

LOCATION: 20 Glover Avenue, 4th Floor  
Norwalk, CT 06850

PERIOD COVERED BY  
EXAMINATION: September 1, 2015 through August 31, 2016

EXAMINERS: Phil Chesson  
Josephine Sitter  
André J. Mumper-Ham, Examiner-in-Charge

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## I. SUMMARY

A comprehensive market conduct examination of Wilco Life Insurance Company, hereinafter referred to as “Wilco” or the “Company”, was performed to determine compliance with Illinois statutes and the Illinois Administrative Code. The focus of this examination was on the Company’s life and annuity business. The Company’s life and annuity business is a closed block of business with no new business issuance as of ten years ago.

The following table represents general findings with specific details in each section of the report.

<b>Table of Total Violations</b>						
<b>Crit</b>	<b>Statute/Rule</b>	<b>Description of Violations</b>	<b>Population</b>	<b>Files Reviewed</b>	<b>No. of Violations</b>	<b>Error %</b>
01	215 ILCS 5/143d(b)	The Company failed to respond to complaints within 21 days of receipt of the complaint. (Consumer Complaints)	16	16	8	50.00%
02	50 Ill. Adm. Code 919.70(a)(2)	The Company failed to provide the Notice of Availability of the Department of Insurance in the delay letter in claims unresolved for more than 45 days. (Life Paid Claims)	224	84	5	5.95%

## II. BACKGROUND

### Wilco Life Insurance Company - NAIC #65900

Wilco Life Insurance Company was formerly known as Conseco Life Insurance Company. Wilco is an Indiana domestic life and health insurance company licensed in all states except New York, Washington D.C., Guam, Puerto Rico and the U.S. Virgin Islands. Wilco was originally incorporated in 1962, as Massachusetts General Life Insurance Company, and began issuing new business in 1962. The Company has experienced a series of sales, mergers and name changes; on July 1, 2014, while owned by the CNO Group based in Carmel, Indiana, the Company was sold to Wilton Reassurance Company.

In 2015, the Company’s name was changed to Wilco Life Insurance Company. The name change was filed and accepted in all jurisdictions in which Wilco Life Insurance Company is licensed. Name change endorsements have also been filed in all jurisdictions where required, and all jurisdictions have approved the change except for FL, HI, MS and MO. Once all jurisdictions have approved the endorsement, the endorsement will be sent to the policy owners.

Wilco Life Insurance Company ceased issuing new business approximately ten years ago. In 2015, Wilco Life Insurance Company had \$3,721,271 in direct written premiums and a 0.07% market share in Illinois.

### III. METHODOLOGY

The market conduct examination process places emphasis on an insurer's systems and procedures used in dealing with insureds and claimants. The life and annuity business was reviewed in this examination.

The scope of this examination was a comprehensive examination including a review of the following areas:

- A. Company Operations and Management
- B. Complaints
- C. Producer Licensing
- D. Risk Selection
- E. Underwriting
- F. Claims

The review of these categories was accomplished through examination of material related to the Company's operations and management, complaint files, underwriting files, risk selection files and claim files, as well as interviews with various Company personnel and Company responses to the requests contained in the Coordinator's Handbook and criticisms issued during the examination. Each of the categories listed above was examined for compliance with Illinois statutes and the Illinois Administrative Code.

The following method was used to obtain the required samples and to ensure a statistically sound selection. Surveys were developed from Company-generated Excel spreadsheets. Random statistical file selections were generated by the examiners from these spreadsheets. In the event the number of files was too low for a random sample, the sample consisted of the universe of files.

#### Company Operations and Management

A review was conducted of the Company's underwriting and claims guidelines and procedures, policy forms, third party vendors, internal audits, certificate of authority, previous market conduct examinations and annual statements. These documents were reviewed for compliance with Illinois statutes and the Illinois Administrative Code.

There were no exceptions noted.

#### Complaints

The Company was requested to identify all consumer and Illinois Department of Insurance (ILDOI) complaints received during the examination period, plus six (6) months prior for trending purposes, and to provide copies of the complaint logs. All complaint files and logs were received. The files were reviewed for compliance with Illinois statutes and the Illinois Administrative Code.

### Producer Licensing

The Company was requested to provide a list of all producers licensed to do business in Illinois and a list of producers paid commission in Illinois during the examination period. The Company responded stating, "Wilco Life Insurance Company ceased issuing new business approximately 10 years ago. Therefore, Wilco Life Insurance Company had no active producers."

There were no exceptions noted.

### Risk Selection

The Company was requested to provide a list of all policies in the following categories during the examination period: company initiated cancellations, cancellations for nonpayment of premium, insured requested cancellations, rescissions, surrenders, non-forfeitures and nonrenewals. The Company identified the universes of policies. Random samples of the files were made by the examiners and submitted to the Company. The files were received and reviewed unless the small population of files required an examination of the entire universe. Also, due to disqualifying factors, some individual files in the initial samples were replaced. The files were reviewed to ensure that the policies were processed in compliance with Illinois statutes and the Illinois Administrative Code. The review determined compliance with statutory requirements, the accuracy and validity of reasons given and any possible unfair discrimination.

There were no exceptions noted.

### Underwriting

The Company was requested to provide a list of all life and annuity in force policies. The Company identified the universe of policies and random samples of the files were made by the examiners and submitted to the Company. The files were received and reviewed. The files were reviewed to ensure that the policies were processed in compliance with Illinois statutes and the Illinois Administrative Code.

There were no exceptions noted.

### Claims

The Company was requested to provide a list of all claims in various categories during the examination period, to include paid and denied claims. The files were reviewed to ensure the claims were processed in compliance with the policy, Illinois statutes and the Illinois Administrative Code.

#### IV. SELECTION OF SAMPLES

<b>Survey</b>	<b>Population</b>	<b># Reviewed</b>	<b>% Reviewed</b>
<b>Complaints</b>			
ILDOI Complaints	62	62	100%
Consumer Complaints	16	16	100%
<b>Risk Selection</b>			
Company Initiated Cancellations	0	0	N/A
Insured Request Cancellations	120	84	70.00%
Nonrenewals	174	79	45.40%
Life Surrenders	199	79	39.69%
Annuity Surrenders	15	15	100%
Non-Forfeitures – Automatic Premium Loan	11	11	100%
Non-Forfeitures – Policy Loans	0	0	N/A
Non-Forfeitures – Cash Surrender	180	79	43.88%
Non-Forfeitures – Extended Term Insurance	220	84	38.18%
Non-Forfeitures – Reduced Paid Up Insurance	3	3	100%
<b>Underwriting</b>			
Life Policies – In Force	7,368	116	1.57%
Annuity Policies – In Force	218	84	38.53%
<b>Claims</b>			
Life Paid Claims	224	84	37.5%
Annuity Paid Claims	7	7	100%

## V. FINDINGS

### A. COMPANY OPERATIONS AND MANAGEMENT

There were no criticisms in this survey.

### B. COMPLAINTS

#### 1. ILDOI Complaints

There were no criticisms in the Department of Insurance complaints survey.

#### 2. Consumer Complaints

In eight (8) instances of the 16 Company consumer complaint files reviewed, for an error rate of 50.00%, the Company did not respond to the consumer complaint within 21 days of receipt. This is in violation of 215 ILCS 5/143d(b).

<b>Item No.</b>	<b>Due Date for Company Response</b>	<b>Date of Response</b>	<b>Number of Days to Respond</b>
1	11/13/2015	12/7/2015	24
5	1/8/2016	3/15/2016	67
6	1/28/2016	9/21/2016	233
8	3/16/2016	10/28/2016	222
9	4/8/2016	10/25/2016	197
10	4/16/2016	11/7/2016	201
12	4/22/2016	9/20/2016	148
14	6/15/2016	11/7/2016	142

### C. PRODUCER LICENSING

Producer licensing was not examined because this is a closed block of business and Wilco ceased issuing new business approximately ten years ago. Therefore, Wilco had no active producers. There were also no criticisms in the producer licensing commission survey.

### D. RISK SELECTION

#### 1. Company Initiated Cancellations

There were no criticisms in this survey.

#### 2. Insured Request Cancellations

There were no criticisms in this survey.

3. Nonrenewals  
There were no criticisms in this survey.
4. Life Surrenders  
There were no criticisms in this survey.
5. Annuity Surrenders  
There were no criticisms in this survey.
6. Non-Forfeitures – Automatic Premium Loan  
There were no criticisms in this survey.
7. Non-Forfeitures – Policy Loans  
There were no criticisms in this survey.
8. Non-Forfeitures – Cash Surrender  
There were no criticisms in this survey.
9. Non-Forfeitures – Extended Term Insurance  
There were no criticisms in this survey.
10. Non-Forfeitures – Reduced Paid Up Insurance  
There were no criticisms in this survey.

#### E. UNDERWRITING

1. Life Policies – In Force  
There were no criticisms in this survey.
2. Annuity Policies – In Force  
There were no criticisms in this survey.

#### F. CLAIMS

1. Life Paid Claims  
In five (5) instances of the 84 life paid claims files reviewed, for an error rate of 5.95%, the Company failed to provide the Notice of Availability of the Department of Insurance in the delay letter for claims unresolved for more than 45 days. This is in violation of 50 Ill. Adm. Code 919.70(a)(2).

The median for life paid claims was eight (8) days.

## 2. Annuity Paid Claims

There were no criticisms for the annuity paid claims survey.

The median for annuity paid claims was nine (9) days.

## VI. INTERRELATED FINDING

During the review of ILDOI complaints, the examiners noticed that the Company had an issue with premium payments not being properly applied to life policies. The Company stated they informed the ILDOI of this issue. During the course of the examination a request was sent to the Company asking for an explanation of these occurrences and their proposed resolution. The Company stated that immediately following the transition of the Consec Life business to Wilton Re, policies were audited for financial accuracy. During this quality audit, the policy activity on selected cases was suspended and accounting updates were not automatically occurring during the nightly system cycle. This resulted in the inability of the Company's customer service representatives ("CSRs") to provide the consumer with real-time values and updates for premium payments.

In order to mitigate this problem, the CSRs were provided view-only access to the accounting software, Cash Management System. After a quality audit of a policy was completed and all outstanding premiums were applied, the status of the policy was updated to an active status (ie unsuspended). Following the policy being unsuspended, any financial activity related to the policy was processed during the following nightly system cycle placing the policy back into a normal account standing.

Following the conversion of the Consec Life business to Wilton, the Company had 2,203 Illinois policies that could not immediately participate in the automated nightly cycle updates. As of March 20, 2017, the Company had 69 policies that were still under review. The majority of these cases are related to loan activity and the Company stated these policy premium issues will be resolved in the next 60 to 90 days.

<b>PRODUCT</b>	<b>AT CONVERSION</b>	<b>AS OF 03/20/2017</b>	<b>% RESOLVED SINCE CONVERSION</b>
UL	1293	58	96%
ANNUITY	6	0	100%
EIUL	556	2	99.6%
ISL	163	8	95%
TRAD	185	1	99%
<b>TOTAL</b>	<b>2203</b>	<b>69</b>	<b>97%</b>

STATE OF PENNSYLVANIA )  
 ) ss  
COUNTY OF YORK )

André J. Mumper-Ham, 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 Wilco Life Insurance Company NAIC 65900.

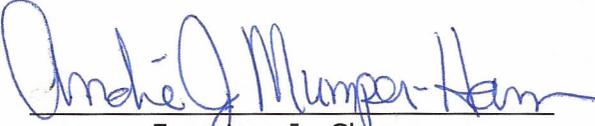
That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Companies with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Companies' business and affairs and the manner in which the Companies conduct their 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 Companies nor any of the Companies' 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;

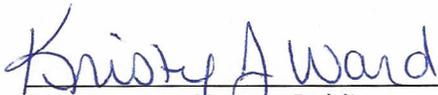
That an examination was made of the affairs of the Companies pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

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 Companies 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.

  
Examiner-In-Charge

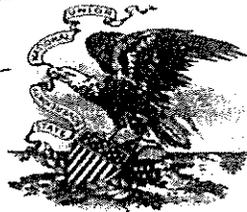
Subscribed and sworn to before me  
this 25<sup>th</sup> day of April, 2017

  
Notary Public

COMMONWEALTH OF PENNSYLVANIA  
NOTARIAL SEAL  
Kristy J. Ward, Notary Public  
York, York County  
My Commission Expires November 13, 2019

# STATE OF ILLINOIS

## DEPARTMENT OF INSURANCE



IN THE MATTER OF:

**WILCO LIFE INSURANCE COMPANY**  
20 GLOVER AVENUE, 4<sup>TH</sup> FLOOR  
NORWALK, CT 06850

### 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, Wilco Life Insurance Company (the "Company"), NAIC 65900, 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, 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 examiners 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 an area 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 provide a written response to written inquiries and complaints from consumers within 21 days of receipt as required by 215 ILCS 5/143d(b).
2. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above order within 30 days of execution of this Order.
3. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$1,750 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 WILCO LIFE INSURANCE COMPANY

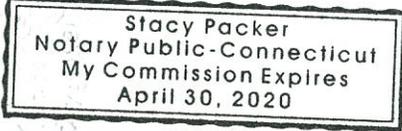
[Handwritten Signature]  
Signature

Mark Sarlitto  
Name

SVP, General Counsel & Secretary  
Title

Subscribed and sworn to before me this  
7<sup>th</sup> day of July 2017.

[Handwritten Signature]  
Notary Public



DEPARTMENT OF INSURANCE of the  
State of Illinois:

DATE 7/24/17

Jennifer Hammer / pjd  
Jennifer Hammer  
Director

