

STATE OF ILLINOIS



Department of Insurance

IN THE MATTER OF
THE EXAMINATION OF:

SHELTER LIFE INSURANCE COMPANY
1817 WEST BROADWAY
COLUMBIA, MISSOURI 65218

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 5/131.21, 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425) do hereby appoint David Bradbury, Examiner-In-Charge, Mike Hager, Pat Hahn and associates as the proper persons to examine the insurance business and affairs of Shelter Life Insurance Company of Columbia, Missouri, and to make a full and true report to me of the examination made by them of Shelter Life Insurance Company with a full statement of the condition and operation of the business and affairs of Shelter 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.

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

IN TESTIMONY WHEREOF,

I hereto set my hand and cause to be affixed the Seal of my office,
Done at the City of Springfield, this 22nd day of December, 2009.

Michael T. McRaith

Michael T. McRaith

Director



This Market Conduct Examination was conducted pursuant to Sections 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403 and 5/425). It was conducted in accordance with standard procedures of the Market Conduct Examination Section by duly qualified examiners of the Illinois Department of Insurance.

This report is divided into five parts. They are as follows: Summary, Background, Methodology, Findings and Technical Appendices. All files reviewed were reviewed on the basis of the files' contents at the time of the examination. Unless otherwise noted, all overcharges (underwriting) and/or underpayments (claims) were reimbursed during the course of the examination.

No company, corporation, or individual shall use this report or any statement, excerpt, portion, or section thereof for any advertising, marketing or solicitation purpose. Any company, corporation or individual action contrary to the above shall be deemed a violation of Section 149 of the Illinois Insurance Code (215 ILCS 5/149).

The Examiner-in-Charge was responsible for the conduct of this examination. The Examiner-in-Charge did approve of each criticism contained herein and has sworn to the accuracy of this report.

Jim Rundblom
Staff Attorney
Illinois Department of Insurance

Shelter Life Insurance Company

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: April 12, 2010, through May 21, 2010

EXAMINATION OF: Shelter Life Insurance Company

LOCATION: 1817 West Broadway
Columbia, Missouri 65218

PERIOD COVERED
BY EXAMINATION: January 1, 2009, through December 31, 2009--
Claims

January 1, 2008 through April 12, 2010 --
Complaints

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

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I. SUMMARY

1. The Company was criticized under 215 ILCS 5/224(1) for failure to include notice of the availability of interest at the rate of 9% on a life claim not paid within 15 days.
2. The Company was criticized under 215 ILCS 5/234.1 for failure to give notice of all available options under the policy prior to enacting a non-forfeiture option.
3. The Company was criticized under 50 Ill. Adm. Code 1407.20 for use of policy forms and advertising that contain an incorrect definition of Terminal Illness.
4. The Company was criticized under 215 ILCS 5/500-80 for payment of commissions to two unlicensed producers.

II. BACKGROUND

Shelter Life Insurance Company was originally incorporated as MFA Life Insurance Company on November 13, 1958 and received its Certificate of Authority from the State of Missouri Division of Insurance on March 2, 1959. The company name was changed to Shelter Life Insurance Company on July 1, 1981. Shelter Life Insurance Company is a stock company that is wholly owned by Shelter Mutual Insurance Company.

III. METHODOLOGY

The Market Conduct Examination places emphasis on evaluating an insurer's systems and procedures used in dealing with insureds and claimants. The following categories are the general areas examined:

1. Producer Licensing and Production Analysis
2. Policy Forms and Advertising Material Analysis
3. Claims
4. Consumer and Insurance Department Complaints

The review of these categories is accomplished through examination of producer files, Medicare supplement application files, cash-surrendered policy files, extended term and reduced paid-up policy files, claim files, Insurance Department complaint files, policy forms and advertising material. Each of these categories is examined for compliance with Department 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 to the insurer, but not cited in the report if not indicative of a general trend, except to the extent that there were underpayments in claim surveys or undercharges and/or overcharges in underwriting surveys. The following methods were used to obtain the required samples and 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.

Claims

Claim surveys were selected using the following criteria:

1. Paid Claims - Payment for a 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 claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS) and Illinois Administrative Code (50 Ill. Adm. Code).

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.

The examination period for the claims review was January 1, 2009, through December 31, 2009.

Consumer and Insurance Department Complaints

The Company was requested to provide all files relating to complaints which had been received by the Department 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.

The examination period for complaints was January 1, 2008, through April 12, 2010.

SELECTION OF SAMPLE

<u>Survey</u>	<u>Population</u>	<u>Reviewed</u>	<u>% Reviewed</u>
CLAIMS ANALYSIS			
Paid Individual Life	44	44	100
Paid Hospital Medical Surgical	10	10	100
Paid Individual Medicare Supplement	885	295	33
Denied Individual Medicare Supplement	33	33	100
Denied Waiver of Premium	2	2	100
UNDERWRITING			
Life Cash Surrenders	145	145	100
Extended Term / Reduced Paid Up	31	31	100
Replacements	52	52	100
Declined Life Applications	63	63	100
COMPLAINTS			
Consumer Complaints	5	5	100
POLICY FORMS & ADVERTISING			
Policy Forms/Advertising	40 / 133	40 / 133	100
PRODUCERS ANALYSIS			
Producer	102 Producers / 1,899 policies		100

IV. FINDINGS

A. Claims Analysis

1. Paid Individual Life

A review of all forty-four (44) of the paid group life claims produced one general criticism. The criticism was written under 215 ILCS 224(1) for failure to notify the insured's beneficiary of the availability of payment of interest of 9% due to delayed claim processing on a claim not paid within 15 days.

The median for payment was five (5) days.

2. Paid Hospital / Medical / Surgical

A review of all ten (10) of the paid hospital/medical/surgical claims produced no criticisms.

The median for payment was six (6) days.

3. Paid Individual Medicare Supplement

A review of two hundred ninety-five (295) of the eight hundred eighty-five (885) paid individual Medicare supplement claims produced no criticisms.

The median for payment was seven (7) days.

4. Denied Individual Medicare Supplement

A review of all thirty-three (33) denied Medicare supplement claims produced no criticisms.

The median for denial was three (3) days.

5. Denied Individual Waiver of Premium

A review of both denied individual waiver of premium claims produced no criticisms.

A median could not be established.

B. COMPLAINTS

1. Consumer Complaints

A review of all five (5) consumer complaints produced no criticisms.

The median for response to the consumer was two (2) days.

C. UNDERWRITING

1. Life Cash Surrenders

A review of all one hundred forty-five (145) life cash surrender files produced no criticisms.

The median for processing of life cash surrender files was eleven (11) days.

2. Extended Term Insurance / Reduced Paid Up

A review of all thirty-one (31) extended term insurance / reduced paid up files produced two (2) criticisms. A general criticism was written under 215 ILCS 5/234.1 of the Illinois Insurance Code for failure to provide all available options to the policy owner.

3. Replacements

A review of all fifty-two (52) replacement files produced no criticisms.

4. Declined Life Applications

A review of all sixty-three (63) declined life applications produced no criticisms.

The median processing time was fifteen (15) days.

D. POLICY FORMS

1. Policy Forms and Advertising

A review of the forty (40) policy forms and one hundred thirty-three (133) pieces of advertising materials produced three (3) criticisms.

Three (3) individual criticisms for an incorrect definition of "Terminal Illness" as part of an accelerated benefit rider were written on one (1) policy form and five (5)

pieces of advertising under 50 Ill. Adm. 1407.20. The forms defined the insured's life expectancy as 12 months and not 24 months as required by this section.

E. PRODUCER ANALYSIS

1. Producer Licensing

A review of the producer licensing files and first-year commissions produced one (1) criticism. A general criticism was written under 215 ILCS 5/500-80 of the Illinois Insurance Code for payment of commissions to two (2) unlicensed producers on four (4) applications. The unlicensed agents received \$106.24 in commission on four (4) policies.

V. APPENDICES

STATE OF FLORIDA)
) ss
COUNTY OF ESCAMBIA)

David Bradbury, 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:

Shelter Life Insurance Company, NAIC # 65757

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;

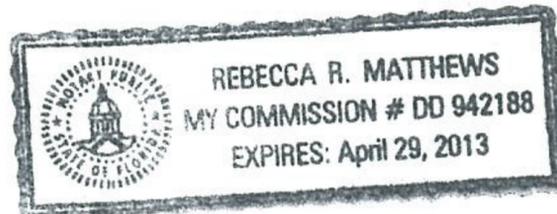
That he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

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.

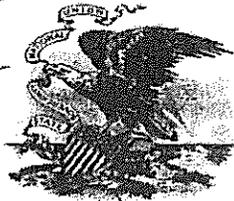
David Bradbury
Examiner-In-Charge

Subscribed and sworn to before me
this 12 day of March, 2013.

Notary Public



STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

Shelter Life Insurance Company
1817 West Broadway
Columbia, Missouri, 65218

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, Shelter Life Insurance Company ("Shelter") is a life and health insurance company authorized under the insurance laws of this State and by the Director as a foreign stock company, to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a market conduct examination of Shelter was conducted by duly qualified examiners from the Department pursuant to Sections 132, 401, 401.5, 402, 403, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/401.5, 5/402, 5/403 and 5/425); and

WHEREAS, the Department filed an examination report as an official document of the Department as a result of the targeted market conduct examination; and

WHEREAS, said report cited various areas in which Shelter 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 or 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 Shelter; and

WHEREAS, Shelter is aware of and understands the various rights in connection with the examination 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, Shelter understands and agrees that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and

WHEREAS, Shelter and the Director, for purposes 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 Shelter and the Director as follows:

1. That the market conduct examination indicated various areas in which Shelter was not in compliance with the Illinois Insurance Code and/or Department Regulations; and
2. That Shelter and the Director consent to this Stipulation and Consent Order requiring Shelter to take certain actions to become compliant with certain provisions of the Illinois Insurance Code and/or Department regulations.

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

1. Institute and maintain procedures that include notice of the availability of interest at the statutory rate on claims not paid within the statutory time as required under 215 ILCS 5/224(l).
2. Institute and maintain procedures that give notice of all available options under the policy prior to enacting a non-forfeiture option as required under 215 ILCS 5/234.1.
3. Institute and maintain policy forms and procedures whereby policy forms and advertising contain a correct definition of Terminal Illness as required by 50 Ill. Adm. Code 1407.20. It shall be noted that Shelter Life is and was in compliance with the Interstate Insurance Products Regulation Commission's requirements at the time of the examination. Illinois was not a member at that time, but has since joined the Commission.
4. Institute and maintain procedures that pay commissions only to properly licensed insurance producers as required by 215 ILCS 5/500-80.
5. Submit to the Director a civil forfeiture of \$4,000.00 within 30 days of the entry date of this Stipulation and Consent Order.
6. Submit to the Director proof of compliance with the above four (4) Orders within 30 days of the entry date of this Stipulation and Consent Order.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory actions as set forth in the Illinois Insurance Code, including but not limited to levying additional fees, should Shelter 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
Shelter Life Insurance Company

Randa Rawlins
Signature

RANDA RAWLINS
Name

GENERAL COUNSEL & SECRETARY
Title

Subscribed and sworn to before me this

3rd day of JULY A.D. 2013.

Therese M. Widmer
Notary Public

TERESE M. WIDMER
Notary Public - Notary Seal
STATE OF MISSOURI
County of Boone
My Commission Expires 2/2/2017
Commission # 13458532

DEPARTMENT OF INSURANCE of the
State of Illinois;

Date: July 19, 2013

Andrew Boron
Andrew Boron
Director



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

September 17, 2013

James R. Tuley
Counsel
Shelter Life Insurance Companies
1817 West Broadway
Columbia, Missouri 65218-0001

Re: Proof of Compliance
Market Conduct Examination of Shelter Life Insurance Company

Dear Mr. Tuley:

Thank you for your September 6, 2013 email, where you provided documented proof of compliance for the Stipulation and Consent Order signed by Director Boron on July 19, 2013. The Department finds these forms to be satisfactory.

The Department is accordingly closing its file on this exam. A fully executed Stipulation and Consent Order is enclosed for your records. I intend to ask the Director to make the Stipulation and Consent Order and the Examination Report available for public inspection as authorized by 215 ILCS 5/132.

We appreciate your assistance in resolving this matter.

Sincerely,

A handwritten signature in black ink that reads "James C. Rundblom".

James C. Rundblom
Deputy General Counsel

Enclosure