



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

May 31, 2013

Brad Michael Bennett, President
Combined Insurance Company of America
111 East Wacker Drive
Chicago, Illinois 60601

*sent via USPS certified mail
return receipt requested*

Dear Mr. Bennett:

A market conduct examination of Combined Insurance Company of America (NAIC #62146) was conducted by authorized examiners designated by the Director of Insurance ("Director") pursuant to Sections 132, 401, 402, 403 and 425 of the Illinois Insurance Code ("Code") (215 ILCS 5/132, 5/401, 5/403, and 5/425). This examination covered the period June 6, 2011 through April 6, 2012.

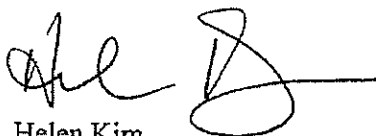
As required by Section 132 of the Code, the Director must notify the company made subject of a market conduct examination of the contents of the verified examination report before its filing and making the contents of the report public of any matters relating thereto, and must also afford the company an opportunity to demand a hearing with reference to the facts and evidence contained therein. A copy of the examination report is accordingly enclosed with this letter as well as a Stipulation and Consent Order. The company may request a hearing within 10 days after receipt of the examination report by giving the Director written notice of the request, together with a statement of objections. The examination report will not be filed until the hearing is completed.

Companies that do not demand a formal hearing may submit a written rebuttal with respect to any matters contained in the examination report. The rebuttal will be considered by the Director before the examination report is filed. Please provide any rebuttals, or the signed Stipulation and Consent Order, to the undersigned by the close of business on July 1, 2013. In the event the company elects to sign the Stipulation and Consent Order, please sign and return both copies. The Director will sign both copies and a fully executed copy will be returned to you for your records. Note that the Stipulation and Consent Order requires proof of compliance with the Orders and a payment of a civil forfeiture in the amount of \$40,000.00 within 30 days of receipt of the Order.

Please be advised that once the report of examination has been filed, the exam report, the company's rebuttal, if any, and corresponding Orders (if applicable) are public documents under the Freedom of Information Act (5 ILCS 140/1 *et al.*) and may be posted on the Department's website. In the event of a formal hearing, the record of the hearing, the Hearing Officer Recommendations and the Director's Final Order are also public documents and may be posted on the Department's website.

If you have any questions in this matter please do not hesitate to contact me. I may be reached at 312-814-5422.

Sincerely,

A handwritten signature in black ink, appearing to read 'Helen Kim', with a long horizontal flourish extending to the right.

Helen Kim
Assistant General Counsel
helen.kim@illinois.gov

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.

Helen Kim
Assistant General Counsel

STATE OF ILLINOIS



Department of Insurance

IN THE MATTER OF
THE EXAMINATION OF:

COMBINED INSURANCE COMPANY OF AMERICA
111 EAST WACKER DRIVE
CHICAGO, ILLINOIS 60601

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 and associates as the proper persons to examine the insurance business and affairs of Combined Insurance Company of America of Chicago, Illinois, and to make a full and true report to me of the examination made by them of Combined Insurance Company of America with a full statement of the condition and operation of the business and affairs of Combined Insurance Company of America with any other information as shall in my opinion be necessary to examine the condition and operation of its business and affairs and the manner in which it conducts its business.

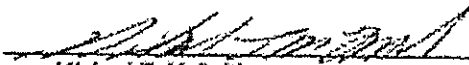
The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of Combined Insurance Company of America.

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 4th day of March, 2011

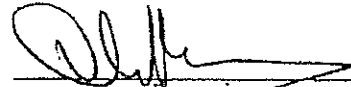



Michael T. McRaith

Director

STATE OF ILLINOIS)
) SS
COUNTY OF SANGAMON)

I personally served a copy of the within Warrant by leaving
said copy with Sonia Baywe, at the hour of 9:30 A.M.
on June 23, A.D., 2011.



Examiner

David Bradbury

Combined Insurance Company of America

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: June 6, 2011 through April 6, 2012

EXAMINATION OF: Combined Insurance Company of America
NAIC # 62146

LOCATION: 111 East Wacker, Suite 700
Chicago, Illinois 60601

PERIOD COVERED BY EXAMINATION: Claims
February 1, 2010 through March 2, 2011

Complaints
February 1, 2009 through June 6, 2011

EXAMINER: David Bradbury, Examiner-in-Charge

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SUMMARY

The Illinois Department of Insurance ("Department") conducted a Market Conduct Examination ("Examination") of Combined Insurance Company of America's ("CICA") claims and Department complaints and consumer complaints. The period covered by the examination was February 1, 2010 through March 2, 2011 for claims and February 1, 2009 through June 6, 2011 for complaints.

1. CICA was criticized under 215 ILCS 5/224(1)(I) for failure to notify the insured's beneficiary of the availability of interest payments due to delayed payment beyond 15 days on life claims (note: payment within 15 days was the statutory requirements at the time of the market conduct examination).
2. CICA was criticized under 215 ILCS 5/224(1)(I) for failure to make payments of interest to the insured's beneficiary due to delayed claim payment on life claims.
3. CICA was criticized under 215 ILCS 5/154.6(i) for failing to deny coverage within a reasonable time, or within 30 days.
4. CICA was criticized under 50 Ill. Adm. Code 919.50(a)(1) for failure to provide the claimant(s) with the "Notice of Availability of the Department of Insurance" on denied claims.
5. CICA was criticized under 215 ILCS 5/154.6(d) for underpayment of claims.
6. CICA was criticized for making contract overpayments.
7. CICA was criticized under 215 ILCS 5/368a(c) for failure to ensure all claims are paid within 30 days of receipt of due proof of loss.
8. CICA was criticized under 215 ILCS 5/368a(c) for failure to make payments of interest due to delayed claim payment on health claims.
9. CICA was criticized under 215 ILCS 5/357.9 for failure to make payments of interest to the insured's beneficiary due to delayed payment on accidental death claims.
10. CICA 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.
11. CICA was criticized under 215 ILCS 5/132(2) for failure to provide complete files needed to complete the examination.
12. CICA was criticized under 215 ILCS 5/1011(A)(1) for failure to provide applicant, policyholder, or individual proposed for coverage with a specific reason for the adverse underwriting decision in writing.

13. CICA was criticized under 50 Ill. Adm. Code 2010.150 for providing instructions in the marketing and oral presentation for the sale of Medicare Supplement products which are misleading.
14. CICA was criticized under 215 ILCS 531.19 for providing instruction to agents in the marketing and oral presentation for the sale of the Medicare Supplement product that certain competitors are not backed by the Illinois Insurance Guaranty Association.
15. CICA was criticized under 50 Ill. Adm. Code 2007.80(a)(10) for use of a policy form that failed to include a prominent statement on the first page of the policy that it is a limited policy.
16. CICA was criticized under 50 Ill. Adm. Code 1407.20 for use of a policy form that does not meet the definition of "terminal illness."
17. CICA was criticized under 50 Ill. Adm. Code 1407.30(a)(3) for failure to guarantee renewability of any accelerated benefit. The language contained prohibits a request for enactment during the last 24 months of coverage.
18. CICA was criticized under 50 Ill. Adm. Code 2007.50 for failing to include a definition of retired person in the disability policies.
19. CICA was criticized under 215 ILCS 5/224(1)(m) for failure to include the appropriate descriptive title of Universal in the Universal Life policy form.
20. CICA was criticized under 50 Ill. Adm. Code 1405.40(g) for requiring a specific claim form for a life claim.
21. CICA is criticized under 50 Ill. Adm. Code 1407.60 for imposing a flat interest rate that is greater than the maximum statutory adjustable policy loan rate allowed.
22. CICA was criticized under 215 ILCS 5/143 for failure to provide contractual limits for the risks purported to be assumed.
23. During the course of this examination the Examiner found certain life files that remained in a pending status for extended periods of time. Additional information was obtained by the Examiner who found sufficient information on the internet to close the life claims.
24. During the course of the examination the Examiner found insureds covered by life policies with a reduced paid up status were deceased. The CICA should use resources available to them to ensure the policies are paid and do not languish indefinitely.

II. BACKGROUND

In 1939, Combined Mutual Casualty Company was organized and the company continued to expand with the purchase of the American Casualty Company in Texas. In 1947, Combined Mutual Casualty Company changed its name to Combined Insurance Company of America ("CICA").

In 1971, Combined Life Insurance Company of New York was established. In 1980, the holding company, Combined International Corporation was formed. Ryan Insurance Group merged with Combined International Corporation in 1982, to form what later became AON Corporation. In 1987, Combined International Corporation changed its name to AON Corporation.

On April 1, 2008, ACE Limited acquired CICA from AON Corporation.

	Life Insurance Premiums Direct	Annuity Considerations Direct	Accident and Health Ins. Premiums Direct	Deposit Type Contracts Direct
2009	4,382,723	1,420	33,124,244	0
2010	3,052,453	1,420	26,398,864	0

Its 2009 and 2010 NAIC Annual Statements (page 24 Part 2 line 23) indicate that it's in force Illinois life insurance was \$4,382,723 as of December 31, 2009 and \$3,052,453 as of December 31, 2010.

III. METHODOLOGY

The Examination places emphasis on evaluating an insurer's system and procedures used in dealing with insureds and claimants. The Examination did not examine all 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 Department Complaints

The review of these categories is accomplished through examination of producer files, cash surrendered policy files, extended term and reduced paid-up policy files, claim files, Department complaint files, policy forms and advertising material. Each of these categories is examined for compliance with selected 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 provisions of the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Illinois Administrative Code (50 Ill. Adm. Code 101 *et seq.*).

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 February 1, 2010 through March 31, 2011.

Consumer and Department Complaints

The company was requested to provide all files relating to complaints which had been received via 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 February 1, 2009 through June 6, 2011.

SELECTION OF SAMPLE

Survey	Population	Reviewed	% Reviewed
CLAIMS ANALYSIS			
Paid Individual Life	370	52	14%
Denied Individual Life	21	21	100%
Paid Individual A & H	1086	55	5%
Denied Individual A & H	378	51	13%
Paid Individual Medicare Supplement	35250	120	0%
Denied Individual Medicare Supplement	4490	55	1%
Paid Specified Disease	990	55	6%
Denied Specified Disease	74	50	68%
Paid Individual Disability	1738	59	3%
Denied Individual Disability	389	56	14%
Paid Group Student Health	4378	53	1%
Denied Group Student Health	1001	52	5%
Paid Accidental Death and Dismemberment	2	2	100%
Approved Waiver of Premium	46	46	100%
Denied Waiver of Premium	1	1	100%
COMPLAINTS			
Department Complaints	33	33	100%
Consumer Complaints	128	128	100%
UNDERWRITING			
Issued Medicare Supplement Review	15	15	100%
Declined Medicare Supplement	3	3	100%
Life Cash Surrenders	548	54	10%
Declined Life Applications	412	57	14%
Extended Term/ Reduced Paid Up	102	102	100%
Medicare Supplement Replacement	1	1	
POLICY FORMS & ADVERTISING			
Policy Forms	100%	100%	100%
Advertising	100%	100%	100%

IV. FINDINGS

A. Claims Analysis

1. Paid Individual Life

A review of all 52 of the paid individual life claims produced one (1) general and 11 individual criticisms. The general criticism was written under 215 ILCS 5/224(1)(1) for failure to notify the insured's beneficiary of the availability of interest payments due to delayed processing beyond 15 days¹ for 48% of the files reviewed. This must be done at the time the company acknowledges notice of the claim. Eleven individual criticisms were also written under 215 ILCS 5/224(1)(1) for failure to make interest payments when the claim payment was delayed. The total of the interest underpayments was \$2,953.07 and payments were made prior to the completion of the exam. For seven (7) life claims, interest was initially paid but it was not correct. CICA failed to calculate interest from the date of death. For the remaining four (4), CICA failed to pay any underpaid interest amount.

Claim #	Death benefit	# days before payment was made	Interest due or balance of interest due
	\$41,910.00	17	\$1,054.07
	\$1,386.00	25	\$15.38
	\$31,359.00	27	\$699.91
	\$2,000.00	106	\$122.08
	\$7,433.00	23	\$170.45
	\$500	25	\$54.98
	\$14,669.00	33	\$506.38
	\$2,000.00	27	\$31.07
	\$510.00	39	\$7.30
	\$500.00	21	\$7.89
	\$10,000.00	27	\$283.56
		TOTAL	\$2,953.07

The median for payment was nine (9) days.

¹ Payment within 15 days was the statutory requirements at the time of the market conduct examination.

2. Denied Individual Life

A review of 21 denied individual life claims produced two (2) general criticisms. The general criticism was written under 215 ILCS 5/154.6(i) for failing to affirm or deny coverage within 30 days on 14% of the files. The second general criticism was written under 50 Ill. Adm. Code 919.50(a) (1) for failure to provide the claimant(s) "Notice of Availability of the Department of Insurance" on denied claims. Nineteen (19) percent of the files were in violation.

The median for denial was 13 days.

3. Paid Individual Accident & Health

A review of 55 paid individual accident and health policies produced five (5) individual criticisms written under 215 ILCS 5/154.6(d) for claims that were underpaid in the amount of \$1,055.00. CICA agreed with three criticisms and made payment plus interest prior to completion of the exam. CICA disagreed with two criticisms but both remain in this report. The first was an underpayment of the benefit of the convalescent day benefit of \$45 for nine (9) days under two separate policies. The insured is a retired person. The claim form asks for a return to work date to determine this benefit. The policy form language is "usual activities if not employed." CICA failed to include this language on the claim form. The insured's physician on the claim form indicates a minimum 14 day total disability if employed. CICA paid five (5) days of the benefit and owes the remaining nine (9) days. On the second criticism the physician indicates there is no return to work date because the insured is retired. CICA paid for one day under the convalescent/recovery benefit and owes the remaining five days of benefit. The convalescent benefit is two (2) times the number of days of hospitalization according to the terms and conditions of this policy. The claim form asks for a return to work date to determine this benefit. The policy form language is "usual activities if not employed." CICA failed to include this language on the claim form.

Claim #	Underpaid Amount	Interest Due to Late Payment	Total of Underpayment
	\$20.00	\$2.83	\$22.83
	\$12.50	\$1.72	\$14.22
	\$810.00	To be Determined	\$810.00 + interest
	\$100.00	\$13.06	\$113.06
	\$112.50	To be Determined	\$112.50 + interest

The median for payment was nine (9) days.

4. Denied Individual Accident & Health

A review of 51 denied individual accident and health policies produced a General criticism. The general criticism was written under 50 Ill. Adm. Code 919.50(a)(1) for failure to provide the claimant(s) "Notice of Availability of the Department of Insurance" on denied claims. Eight (8) percent of the files were in violation.

The median for denial was 13 days.

5. Paid Individual Medicare Supplement

A review of 120 paid Medicare Supplement claim files produced no criticisms.

The median for payment was three (3) days.

6. Denied Individual Medicare Supplement

A review of 55 denied Medicare Supplement claim files produced no criticisms.

The median for denial was two (2) days.

7. Paid Specified Disease

A review of 55 paid specified disease claims produced four (4) criticisms. One criticism was criticized under 215 ILCS 5/154.6(d) for a claim that was underpaid in the amount of \$200.00 with subsequent interest of \$15.07. This was an underpayment for the diagnostic mammogram benefit. Three (3) criticisms were written as contract overpayments in the amount of \$407.50. All three exceeded the benefit for a mammogram pursuant to the coverage stated in the policy.

The median for payment was seven (7) days.

8. Denied Specified Disease

A review of fifty denied specified claims produced no criticisms.

The median for denial was 13 days.

9. Paid Individual Disability

A review of 59 claims produced two individual criticisms. Two criticisms were criticized under 215 ILCS 5/154.6(d) for claims that were underpaid in the amount of \$3622.32. CICA agreed and made payment prior to completion of the exam.

Claim #	Underpaid Amount	Interest Due to Late Payment	Total of Underpayment
	\$385.00	\$32.05	\$417.05
	\$3,125.00	\$80.27	\$3,205.27
		Total	\$3,622.32

The median for payment was eleven (11) days.

10. Denied Individual Disability

A review of 56 disability claim files produced no criticisms.

The median for denial was 16 days.

11. Paid Student Health

A review of 53 claims produced four (4) criticisms. A general criticism was written under 215 ILCS 5/368a(c) for failure to ensure all claims are paid within 30 days after receipt of due written proof of such loss. Fifteen percent of the files were in violation. Three (3) individual criticisms were written under 215 ILCS 5/368a(c) for underpayment of interest resulting from the failure to pay the claim within 30 days in the total amount of \$10.78.

Claim #	Interest Due to Late Payment
	\$6.64
	\$1.92
	\$2.22
	\$10.78

The median for payment was 17 days.

12. Denied Group Student Health

A review of 52 claims produced two (2) criticisms. A general criticism was written under 215 ILCS 5/154.6(i) for failure to deny a claim within 30 days. Nineteen percent of the files were in violation. An individual criticism was written under 215 ILCS 5/368a(c) for underpayment interest resulting from failure to pay a claim within 30 days in the amount of \$1.82.

The median for denial was 23 days.

13. Paid Accidental Death and Dismemberment

A review of two (2) claims produced one criticism. An individual criticism was written under 215 ILCS 5/357.9 for failure to pay interest due to delayed claim payment in the amount of \$370.29.

The median for payment could not be established.

14. Approved Waiver of Premium

A review of 46 approved waiver of premium files produced no criticisms.

The median for payment could not be established.

15. Denied Waiver of Premium

A review of one (1) denied waiver of premium files produced no criticisms.

The median for denial could not be established.

B. COMPLAINTS

1. Department Complaints

A review of all 33 Department complaints produced no criticisms.

The median for response to the Department was three (3) days.

2. Consumer Complaints

A review of all 128 consumer complaints produced no criticisms.

The median for response to the consumer was eleven (11) days.

C. UNDERWRITING

1. Issued Medicare Supplement

A review of 15 of the issued Medicare Supplement files produced no criticisms.

2. Declined Medicare Supplement review

A review of three (3) declined Medicare Supplement files produced no criticisms.

3. Life Cash Surrenders

A review of 54 life cash surrender files produced no criticisms.

The median for processing of the life cash surrender was 6 days.

4. Extended Term - Reduced Paid Up

A review of 102 extended term insurance/reduced paid up files produced two (2) general criticisms. A general criticism was written under 215 ILCS 5/234.1 for failure to provide a timely notice of all available options to the policy owner. For all of files reviewed, CICA failed to provide notice of all available options prior to enactment. A general criticism was also written under 215 ILCS 132(2) for failure to provide complete files needed to complete the examination.

5. Declined Life Applications

A review of all 57 declined life application produced a general criticism on the application files reviewed. The general criticism was written under 215 ILCS 5/1011(A)(1) for failure to provide the applicant, policyholder, or individual proposed for coverage with the specific reason for the adverse underwriting decision in writing. Eleven percent of the files under review were in violation.

D. POLICY FORMS AND ADVERTISING

1. Advertising and Marketing

A review of the advertising and instruction to producers for the marketing, oral presentation and advertising produced two general criticisms. The first general criticism of the CICA's Medicare Supplement product advertising violates the purpose of 50 Ill. Adm. Code 2010 and 2010.30(a)(C). In the prepared sales talk, presentation and material for use by the producer, CICA instructed producers to state certain competitors are not underwriting the insurance. A second general criticism was written under 215 ILCS 5/531.19 for instructions to the producers for use in the sale of the Medicare Supplement product to give the impression that certain competitors are not covered by the Illinois Insurance Guaranty Association.

2. Policy Forms

CICA provided all policy forms in use. Nine (9) general criticisms were written on policy forms.

- (1) A general criticism was written under 50 Ill. Adm. Code 2007.80(a)(10) for failure to include a prominent statement that states "This is a limited policy. Read it carefully."
- (2) A general criticism was written under 50 Ill. Adm. Code 1407.20 for defining Terminal Illness as a period not to exceed 12 months instead of the required 24 months.
- (3) A general criticism was written under Section 1407.30(a)(3) for failing to guarantee the cost of any accelerated benefit for the term of the policy or rider.
- (4) A general criticism was written under 50 Ill. Adm. Code 2007.50 for failure to include a definition of a retired person on disability forms.
- (5) A general criticism was written under 215 ILCS 5/224(l)(m) for failure to include an appropriate descriptive title on Universal Life policy forms.

- (6) A general criticism was written under 215 ILCS 5/224(1)(j) and further described under 50 Ill. Adm. Code 1405.40(g) for requiring a specific form for a life claim.
- (7) A general criticism was written under 50 Ill. Adm. Code 1407.60 for imposing a flat interest rate that is greater than the maximum statutory policy loan rate allowed when a terminal illness accelerated death benefit claim is made.
- (8) A general criticism was written under 215 ILCS 5/143 for failure to provide the contractual limits for the risks purported to be assumed. As filed and written, the policy and certificates allow a reduction of the per sickness limit of \$10,000 based upon payments made by any prior policies that have paid for the condition.

E. PRODUCER ANALYSIS

Producer Licensing

A review of the 222 producer licensing files and 7,654 first year commission records produced no criticisms.

F. INTERRELATED FINDINGS

1. Deceased Insured with Reduced Paid Up Active Policies

For the 12 month period under review, the status on the Social Security Death Index for each insured was reviewed. It was found that 25 of the insureds on RPU were in fact deceased. Birthdates and addresses were provided as part of the non-forfeiture files. Of those twenty-five, CICA did not have any claim information for three. They are now in the process of finding the next of kin and/or beneficiaries.

Secondly, for all policies in a reduced paid up status, CICA should be required to determine the status of the insured and, if in fact they are deceased, make every effort to process the claims. Absent that, the funds should be escheated to the State of Illinois.

This is the list of claims paid as of April 26, 2012.

Claim Number	Date of Death	Date of Payment	Paid Up Insurance	Interest Paid due to Late Payment
	01/31/02	03/19/12	\$ 1961.00	\$ 1987.66
	2/26/03	1/18/12	\$ 3075.00	\$ 0
	2/13/98	1/3/12	\$ 2146.51	\$ 894.83
	3/18/06	1/27/12	\$12,000.00	\$ 2437.26
	7/9/11	10/28/11	\$4,800.00	\$ 0
	4/13/11	2/8/12	\$ 6,000.00	\$ 494.85

2. Pending Life Claims

Eleven life policies were in a pending status. By accessing information available to the public such as address directories, obituaries, etc., more information on the beneficiaries was obtained than the company currently had in the file. At the exit of the exam, the claims were in process or awaiting responses from the next of kin and/or beneficiaries.

3. Payment of Life proceed to Homicidal Beneficiary

The Examiner noted that a beneficiary claim payment was made to the accused murderer of the insured. CICA should have treated this beneficiary as having pre-deceased the insured and distribute to only the remaining beneficiaries. The manner in which it was processed violates the rules of descent and distribution found in the Probate Act of 1975 (755 ILCS 5/2-6).

4. Life Claim Interest

It was noted during the Paid Life review that calculations of interest due to late payment was not in compliance. Calculations used the date the file was complete rather than the date of death to compute this interest and resulted in the following criticisms.

Claim #	Death benefit	# days until payment	Interest or remaining interest due
	\$ 729.00	77	\$ 13.84
	\$ 1,003.87	69	\$ 17.08
	\$11,374.60	49	\$ 81.34
	\$ 4,024.00	49	\$ 28.78
	\$ 1,860.00	110	\$ 50.45
	\$ 1,000.00	437	\$ 89.50
	\$ 500.00	149	\$ 18.37
	\$13,953.83	73	\$ 199.62
	\$10,902.00	90	\$ 129.02
	\$ 1,007.53	118	\$ 13.92
	\$ 7,221.00	64	\$ 73.00
	\$ 500.00	37	\$ 4.56
	\$ 1,000.00	164	\$ 26.88
	\$79,829.14	174	\$ 3429.29
	\$ 163.00	86	\$ 3.46
	\$ 1,402.00	391	\$ 53.70
	\$ 1,249.00	386	\$ 112.72
	\$ 1,500.00	43	\$ 15.90
	\$ 1,334.00	136	\$ 16.73
	\$ 7,179.00	45	\$ 79.66
	\$ 5,009.32	102	\$ 97.58
	\$ 9,292.00	130	\$ 222.24
	\$ 182.00	112	\$ 2.00
	\$ 500.00	73	\$ 9.00
	\$ 3,878.00	127	\$ 121.44
	\$14,000.00	127	\$ 79.40
		Total	\$ 4989.48

V. APPENDICES

(NONE)

STATE OF ILLINOIS)
) ss
COUNTY OF COOK)

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 as Examiner-in-Charge to examine the insurance business and affairs of:

Combined Insurance Company of America, NAIC # 62146

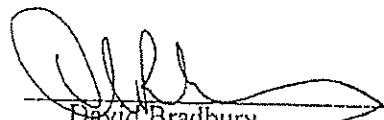
That as Examiner-in-Charge, he was directed to make a full and true report to the Director of the examination, with a full statement of the condition and operation of the business and affairs of the company, with any other information as shall in the opinion of the Examiner-in-Charge be requisite to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

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.



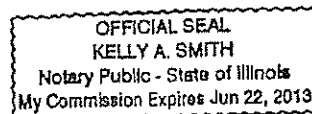
David Bradbury
Examiner-in-Charge

Subscribed and sworn to before me

This 27th day of December, 2012



Notary Public



STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

COMBINED INSURANCE COMPANY OF AMERICA
111 East Wacker Drive
Chicago, Illinois 60601

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, and Combined Insurance Company of America ("CICA") is authorized under the insurance laws of this State and by the Director as domestic stock insurance company, to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a market conduct examination of CICA was conducted by duly qualified examiners of the Department pursuant to Sections 131.21, 132, 401, 402 and 425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425); and

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

WHEREAS, said report cited various areas in which CICA 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 CICA.

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

WHEREAS, CICA 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 CICA and the Director as follows:

1. That the market conduct examination indicated various areas in which CICA was not in compliance with provisions of the Illinois Insurance Code and/or Department Regulations; and
2. That the Director and CICA consent to this Order requiring CICA 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:

1. CICA shall institute and maintain procedures whereby CICA shall notify the beneficiary of interest payments due to delayed processing beyond 31 days as outlined in 215 ILCS 5/224(1)(l).
2. CICA shall institute and maintain procedures whereby interest payments are accurately calculated and paid as outlined in 215 ILCS 5/224(1)(l).
3. CICA shall institute and maintain procedures whereby CICA affirms or denies coverage of claims within 30 days after proof of loss statements have been completed as outlined in 215 ILCS 5/154.6(i).
4. CICA shall institute and maintain procedures whereby CICA provides claimants with a Notice of Availability of the Department of Insurance for denied claims as outlined in 50 Ill. Adm. Code 919.50(a)(1).
5. CICA shall institute and maintain procedures whereby claims do not result in underpayment or overpayment and are paid in full pursuant to the terms and conditions of the issued policy as outlined in 215 ILCS 5/154.6(d).
6. CICA shall institute and maintain procedures whereby all health care claims are paid within 30 days of receipt of due proof of loss as outlined in 215 ILCS 5/368a(c).
7. CICA shall institute and maintain procedures whereby interest is paid for health claims not paid within 30 days of receipt of due proof of such loss as outlined in 215 ILCS 5/368a(c).

8. CICA shall institute and maintain procedures whereby interest is paid for accidental death claims not paid within 30 days of receipt of due proof of loss as outlined in 215 ILCS 5/357.9.
9. CICA shall institute and maintain procedures whereby a notice is given of all available options prior to enacting a non-forfeiture option as outlined in 215 ILCS 5/234.1.
10. CICA shall institute and maintain procedures whereby complete files are maintained necessary to complete an examination as outlined in 215 ILCS 5/132(2).
11. CICA shall institute and maintain procedures whereby a specific reason for the adverse underwriting decision is provided in writing to the applicant, policyholder or individual proposed for coverage as outlined in 215 ILCS 5/1011(A)(1).
12. CICA shall discontinue the use of instructional material which contain misleading information for the use of producers in the Medicare Supplement marketing and oral presentation for the sale of Medicare Supplement products as outlined in 50 Ill. Adm. Code 2010.150.
13. Discontinue the use of instructional material for the use of producers in the Medicare Supplement marketing and oral presentation for the sale of Medicare Supplement products that certain competitors are not backed by the Guaranty Association as outlined in 215 ILCS 531.19.
14. CICA shall discontinue the use and refile all policy forms that fail to include a prominent statement on the first page of the policy that reads "This is a limited policy. Read it carefully" consistent with disclosure provisions as set forth in 50 Ill. Adm. Code 2007.80(a)(10).
15. CICA shall discontinue the use and refile all policy forms that use the improper definition of "terminal illness" consistent with 50 Ill. Adm. Code 1407.20.
16. CICA shall discontinue the use and refile all policy forms that fail to guarantee the cost of any accelerated benefit for the term of the policy or rider in compliance with 50 Ill. Adm. Code 1407(a)(3).
17. CICA shall discontinue the use and refile all disability policy forms that fail to include a definition of a retired person in compliance with 50 Ill. Adm. Code 2007.50.
18. CICA shall discontinue the use and re-file all universal life policy forms that fail to include the appropriate title of "Universal" in compliance with 215 ILCS 5/224(1)(m).

19. CICA shall discontinue the use and re-file life policy forms that require a specific form to file a claim in compliance with 50 Ill. Adm. Code 1405.40(g).
20. CICA shall discontinue the use and re-file all policy forms that impose a flat interest rate that is greater than the maximum statutory adjustable policy loan rate allowed when a terminal illness accelerated death benefit claim is made in compliance with 50 ll. Adm. Code 1407.60.
21. CICA shall discontinue the use and re-file blanket insurance policy forms that fail to provide contractual limits for the risk purported to be assumed in compliance with 215 ILCS 5/143.
22. Investigate and pay all life claims classified as reduced paid up and claims whereby the insured is deceased and provide proof that claims have been paid and finalized.
23. Reopen and pay the following claims-

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\$810.00 plus interest
\$122.50 plus interest
24. Submit to the Director of Insurance, proof of compliance with the above twenty-three (23) Orders within 30 days of the execution of these Orders.
25. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$ 40,000.00 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 actions as set forth in the Illinois Insurance Code, including but not limited to levying additional fees, should CICA 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
Combined Insurance Company of America

James P. Howe Jr.
Signature

JAMES P. HOWE, JR
Name

ASST VP - COMPLIANCE DIRECTOR
Title

Subscribed and sworn to before me this

6th day of December A.D. 2013.

Mary Kamysz
Notary Public Seal
MARY KAMYSZ
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES: 12/23/13

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

April 2, 2014

James P. Howe, Jr., MBA, FLMI
Assistant Vice President, Compliance Director
Combined Insurance Company of America
111 E. Wacker Drive, Suite 700
Chicago, IL 60601

Re: *Combined Insurance Company of America*
Market Conduct Examination Report – Closing Letter

Dear Mr. Howe:

The Stipulation and Consent Order issued by the Illinois Department of Insurance requires the company to pay a civil forfeiture in the amount of \$40,000 and to submit proof of compliance with Order #1 through Order #23. The civil forfeiture has been received by the Department and the proofs of compliance have been reviewed and are satisfactory.

The Department is closing its files 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,

Lysa Saran
Acting Deputy Director of
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