



Illinois Department of Insurance

BRUCE RAUNER
Governor

JENNIFER HAMMER
Director

VIA ELECTRONIC MAIL

October 3, 2018

Mr. Mark E. Singleton
President
5 Star Life Insurance Company
909 N Washington St.
Alexandria, VA 22314

**Re: 5 Star Life Insurance Company, NAIC 77879
Market Conduct Examination Report Closing Letter**

Dear Mr. Singleton:

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 blue ink that reads "Erica Weyhenmeyer".

Erica Weyhenmeyer
Assistant Deputy Director - Market Conduct
Illinois Department of Insurance
320 West Washington St., 5th Floor
Springfield, IL 62767
Phone: 217-782-1790
E-mail: Erica.Weyhenmeyer@Illinois.gov

**ILLINOIS DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION OF**

5 Star Life Insurance Company

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: August 14, 2017 through April 20, 2018

EXAMINATION OF: 5 Star Life Insurance Company
NAIC Number: 77879

LOCATION: 909 N. Washington St.
Alexandria, VA 22314

PERIOD COVERED
BY EXAMINATION: September 1, 2016 through August 31, 2017
COMPLAINTS: March 1, 2016 through August 31, 2017

EXAMINERS: John Drake, ChFC, CLU, RHU, FLMI, HIA
Chris Heisler, MCM, ALMI, ARe, Examiner-in-Charge

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I. FOREWORD

This is a market conduct examination report of 5 Star Life Insurance Company (NAIC Code 77879). This examination was conducted at the offices of 5 Star Life Insurance Company (“Company” or “5 Star”), located at 909 N. Washington St. Alexandria, VA 22314.

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures or files does not constitute approval thereof by the Illinois Department of Insurance (“Department”).

During this examination, examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

II. SCOPE OF THE EXAMINATION

The Department has the authority to conduct this examination pursuant to, but not limited to, 215 ILCS 5/132.

The purpose of the examination was to determine if the Company complied with Illinois statutes and the Illinois Administrative Code and to consider whether the Company’s operations are consistent with the public interest. The primary period covered by this review is September 1, 2016 through August 31, 2017 for claims, and March 1, 2016 through August 31, 2017 for complaints unless otherwise noted. Errors outside of this time period discovered during the course of the examination may also be included in the report.

The examination involved the following business functions and lines of business: claims handling practices, policy forms and advertising in use, producer licensing, new business, and handling of consumer complaints and Department complaints for all lines of business.

In performing this examination, the examiners reviewed a sample of the Company’s practices, procedures, products, forms, advertising, extra-contractual claim adjudication guidelines, and files. Therefore, some noncompliant events may not have been discovered. As such, this report may not fully reflect all the practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdictions does not constitute acceptance of such practices.

III. COMPANY PROFILE

5 Star Life Insurance Company was organized May 24, 1943, as a service insurer providing funeral expense and hospitalization coverage. Originally, the Company's name was Economy Service Insurance Company, which was domiciled in Lake Providence, Louisiana. In 1953, the Company changed its domicile to Bastrop, Louisiana and then to Shreveport, Louisiana in 1971. In 1967, the Company ceased issuing service policies. In 1968, the Company changed its name to United Agents Life Insurance Company of America. In 1969, the Company's Articles of Incorporation were amended to change the purpose of the Company to engage in the business of Life and Accident and Health Insurance.

The Bankers General Life Insurance Company was merged into the Company in 1984. In 1985 the Company's name was changed from United Agents Life Insurance Company of America to Western Fidelity Insurance Company. Also in 1985, the Company's domicile was changed from Shreveport, Louisiana to Baton Rouge, Louisiana.

Effective July 1, 1996, the Company was acquired by Armed Forces Benefit Services, Inc. through proceedings approved by the Louisiana Department of Insurance. Prior to the change in control, all business was ceded to National Group Life Insurance Company. After the change in ownership the Company changed the name to AFBA Life Insurance Company.

The Company's Certificate of Authority was amended effective October 26, 2000 for a name change from AFBA Life Insurance Company to 5 Star Life Insurance Company. 5 Star Life Insurance Company has its Statutory Home Office at 8440 Jefferson Highway, Suite 301, Baton Rouge, LA 70809. The main administrative office is located at 909 N. Washington Street Alexandria, VA 22314.

The Company is licensed to sell life and accident and health insurance in forty-nine states, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands, and remains unlicensed only in New York. The Company sells primarily through appointed, independent agents, but has some employees that are licensed to sell life insurance products in certain states for customers that call the Company directly. The markets are split into two distribution channels, one supporting sales to the Armed Forces Benefit Association membership and the other supporting sales to a business insurance market.

As of the Company's December 31, 2016 annual statement for Illinois, the Company reported direct premiums for ordinary individual life insurance in the amount of \$1,814,656 and direct premiums for group life insurance in the amount of \$1,497,858 and direct premiums for accident and health insurance in the amount of \$13,030.

IV. SUMMARY

A market conduct examination of 5 Star Life Insurance Company was performed to determine compliance with Illinois statutes and the Illinois Administrative Code.

The following represents a summary of findings, however specific details are found in each section of the report.

TABLE OF TOTAL VIOLATIONS						
5 STAR LIFE INSURANCE COMPANY						
Crit #	Statute/Rule	Description of Violations	Population	Files Reviewed	Number of Violations	Error %
5	215 ILCS 5/224(1)(1)	Paid Indiv Life – NTT, Failed to notify beneficiary of the availability of interest at time of claim	4	4	4	100%
4	50 Ill. Adm. Code 919.70(a)(2)	Paid Indiv Life – NTT, Failed to provide beneficiary with a reasonable written explanation of delay beyond 45 days	4	4	3	75%
6	215 ILCS 5/224(1)(1)	Paid Indiv Life – FINEOS, Failed to notify beneficiary of the availability of interest at time of claim	29	29	26	90%
7	50 Ill. Adm. Code 919.70(a)(2)	Paid Indiv Life – FINEOS, Failed to provide beneficiary with a reasonable written explanation of delay beyond 45 days	29	29	1	3%
9	215 ILCS 5/224(1)(1)	Paid Indiv Life – CRS, Failed to notify beneficiary of the availability of interest at time of claim	38	38	38	100%
10	50 Ill. Adm. Code 919.70(a)(2)	Paid Indiv Life – CRS, Failed to provide Notice of Availability of the Department of Insurance on the delay letter	38	38	3	8%
3	215 ILCS 5/224(1)(1)	Denied Indiv Life, Failed to notify beneficiary of the availability of interest at time of claim	7	7	7	100%
2	50 Ill. Adm. Code 919.40 and 919.50(a)(1)	Denied Indiv Life, Failed to provide Notice of Availability of the Department of Insurance with correct Chicago address	7	7	7	100%
11	50 Ill. Adm. Code 919.70(a)(2)	Paid Group Life – CRS, Failed to provide Notice of Availability of the Department of Insurance on the delay letter	26	26	4	15%
14	50 Ill. Adm. Code 919.50(a)(1)	Denied Group Life, Failed to provide Notice of Availability of the Department of Insurance on the denial letter	1	1	1	100%
1	215 ILCS 5/368a(c)	Paid Group A&H, Failed to pay interest due when a claim remained unpaid in excess of 30 days totaling \$33.90	1	1	1	100%

TABLE OF TOTAL VIOLATIONS

5 STAR LIFE INSURANCE COMPANY

Crit #	Statute/Rule	Description of Violations	Population	Files Reviewed	Number of Violations	Error %
8	50 Ill. Adm. Code 919.50(a)(1)	Denied Group A&H, Failed to provide Notice of Availability of the Department of Insurance on the denial letter	1	1	1	100%
13	215 ILCS 5/132(2)	Life Cash Surrenders, Failed to maintain documentation of surrender request and disbursement	158	78	28	36%
12	50 Ill. Adm. Code 1407.20	Policy Forms, Failed to provide 24 month standard terminal illness definition	23	23	6 forms	N/A

V. METHODOLOGY

The market conduct examination covered the business written for the period of September 1, 2016 through August 31, 2017. Complaints covered the period of March 1, 2016 through August 31, 2017. Specifically, the examination focused on a review of the following areas:

1. Producer Licensing and Production Analysis
2. Policy Forms and Advertising Material Analysis
3. Claims Analysis
4. Policy Application and Decline Analysis
5. External and Internal Policy Replacement Analysis
6. Consumer and Insurance Department Complaints

The review of these categories was accomplished through examination of appointed and terminated producer files, application files, cash surrendered policy files, extended term and reduced paid-up policy files, claim files, Insurance Department and consumer complaint files, policy forms, and advertising material. Each of these categories was examined for compliance with Department Regulations and applicable State Laws.

The report concerns itself with improper practices performed by the Company which resulted in failure to comply with Illinois statutes and/or administrative rules. Criticisms were prepared and communicated to the Company addressing violations discovered in the review process. All valid criticisms were incorporated in this report.

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 duly licensed in 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

A list of all plans, form letters, riders, and advertising materials used in Illinois during the examination period were requested. All were reviewed for compliance as to format, content, and terminology as required by Illinois Law.

Claims Analysis

Claim surveys were selected using the following criteria:

1. Paid Claims – Payment for claims made during the examination period.
2. Denied Claims – Denial of benefits during the examination period for losses not covered by policy provisions.

All claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and the 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.

Policy Application and Decline Analysis

The Company provided a listing of all life and annuity application files relating to those applications that were declined during the survey period. The files were reviewed to determine validity of the reason for denial.

External and Internal Policy Replacement Analysis

The Company provided a listing of life and annuity files for policies that were either internal or external replacements of existing policies. The replacements were reviewed to determine compliance with 215 ILCS 5/224(2) and to determine if the required replacement forms were properly executed and/or sent.

Consumer and Insurance Department Complaints

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

Median periods were measured from the date of notification of the complaint to the date of response by the Company.

VI. SELECTION OF SAMPLES

5 Star Life Insurance Company

<u>Survey</u>	<u>Population</u>	<u># Reviewed</u>	<u>% Reviewed</u>
CLAIMS ANALYSIS			
Paid Individual Life – NTT Data Corporation (“NTT”)	4	4	100%
Paid Individual Life – FINEOS Global Software (“FINEOS”)	29	29	100%
Paid Individual Life – CRS 5 Star Software (“CRS”)	38	38	100%
Denied Individual Life	7	7	100%
Paid Group Life – FINEOS	18	18	100%
Paid Group Life – CRS	26	26	100%
Denied Group Life	1	1	100%
Paid Group A&H	1	1	100%
Denied Group A&H	1	1	100%
CONSUMER COMPLAINTS	0	0	N/A
DEPARTMENT OF INSURANCE COMPLAINTS	4	4	100%
POLICYHOLDER SERVICES			
Individual Life New Business Issued	1,729	107	6.2%
Declined Individual Life Applications	15	15	100%
Group Life New Business Issued	1,354	107	7.9%
Group A&H New Business Issued	102	51	50%
Replacements – Life	1	1	100%
Non-Forfeiture Individual Life – (Extended Term Insurance (“ETI”) and Reduced Paid Up (“RPU”))	1	1	100%
Life Cash Surrender	158	78	49.4%
PRODUCER LICENSING			
Agent New Business Transactions	3,185	281	8.8%
Agents Terminated for Cause	0	0	N/A
POLICY FORMS AND ADVERTISING			
Policy Forms	23	23	100%
Advertising	121	121	100%

VII. FINDINGS

A. Claims Practices

The examiners reviewed the Company's claim practices to determine its efficiency of handling, accuracy of payment, adherence to contract provisions and compliance with Illinois laws and regulations.

1. Paid Individual Life – NTT

A review of four (4) paid individual life claims produced two (2) criticisms.

The Company failed to notify the beneficiary of the availability of interest at the time of claim for four (4) claims as required by 215 ILCS 5/224(1)(1).

The Company failed to provide the beneficiary with a reasonable written explanation of delay beyond 45 days for three (3) claims as required by 50 Ill. Adm. Code 919.70(a)(2).

The median for payment was two (2) days.

2. Paid Individual Life – FINEOS

A review of 29 paid individual life claims produced two (2) criticisms.

The Company failed to notify the beneficiary of the availability of interest at the time of claim for 26 claims as required by 215 ILCS 5/224(1)(1).

The Company failed to provide the beneficiary with a reasonable written explanation of delay beyond 45 days for one (1) claim as required by 50 Ill. Adm. Code 919.70(a)(2).

The median for payment was four (4) days.

3. Paid Individual Life – CRS

A review of 38 paid individual life claims produced two (2) criticisms.

The Company failed to notify the beneficiary of the availability of interest at the time of claim for 38 claims as required by 215 ILCS 5/224(1)(1).

The Company failed to provide the Notice of Availability of the Department of Insurance in the letters the Company sent to the insured's beneficiary that offer a reasonable written explanation of delay beyond 45 days for three (3) claims as required by 50 Ill. Adm. Code 919.70(a)(2).

The median for payment was 17 days.

4. Denied Individual Life

A review of seven (7) denied individual life claims produced two (2) criticisms.

The Company failed to notify the beneficiary of the availability of interest at the time of claim for seven (7) claims as required by 215 ILCS 5/224(1)(1).

The Company failed to provide the Notice of Availability of the Department of Insurance with the correct Chicago address for seven (7) claims as required by 50 Ill. Adm. Code 919.40 and 919.50(a)(1).

The median for denial was two (2) days.

5. Paid Group Life – FINEOS

A review of 18 paid group life claim files produced no criticisms.

The median for payment was two (2) days.

6. Paid Group Life – CRS

A review of 26 paid group life claim files produced one (1) criticism.

The Company failed to provide the Notice of Availability of the Department of Insurance in the letters the Company sent to the insured's beneficiary that offer a reasonable written explanation of delay beyond 45 days for four (4) claims as required by 50 Ill. Adm. Code 919.70(a)(2).

The median for payment was six (6) days.

7. Denied Group Life

A review of one (1) denied group life claim produced one (1) criticism.

The Company failed to provide the Notice of Availability of the Department of Insurance on the denial letter for one (1) claim as required by 50 Ill. Adm. Code 919.50(a)(1).

The median for denial was one (1) day.

8. Paid Group A&H

A review of one (1) paid group A&H claim produced one (1) criticism.

The Company failed to pay interest due when a claim remained unpaid in excess of 30 days for one (1) claim totaling \$33.90 as required by 215 ILCS 368a(c).

The median for payment was 41 days.

9. Denied Group A&H

A review of one (1) denied group A&H claim produced one (1) criticism.

The Company failed to provide the Notice of Availability of the Department of Insurance on the denial letter for one (1) claim as required by 50 Ill. Adm. Code 919.50(a)(1).

The median for denial was 27 days.

B. Policyholder Services

1. Individual Life New Business Issued

A review of 107 individual life new business issued files produced no criticisms.

2. Declined Individual Life Applications

A review of 15 declined individual life applications produced no criticisms.

3. Group Life New Business Issued

A review of 107 group life new business issued files produced no criticisms.

4. Group A&H New Business Issued

A review of 51 Group A&H new business applications produced no criticisms.

5. Life Replacements

A review of one (1) life replacement file produced no criticisms.

6. Non-Forfeiture Individual Life (ETI & RPU)

A review of one (1) non-forfeiture file produced no criticisms.

7. Life Cash Surrender

A review of 78 life cash surrender files produced one (1) criticism.

The Company failed to maintain documentation of surrender requests and disbursements for 28 files as required by 215 ILCS 5/132(2).

The median for surrender was seven (7) days.

C. Producer Licensing

A review of 281 new business transactions found no criticisms. There were no agents terminated for cause during the exam period.

D. Complaints

The Company reported no consumer complaints.

A review of four (4) Illinois Department of Insurance complaints produced no criticisms.

E. Policy Forms and Advertising

1. Policy Forms

A review of 23 policy forms produced one (1) criticism.

The Company failed to provide a 24 month standard terminal illness definition on six (6) forms as required by 50 Ill. Adm. Code 1407.20.

2. Advertising

A review of 121 pieces of advertising material produced no criticisms.

STATE OF Illinois)
) ss
COUNTY OF Sangamon)

Christopher J. Heisler, 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 5 Star Life Insurance Company (the "Company"), NAIC #77879.

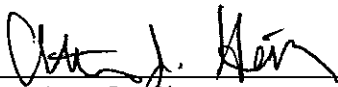
That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish 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 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 Company nor any of the Company's 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 Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

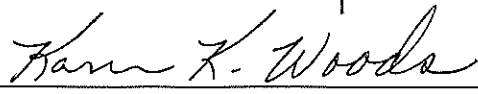
That she/he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

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.

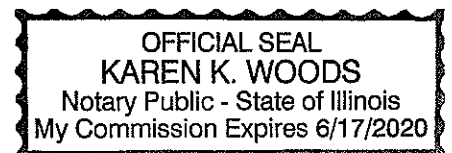


Examiner-In-Charge

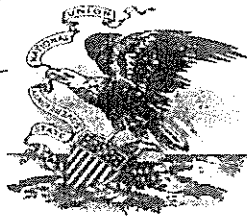
Subscribed and sworn to before me
this 20 day of April, 2018.



Notary Public



STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

**5 STAR LIFE INSURANCE COMPANY
909 N. WASHINGTON STREET
ALEXANDRIA, VA 22314**

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, 5 Star Life Insurance Company (“the Company”), NAIC 77879, is authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by a duly qualified examiner of the Department pursuant to Sections 132, 401, 402, 403, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403, and 5/425); and

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

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

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

WHEREAS, the Company is aware of and understands 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 various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and
2. The Director and the Company consent to this Order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and Department Regulations.

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

1. Institute and maintain policies and procedures whereby the Company shall provide notice at the time a claim is made of the availability of interest on life claims to the beneficiary(s) if payment is delayed beyond 31 days as required by 215 ILCS 5/224(1)(1).
2. Institute and maintain policies and procedures whereby the Company shall provide a "Notice of Availability of the Department of Insurance" and include the correct address of the Department on denied claims as required by 50 Ill. Adm. Code 919.50(a)(1) and defined in 50 Ill. Adm. Code 919.40.
3. Institute and maintain policies and procedures whereby the Company shall provide the beneficiary a reasonable written explanation for delay, accompanied by a "Notice of Availability of the Department of Insurance," when a claim remains unresolved for 45 days from the date it is reported as required by 50 Ill. Adm. Code 919.70(a)(2).
4. Institute and maintain policies and procedures whereby the Company shall provide examiners adequate access to all books, records, documents, and any or all papers relating to the business, performance, operations, and affairs of the Company, including documentation of surrender requests and disbursements, as required by 215 ILCS 5/132(2).
5. Institute and maintain policies and procedures whereby the Company shall discontinue use of policy forms that do not meet the 24-month standard as part of the Terminal Illness definition as defined in 50 Ill. Adm. Code 1407.20.
6. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above five (5) orders within 30 days of execution of this Order.
7. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$15,300.00 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 5 STAR LIFE INSURANCE COMPANY

[Signature]
Signature
Mildred E. Hunt, MSLS
Name
DIRECTOR, Compliance
Title

Subscribed and sworn to before me this
23rd day of July 2018.
[Signature]
Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE 7/20/18

[Signature]
Jennifer Hammer
Director

