



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

November 7, 2013

Mr. Jeffrey Holder Post
President
CMFG Life Insurance Company
P.O. Box 391
Madison, WI 53701-0391

*sent via USPS certified mail
return receipt requested*

Dear Mr. Post:

A Market Conduct Examination of your company was conducted by authorized examiners designated by the Director of Insurance pursuant to Illinois Insurance Code Sections 132, 401, 402, 403 and 425 of the Illinois Insurance Code. The examination covered the period January 1, 2012 through December 31, 2012.

A copy of the examination report is enclosed. As required by the Illinois Insurance Code Section 132, the Director must notify the company concerning the contents of the verified examination report before filing it and making the report public of any matters relating thereto, and must afford the company an opportunity to demand a hearing with reference to the facts and other evidence therein contained. 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 its objections. The examination report will generally not be filed until a hearing is completed. Companies that do not demand a formal hearing may submit their rebuttal with respect to any matters in the examination report. The rebuttal will be considered by the Director before the examination report is filed.

Since no violations were found during the examination, the Department intends to close this exam if there are no objections from the company to the enclosed examination report. Please provide a formal written response to the Department by no later than November 21, 2013 regarding the company's position.

Once the report of examination has been filed, the exam report will be made a public document under the Freedom of Information Act (5 ILCS 140/1 *et el.*) and may be posted on the Department's website.

Please contact me if you have any questions.

Sincerely,

Caryn C. Carmean, A.C.A.S., M.A.A.A.,
Acting Deputy Director Consumer Outreach and Protection
Illinois Department of Insurance
320 West Washington Street
Springfield, IL 62767
217-557-7311
Caryn.Carmean@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.

Caryn Carmean
Assistant Deputy Director
Consumer Outreach and Protection
Illinois Department of Insurance

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF THE EXAMINATION OF

CMFG LIFE INSURANCE COMPANY
2000 HERITAGE WAY
WAVERLY, IA 50677

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, 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 and 5/425) do hereby appoint Bernie Sullivan, at the Illinois Department of Insurance, as the Examiner-In-Charge, and Scott A. Hanfling, Mark Wilson, Tim Kelly, and Meghan Welch, each at Kerns Frost & Pearlman LLC, as Examiners, to examine the insurance business and affairs of CMFG Life Insurance Company, NAIC # 62626, and to make a full and true report to me of the examination made by them of CMFG Life Insurance Company, with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business. This will be a specific targeted exam on the credit business of the company and will involve determining whether the company is paying commissions to unlicensed individuals. The costs of this examination shall be borne by the company.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of CMFG Life Insurance Company. This warrant supersedes the warrant dated December 26, 2012 that was previously issued by the Illinois Department of Insurance for CMFG Life Insurance Company.



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

Done at the City of Chicago, this 1st day of March, 2013

Andrew Boron

Andrew Boron

Director

CMFG LIFE INSURANCE COMPANY

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: March 15, 2013, through April 12, 2013

EXAMINATION OF: CMFG Life Insurance Company
(NAIC# 62626)

LOCATION: 5910 Mineral Point Road
Madison, WI 53705

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

EXAMINERS: Scott A. Hanfling
Bernie Sullivan Jr. LUTCF
Examiner-in-Charge

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I. SUMMARY

1. The Company complied with 215 ILCS 5/500-80 by only paying commissions on its credit life and health business to properly licensed individuals who sold, solicited, or negotiated the insurance in the State of Illinois.

II: SCOPE OF EXAMINATION:

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

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

III. BACKGROUND

CMFG Life Insurance Company

CMFG Life Insurance Company ("CMFG Life") f/k/a CUNA Mutual Insurance Society was formed in 1935 as a mutual life insurance company to provide insurance to credit unions and their members. CMFG Life is domiciled in Iowa and is authorized and licensed to do life and health insurance business in all states and the District of Columbia. Effective January 31, 2012, CMFG Life reorganized into a mutual holding company structure, and converted to a stock insurance company. CUNA Mutual Holding Company is the ultimate controlling parent of the companies that make up the CUNA Mutual Group.

Company's 2012 NAIC Annual Statement Page 24 (Illinois) reflects the following: NAIC #62626

	Line	Direct premium written	Direct premium earned	Direct losses paid	Direct losses incurred
24	Group Policies	\$5,277,187	\$5,729,807	\$2,483,469	\$2,270,044
24.2	Credit (group and individual)	\$12,962,230	\$13,370,980	\$6,441,916	\$7,256,563
25.1	Non-cancellable (other individual policies)	\$23,147	\$23,267	\$27,299	\$43,538
25.6	Totals (other individual policies)	\$1,631,953	\$1,621,066	\$166,477	\$82,297
26	Totals (collectively renewable and other individual policies)	\$20,320,907	\$20,726,211	\$9,094,635	\$9,611,154

IV. METHODOLOGY:

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

The following category is the general area examined:

1. Payment of commissions on credit life and health policies to properly licensed producers

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

The report concerns itself with improper practices performed with such frequency as to indicate general business practices. Individual criticisms are identified and communicated with the insurer, but not cited in the report if not indicative of a general trend.

The following method was used to obtain the required samples and to assure a methodical selection.

Producers Review

A listing of all commissions or fees paid to producers/agents on credit life and health business within the period under examination was requested. The listing was furnished to the Department of Insurance Licensing Unit to determine the licensing status of each producer.

Selection of Samples

<u>Survey</u>	<u>Population</u>	<u># Reviewed</u>	<u>% Reviewed</u>
Producers Review			
Commissions Payments and Licensing	2	2	100.00%

V. FINDINGS:

A. Producers Review:

1. Commission Payments and Licensing

During the experience period, the Company paid commissions to two insurance producers who sold, solicited, or negotiated credit life and health policies on its behalf in Illinois. Each of the two insurance producers was properly licensed under Illinois law for the period during which they sold, solicited, or negotiated credit life and health policies in Illinois. The Company is therefore in compliance with 215 ILCS 5/500-80.

STATE OF ILLINOIS)
) ss
COUNTY OF COOK)

Bernie Sullivan being first duly sworn upon his oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of:

CMFG Life Insurance Company, NAIC #62626

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.



Bernie Sullivan
Bernie Sullivan
Examiner-In-Charge

Subscribed and sworn to before me
this *16* day of *October*, 2013.

Fabiola Lara
Notary Public



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

December 2, 2013

Kathy Graham
Compliance Leader, Market Conduct Examinations
CUNA Mutual Group
PO Box 391
Madison, WI 53701-0391

Re: *CMFG Life Insurance Company*
Market Conduct Examination Report

Dear Ms. Graham,

This is in response to your November 20, 2013 letter on this subject.

The Department has revised the Background Section of the Market Conduct Examination Report to reflect the information as outlined in your letter as well as the dollar amount in the chart regarding the company's direct premium written in Illinois. A copy of the revised report is attached for your records.

The Department is closing its file on this exam. I intend to ask the Director to make the exam report available for public inspection as authorized by 215 ILCS 5/132.

Sincerely,

A handwritten signature in black ink that reads "Caryn C. Carmean".

Caryn C. Carmean, A.C.A.S., M.A.A.A.,
Acting Deputy Director Consumer Outreach and Protection
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Springfield, IL 62767
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