



Illinois Department of Insurance

Bruce Rauner
Governor

Anne Melissa Dowling
Acting Director

November 4, 2015

Eric Leon Holoman, President
Equitrust Life Insurance Company
227 West Monroe Street, Suite 5040
Chicago, IL 60606

Re: Equitrust Life Insurance Company, NAIC #62510
Market Conduct Examination Report Closing Letter

Dear Mr. Holoman:

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 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,

Michael P. Rohan
Deputy Director
Consumer Education and Protection
Illinois Department of Insurance
122 S. Michigan Avenue, 19th Floor
Chicago, IL 60603
Phone: (312) 814-8206
E-mail: Michael.Rohan@Illinois.gov

EQUITRUST LIFE INSURANCE COMPANY
MARKET CONDUCT EXAMINATION REPORT

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: May 11, 2015 through August 7, 2015

EXAMINATION OF: Equitrust Life Insurance Company, NAIC # 62510

LOCATION: 7100 Westown Parkway
West Des Moines, Iowa 50266

PERIOD COVERED
BY EXAMINATION: April 1, 2014 through March 31, 2015

EXAMINERS: Pat Hahn
David Bradbury, Examiner in Charge

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I. FOREWORD

A comprehensive Market Conduct Examination of Equitrust Life Insurance Company (NAIC # 62510) (“Equitrust” or “Company”) was performed to determine compliance with Illinois statutes and the Illinois Administrative Code. Statutory citations were as of the examination period unless otherwise noted.

This examination was conducted at the offices of Equitrust Life Insurance Company, located at 7100 Westown Parkway, West Des Moines, Iowa, 50266.

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”).

II. SCOPE OF 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 is to determine whether the Company’s operations are consistent with the public interest. The primary period covered by this review is April 1, 2014 through March 31, 2015, 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 focused on a review of the following areas: claims handling practices, policy forms, advertising, policyholder services, 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, 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 of 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 jurisdiction does not constitute acceptance of such practices.

III. SUMMARY

1. The Company was criticized for failure to provide notice of the availability of interest on a life claim when payment is delayed beyond 31 days under the circumstances noted in the statute as required by 215 ILCS 5/224(1)(l).
2. The Company was criticized for failure to require replacement information signed by the agent and the applicant as to whether or not any existing life insurance or annuity will be replaced by the new policy as required by 50 Ill. Adm. Code 917.60(a) & (b).
3. The Company was criticized for failure to provide the existing insurer with a policy summary within three (3) working days after the date the replacement policy is issued as required by 215 ILCS 5/224(2).
4. The Company was criticized for failure to provide the Notice Regarding Proposed Replacement of Life Insurance to the company being replaced within three (3) working days of application as required by 50 Ill. Adm. Code 917.70(c).

IV. BACKGROUND

On December 30, 1997, the Company was purchased from TMG Life Insurance Company by Farm Bureau Life Insurance Company. On December 31, 1997, the corporate name was changed from Continental Western Life Insurance Company to Equitrust Life Insurance Company.

During 1998, Equitrust began marketing variable universal life and annuity products marketing agreements with several other companies. The agreements provided for a co-insurance arrangement sharing the profits and risks with the marketing partner.

During 2003, Equitrust began marketing newly developed annuity products on a direct basis through independent channels. Equitrust continues to generate earnings through closed blocks of previously assumed business.

On December 31, 2003, all shares of Equitrust were transferred from the parent company to FBL Financial Group, Inc. through an extraordinary dividend of \$124 million.

On December 30, 2011, Equitrust was acquired from FBL Financial Group, Inc., by Equitrust Holdings LLC (f/k/a Acorn Holdco, LLC), a controlled affiliate of Guggenheim Capital, LLC.

On December 24, 2014, Equitrust Life Insurance Company filed a Form A Acquisition of Controlling Interest in Equitrust Life Insurance Company with the State of Illinois, its domestic regulator. On April 16, 2015, the Illinois Department of Insurance approved the Form A acquisition of Equitrust Life Insurance Company by June Bug Insurance Holdings LLC. The transaction for the change of ownership was completed June 22, 2015.

V. METHODOLOGY

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

1. Policy Forms
2. Claims
3. Consumer and Insurance Department Complaints

The review of these categories is accomplished through examination of producer files, application 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 Department regulations and applicable state laws.

The following methods were used to obtain the required samples and to assure a methodical selection.

Policy Forms

The Company was requested to provide specimen copies of all policy forms in use during the survey period.

Claims

Claim surveys were selected using the following criteria:

1. Paid Claims - Payment for 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 5/1 *et seq.*) and the Illinois Administrative 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 April 1, 2014 through March 31, 2015.

Consumer and Insurance Department Complaints

The Company was requested to provide 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 to the Department of Insurance.

The examination period for Department of Insurance complaints was April 1, 2014 through March 31, 2015.

Equitrust Life Insurance Company

<u>Survey</u>	<u>Population</u>	<u>Reviewed</u>	<u>% Reviewed</u>
CLAIMS ANALYSIS			
Paid Life	1	1	100.00%
Annuity Death Settlements	116	76	66.00%
POLICYHOLDER SERVICES			
Life New Business	187	79	42.00%
Annuity New Business	1031	114	11.00%
Life Replacements	55	55	100.00%
Annuity Replacement	396	81	20.00%
Life Cash Surrender	7	7	100.00%
Annuity Cash Surrender	133	79	59.00%
Declined Life Applications	21	21	100.00%
Declined Annuity Applications	14	14	100.00%
PRODUCER LICENSING	2222	2222	100.00%
CONSUMER APPEALS	2	2	100.00%
DEPARTMENT OF INSURANCE COMPLAINTS	1	1	100.00%
POLICY FORMS AND ADVERTISING			
Policy Forms	13	13	100.00%
Advertising	243	243	100.00%

VI. FINDINGS

A. Claims Analysis

1. Paid Life

A review of one (1) paid life claim produced one (1) criticism. The Company agreed with the criticism. A criticism was written for violation of 215 ILCS 5/224(1)(l) for failure to provide notice of the availability of interest on a life claim when payment is delayed beyond 31 days under the circumstances noted in the statute.

The median for payment could not be established.

2. Annuity Death Settlements

A review of 76 paid annuity death settlements produced no criticisms.

The median for payment was fourteen days.

B. Policyholder Services

1. Life New Business

A review of 79 life application files produced no criticisms.

2. Annuity New Business

A review of 114 annuity applications produced no criticisms.

3. Life Replacements

A review of 55 life replacement files produced 36 criticisms. The Company agreed with all criticisms. One (1) criticism was written for violation of 50 Ill. Adm. Code 917.60(a) & (b) for failure to require replacement information signed by the agent and the applicant as to whether or not any existing life insurance or annuity will be replaced by the new policy. Eighteen criticisms were written for violation of 215 ILCS 5/224(2) for failure to provide the existing insurer with a policy summary within three (3) working days after the date the replacement policy is issued. Seventeen criticisms were written for violation of 50 Ill. Adm. Code 917.70(c) for failure to provide the Notice Regarding Proposed Replacement of Life Insurance to the company being replaced within three (3) working days of application.

4. Annuity Replacements

A review of 81 annuity replacements produced two (2) criticisms. The Company agreed with the criticisms. Both criticisms were written for violation of 50 Ill. Adm. Code 917.60(a) & (b) for failure to require replacement information signed by the agent and the applicant as to whether or not any existing life insurance or annuity will be replaced by the new policy.

5. Life Cash Surrender

A review of seven (7) life cash surrender files produced no criticisms.

The median for surrender was seven (7) days.

6. Annuity Cash Surrender

A review of 79 annuity cash surrenders produced no criticisms.

The median for surrender was eight (8) days.

7. Declined Life Applications

A review of twenty-one declined life applications produced no criticisms.

The median number of days for declination was eighteen days.

8. Declined Annuity Applications

A review of fourteen declined annuity applications produced no criticisms.

The median number of days for declination was six (6) days.

C. Producer Licensing

A review of 2222 producer licensing files produced no criticisms.

D. Consumer Complaints

A review of two (2) consumer complaints produced no criticisms.

E. Department of Insurance Complaints

A review of one (1) Department of Insurance complaint produced no criticisms.

F. Policy Forms and Advertising

1. Policy Forms

A review of thirteen policy forms produced no criticisms. Life forms were filed with the Interstate Compact Commission.

2. Advertising

A review of 243 pieces of advertising produced no criticisms.

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

EQUITRUST LIFE INSURANCE COMPANY, NAIC # 62510
227 WEST MONROE STREET, SUITE 5040
CHICAGO, IL 60606

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, EquiTrust Life Insurance Company ("Company"), NAIC # 62510, 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, 407, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, , 5/403, 5/407, 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 its various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, and 407, 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, it waives 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 procedures to provide notice of the availability of interest on life claims to the beneficiary(s) if payment is delayed beyond 31 days at the time beneficiary makes claim as required under 215 ILCS 5/224(1)(l).
2. Institute and maintain procedures to provide the existing insurer with a policy summary within three (3) working days after the date the replacement policy is issued as required under 215 ILCS 5/224(2).
3. Institute and maintain procedures to provide the Notice Regarding Proposed Replacement of Life Insurance to the company being replaced within three (3) working days of application as required by 50 Ill. Admin. Code 917.70(c).
4. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above three (3) orders within 30 days of receipt of this Order.
5. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$5,750 to be paid within 30 days of execution of this Order.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code, including but not limited to levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of EQUITRUST LIFE INSURANCE COMPANY

Paul A. Miller

Signature

Paul A. Miller

Name

Chief Operating Officer

Title

Subscribed and sworn to before me this
27 day of October 2015.

Beth A. Clark

Notary Public



DATE

11/3/15

DEPARTMENT OF INSURANCE of the
State of Illinois:

Anne Melissa Dowling
Anne Melissa Dowling
Acting Director

STATE OF ILLINOIS)
) ss
COUNTY OF COOK)

David Bradbury, 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 Equitrust Life Insurance Company, (the "Company"), NAIC #62510.

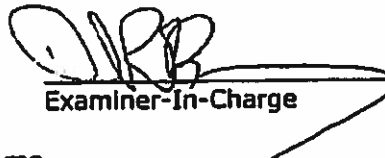
That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish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

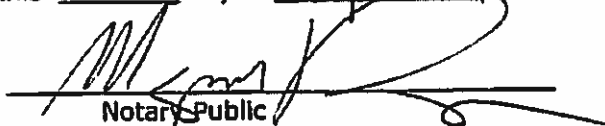
That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

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 22nd day of September, 2015.


Notary Public

