



# Illinois Department of Insurance

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Bruce Rauner  
Governor

Anne Melissa Dowling  
Acting Director

November 5, 2015

Kamilah Williams-Kemp, President  
Northwestern Long Term Care Insurance Co.  
720 E Wisconsin Ave  
Milwaukee, WI 53202

Gregory Charles Oberland, President  
The Northwestern Mutual Life Insurance Co.  
720 E Wisconsin Ave  
Milwaukee, WI 53202

**Re: Northwestern Long Term Care Insurance Company, NAIC 69000**  
**The Northwestern Mutual Life Insurance Company, NAIC 67091**  
***Market Conduct Examination Report Closing Letter***

Dear Ms. Williams-Kemp and Mr. Oberland:

The Department has reviewed Northwestern Long Term Care Insurance 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,

A handwritten signature in cursive script that reads "Jack Engle".

Jack Engle, MCM  
Assistant Deputy Director-Market Conduct and Analysis  
Illinois Department of Insurance  
320 West Washington- 5th Floor  
Springfield, IL 62767  
217-558-1058  
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**THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY**  
**NORTHWESTERN LONG TERM CARE INSURANCE COMPANY**  
**EXAMINATION REPORT**

## MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: September 15, 2014 through February 15, 2015

EXAMINATION OF: The Northwestern Mutual Life Insurance Company  
NAIC Number: 67091

Northwestern Long Term Care Insurance Company  
NAIC Number: 69000

LOCATION(S): 1 Northwestern Mutual Way  
Franklin, WI 53132

720 E. Wisconsin Ave. V02SC  
Milwaukee, WI 53012

PERIOD COVERED  
BY EXAMINATION: January 1, 2013 through December 31, 2013

EXAMINERS: Delbert L. Knight, CIE, MCM, FLMI, EIC  
Ralph Romano, MBA  
Frederick Doran, CFE, CIE

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## I. SUMMARY

A comprehensive Market Conduct Examination of The Northwestern Mutual Life Insurance Company (NMLIC) and Northwestern Long Term Care Insurance Company (NLTC) was performed to determine compliance with Illinois Statutes and Illinois Administrative Code.

The following table represents the general findings with the details of each review located in specific sections of the report.

<b><u>TABLE OF TOTAL VIOLATIONS</u></b>						
<b>Crit #</b>	<b>Statute/Rule</b>	<b>Description of Violation</b>	<b>Population</b>	<b>Files Reviewed</b>	<b>Number of Violations</b>	<b>Error %</b>
6	215 ILCS 5/351A-9.2	NLTC Long Term Care policy not delivered within 30 days of approval.	1,721	158	55	34.81%
10	215 ILCS 5/351A-7	NLTC failed to refund premium within 30 days.	105	50	1	2%

## II. BACKGROUND

### The Northwestern Mutual Life Insurance Company

The Northwestern Mutual Life Insurance Company (NMLIC) is a mutual company that was organized in 1857 as The Mutual Life Insurance Company of the State of Wisconsin. The name was changed in 1865 to “The Northwestern Mutual Life Insurance Company.” NMLIC is licensed in all 50 states and the District of Columbia.

The major product marketed by NMLIC is Ordinary (Individual) Life insurance written on a participating basis. Individual Annuities, Disability Income and Variable Life and Annuities are also marketed through the Company’s career agent distribution system.

NMLIC’s subsidiaries include: Northwestern Long Term Care Insurance Company, Northwestern Mutual Investment Services, LLC, Northwestern Mutual Wealth Management Company and Russell Investments.

Total Direct Premiums Written in Illinois for Accident and Health insurance are as follows:

<b>Year</b>	<b>Total Written Premium In Illinois (Per Schedule T of the Annual Statement)</b>	<b>Other Individual Policies</b>	<b>Group Accident and Health</b>	<b>Current Market Share</b>
2012	\$62,921,489	\$56,070,209	\$6,851,280	.00052
2013	\$64,846,276	\$58,624,467	\$6,221,809	.00045

Total Direct Premiums Written in Illinois for Life and Annuities are as follows:

Year	Total Written Premium In Illinois (Per Schedule T of the Annual Statement)	Current Market Share (Individual Life Only)	Total Written Premium In Illinois (Per Schedule T of the Annual Statement)	Current Market Share (Individual Annuity Considerations Only)
2012	\$674,726,340	.13598	\$146,505,321	.01959
2013	\$716,219,147	.14208	\$207,526,962	.02779

Northwestern Long Term Care Insurance Company

The Northwestern Long Term Care Insurance Company (NLTC) was organized in Illinois in 1953 as the Poulsen Insurance Company of America. In 1969, the Standard of America Financial Corporation (Delaware) acquired the Company and changed its name to the Standard of America Life Insurance Company. In 1977, the Sundstrand Corporation (Delaware) acquired the Company. In 1982, NMLIC acquired the Company by purchasing all of its outstanding shares from Sundstrand Corporation. Effective October 10, 1997, the Company re-domesticated from Illinois to Wisconsin and the Company's name was changed to Northwestern Long Term Care Insurance Company. NMLIC continues to own 100% of the outstanding shares of NLTC.

NLTC is licensed in all 50 states and the District of Columbia.

NLTC has no employees. It has contracted with Northwestern Mutual for management and all administrative services not provided by its contracting administrator.

Since July 1998, NLTC has contracted with an unaffiliated third party administrator, Long Term Care Group, Inc. to provide certain administrative and consulting services with regard to Long Term Care insurance.

NLTC offers Individual Long Term Care insurance, which is marketed through Northwestern Mutual's career agent distribution system.

Total Direct Premiums Written in Illinois for Accident and Health insurance was as follows:

Year	Total Written Premium In Illinois (Per Schedule T of the Annual Statement)	Current Market Share
2012	\$32,286,338	.06878
2013	\$39,384,967	.08246

### III. METHODOLOGY

NMLIC was examined concurrently with NLTC.

The Market Conduct Examination covered the business written January 1, 2013 through December 31, 2013. Specifically, the examination focused on a review of the following areas:

1. Sales and Advertising
2. Producer Licensing
3. Underwriting Procedures
4. Claim Procedures
5. Appeals, Department Complaints and Complaints received directly from Consumers

The review of the categories was accomplished through examination of producer lists, claim files, underwriting files and complaint files. Each of the categories was examined for compliance with Department Regulations and applicable State laws.

The report concerns itself with improper practices performed by the Companies which resulted in a failure to comply with Illinois statutes and/or administrative rules. Criticisms were prepared and communicated to the Companies addressing violations found in the review process. All found violations are cited in the report.

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

#### Producer Licensing

New business was reviewed to determine if solicitations were made by duly licensed persons.

#### Claims

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

All claims were reviewed for compliance with policy contracts and applicable Sections of the Illinois Insurance Code (Section 5/1 *et seq.*), and the Illinois Administrative Code.

The period under review was January 1, 2013 through December 31, 2013.

## Department Complaints and Consumer Appeals

NMLIC and NLTC were requested to provide all consumer complaint files and all formal appeals received by the Illinois Department of Insurance (IDOI) and those received directly from consumers during the survey period. The period under review is January 1, 2013 through December 31, 2013.

### IV. FINDINGS

#### A. COMPANY OPERATIONS AND MANAGEMENT

##### 1. Company procedures, plans and guidelines

A review was conducted of the Companies' underwriting guidelines and procedures, internal audits, disaster recovery plan, anti-fraud program and third-party vendor contracts. No violations were noted.

##### 2. Company Privacy Procedures

A review of the Companies' privacy procedures, including the implementation of policies and procedures to prevent the wrongful disclosure of certain data/identifiable information was conducted. No violations were noted.

#### B. COMPLAINTS AND APPEALS

A review was conducted of the complaints received by the Companies, received by the Illinois Department of Insurance and all Appeals. No violations were noted.

#### C. MARKETING AND SALES

A review was conducted of the Companies' Marketing and Sales procedures, including samples of its advertising materials. No violations were noted.

#### D. PRODUCER LICENSING

A review was conducted of the Companies' Producer Licensing guidelines and procedures, including a random sample of licensed producers. No violations were noted.

#### E. FORMS

A review was conducted of the Companies' Form Filing process, including a random sample of approved forms. No violations were noted.



## F. UNDERWRITING AND RATING

### 1. Individual Policy Review

Field Size	3,360
Sample Size	487

The examiners reviewed 355 Individual underwriting files from a universe of 2,828 files processed by The Northwestern Mutual Life Insurance Company during the examination period. The review consisted of 50 Individual Life Insurance Policies Declined and 50 Individual Life Insurance Policies Not-Taken; 50 Individual Term Life Insurance Policies Declined and 50 Individual Term Life Insurance Policies Not-Taken; and 105 Individual Disability Income Policies Declined and 50 Individual Disability Income Policies Not-Taken.

The examiners also reviewed 132 Individual underwriting files from a universe of 532 files processed by Northwestern Long Term Care Insurance Company during the examination period. The review consisted of 82 Individual Long Term Care Policies Declined and 50 Individual Long Term Care Policies Not-Taken.

A total of 487 Individual Underwriting files were reviewed. No violations were noted

2. Individual Life Policies Issued, Declined and Not-Taken; Individual Term Life Policies Issued, Declined and Not-Taken; Individual Disability Income Policies Issued, Declined and Not-Taken; and Long Term Care Policies Issued, Declined and Not-Taken.

Field Size	36,804
Sample Size	920

No violations were noted.

3. Individual Life Policies Issued, Term Policies Issued, Term Policy Conversions Issued, Term Policy Upgrades Issued and Long Term Care Policies Issued.

Field Size	32,147
Sample Size	514

No violations were noted.

4. Individual Long Term Care Policies Issued and Not-Taken

Field Size	1,721
Sample Size	158
Files in Error	55
Error Ratio	34.81%

FINDING: NLTC failed to deliver Individual Long Term Care Insurance policies within 30 days of approval, as required by 215 ILCS 5/351A-9.2.

5. Individual Long Term Care Policies Issued

Field Size	1,616
Sample Size	108

No violations were noted.

6. Individual Long Term Care Policies Not-Taken

Field Size	105
Sample Size	50
Files in Error	1
Error Ratio	2%

FINDINGS: One (1) file (2%) provided by NLTC contained documentation that NLTC failed to return unearned premium within 30 days, as required by 215 ILCS 5/351A-7.

7. Individual Life Insurance Policies Issued

Field Size	13,727
Sample Size	109

No violations were noted.

## V. INTERRELATED FINDINGS

### 1. Actuarial Review of Long Term Care Premium Rates

As part of this examination, INS Consultants (INS) conducted a review of the Company's Long Term Care (LTC) rates in Illinois to determine whether or not these rates were excessive.

On September 25, 2014 INS submitted the following information request:

- Provide a chart showing the following: Illinois LTC Policy Forms, Issue Dates, Closed/Open, Number of Policyholders as of 12/31/2013 (Illinois), Average Premium as of 12/31/2013 (Illinois), Number of Policyholders as of 12/31/2013 (Nationwide), and Average Premium as of 12/31/2013 (Nationwide)
- Provide a history of rate increases by LTC policy form in Illinois.
- Provide the cumulative rate increase as of 12/31/2013 by LTC policy form for both Illinois and nationwide.
- Provide the national and Illinois experience (incurred claims, earned premiums, loss ratio, actual to expected loss ratio, number of policyholders) by policy form for all calendar years through 12/31/2013; this information is typically provided in rate increase filings.

NLTC responded to INS's request for information on October 9, 2014. Since NLTC's response was sufficient, INS did not request any additional information.

INS used all of the requested information as part of the review of NLTC's Long Term Care rates. Based on INS's review and analysis of the information provided by NLTC, it appears that NLTC's Long Term Care rates are not excessive. NLTC stated that they have never requested a rate increase on inforce business; they did file for rate increases on New Business only. The NLTC initially filed rates, which have never been increased and do not appear to be excessive.

## VI. TECHNICAL APPENDICES

No Technical Appendices were created.

STATE OF ARIZONA            )  
  ) ss  
COUNTY OF MARICOPA        )

Delbert L. Knight, 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 The Northwestern Mutual Life Insurance Company, NAIC # 67091, and Northwestern Long Term Care Insurance Company, NAIC #69000, (the "Companies").

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 Companies 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 Companies' business and affairs and the manner in which the Companies 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 Companies nor any of the Companies' 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;

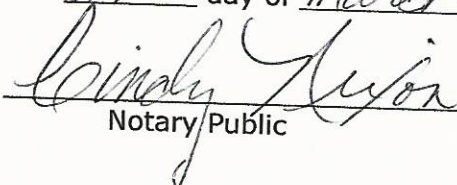
That an examination was made of the affairs of the Companies pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

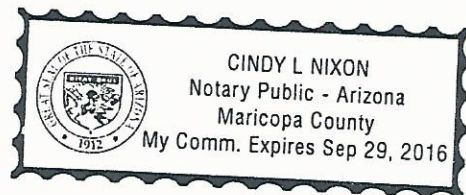
That she/he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Companies for the period covered by the Report as determined by the examiners;

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 Companies.

  
Examiner-In-Charge

Subscribed and sworn to before me  
this 24<sup>th</sup> day of March, 2015.

  
Notary Public



# STATE OF ILLINOIS

## DEPARTMENT OF INSURANCE



IN THE MATTER OF:

NORTHWESTERN LONG TERM CARE INSURANCE COMPANY  
720 E. WISCONSIN AVE  
MILWAUKEE, WI 53202

### 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, Northwestern Long Term Care Insurance Company (“Company”), NAIC #69000, 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, 401.5, 402, 403, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/401.5, 5/402, 5/403, and 5/425); and

WHEREAS, 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 one area 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 one area 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 document that a Long Term Care insurance policy was delivered to the policy owner within 30 days of approval, as required by 215 ILCS 5/351A-9.2.
2. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above Order within 30 days of receipt of this Order.
3. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$9,750.00 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 NORTHWESTERN LONG TERM CARE INSURANCE COMPANY

Kamileh Williams-Kemp  
Signature

Kamileh Williams-Kemp  
Name

President and Chief Executive Officer  
Title

Subscribed and sworn to before me this

14<sup>th</sup> day of October, 2015.

[Signature]  
Notary Public

DEPARTMENT OF INSURANCE of the  
State of Illinois:

DATE 10/16/15

[Signature]  
Anne Melissa Dowling  
Director