

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.

James Rundblom
Deputy General Counsel
Illinois Department of Insurance

STANDARD LIFE & ACCIDENT INSURANCE COMPANY

320 West Washington
Springfield, Illinois 62767-001

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: January 3, 2011 through April 29, 2011

EXAMINATION OF: Standard Life & Accident Insurance
Company

COMPANY ADDRESS: One Moody Plaza
Galveston, Texas 77550-7999

PERIOD COVERED
BY EXAMINATION: November 1, 2009 thru October 31, 2010

EXAMINERS: Danny L. Talkington
Examiner in Charge

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I. SUMMARY

1. The Company was criticized under Section 5/224(1)(l) of the Illinois Insurance Code (215 ILCS 5/224(1)(l)) for failure to notify the insured's beneficiary of the availability of interest payment due to delayed claim processing.
2. The Company was criticized under Section 919.50(a)(1) of the Illinois Administrative Code (50 Ill. Adm. Code 919.50(a)(1)) for failure to provide the insured Notice of Availability of the Department of Insurance on denied claims.
3. The Company was criticized under Section 5/234.1 of the Illinois Insurance Code (215 ILCS 5/234.1) for failure to provide the policy owner a Notice of Enactment of the Non-Forfeiture Options that lists the options available to the policy owner.
4. The Company was criticized for overpayment of a claim. The company disagreed that there was an overpayment, but admitted that its check vouchers did not disclose the market value adjustment, full surrender charge and the resulting credit.

II. BACKGROUND

Standard Life and Accident Insurance Company was incorporated under the laws of Oklahoma as American National Life Insurance Company of Oklahoma on February 26, 1976 with its home office located in Oklahoma City, Oklahoma.

Effective March 15, 1976, the Company formally changed its name to Standard Life and Accident Insurance Company.

On January 1, 1998, the main administrative office was moved to One Moody Plaza, Galveston, Texas 77550, with its statutory home office located at 201 Robert S. Kerr Avenue, Suite 600, Oklahoma City, Oklahoma 73102.

As of December 20, 2002, all of the shares of Standard Life and Accident Insurance Company stock are owned by American National Life Holdings, Inc. (Prior to that date, they were all owned by American National Insurance Company).

On December 15, 2009 the Company was re-domesticated to Texas, and the Home Office was moved to One Moody Plaza, Galveston, Texas 77550-7999.

The Company is licensed to do business in 46 states and the District of Columbia. It is not licensed in the States of New York, New Hampshire, Maine and New Jersey.

The Company was licensed to do business in the State of Illinois on November 29, 1976.

III. METHODOLOGY

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

1. Producer Licensing & Production
2. Claims Analysis
3. Non-Forfeiture Analysis
4. Policy Forms & Advertising Materials Review
5. Insurance Department and Consumer Complaints

The review of these categories was accomplished through examination of producer files, claim files, cash surrendered policy files, policy forms and advertising materials, and Department of Insurance and consumer complaint files. Each of these categories was examined for compliance with Department Regulations and applicable State laws.

The report concerns itself with improper practices performed with such frequency as to indicate general practices. Individual criticisms were identified and communicated to the insurer, but not cited in the report if not indicative of a general trend, except to the extent that underpayments and/or overpayments in claim surveys or undercharges and/or overcharges in underwriting surveys were cited in the report.

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

Producer Licensing and Production

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 by selecting newly solicited insurance applications that reflected Illinois addresses for applicants.

The examination period for the producer analysis was November 1, 2009 through October 31, 2010.

Claims

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

All claims were reviewed for compliance with policy contracts and endorsements, and applicable Sections of the Illinois Insurance Code (215 ILCS) and the Illinois Administrative Code (50 Ill. Adm. Code).

Median payment periods were measured from the date all necessary proofs of loss were received to the date of payment to the insured or the beneficiary. The examination period of the claims survey was November 1, 2009 through October 31, 2010.

Non-Forfeiture Analysis

Listings were requested of all life and annuity policies that were cash-surrendered, placed on extended-term insurance status, or converted to reduced paid-up insurance during the examination period. These listings were retrieved by a search of Illinois life policies that were either lapsed for nonpayment of premium or were requested non-forfeiture option conversions made by the policyholders. The examination period for the Non-Forfeiture Analysis was November 1, 2009 through October 31, 2010.

Policy Forms & Advertising Material Review

All policy forms, form letters, riders and advertising materials used in Illinois during the examination period were requested. These were reviewed for compliance as to format, content and terminology as required by Illinois Law. The examination period for the Policy Forms & Advertising Material Review was November 1, 2009 through October 31, 2010.

Insurance Department and Consumer Complaints

The Company was requested to provide all files relating to complaints 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 by the complainant to the date of response to the Department. The examination period of this survey was November 1, 2009 through January 3, 2011.

SELECTION OF SAMPLE

<u>Survey</u>	<u>Population</u>	<u># Reviewed</u>	<u>% Reviewed</u>
<u>Producers Analysis</u>			
Producers/Applications	82/242	82/242	100.00
Terminated Agents Review	0	0	.00
<u>Claims Analysis</u>			
Paid Individual Life	49	49	100.00
Medicare Duplication Review	68	68	100.00
Paid Individual Long Term Care	267	89	33.33
Denied Individual Long Term Care	57	57	100.00
Paid Individual Hospital Indemnity	6	6	100.00
Denied Individual Hospital Indemnity	15	15	100.00
Paid Hospital & Medical Surgical	8	8	100.00
Denied Hospital & Medical Surgical	32	32	100.00
Paid Individual Major Medical	9	9	100.00
Denied Individual Major Medical	54	54	100.00
Paid Individual Medicare Supplement	33,121	118	00.36
Denied Individual Medicare Supplement	2,891	116	04.01
Paid Individual Nursing Home	16	16	100.00
Denied Individual Nursing Home	36	36	100.00
Paid Specified Disease	11	11	100.00
Denied Specified Disease	50	50	100.00
Paid Individual Cancer	12	12	100.00
Denied Individual Cancer	44	44	100.00
Denied Individual Travel Accident	1	1	100.00
Annuity Death Settlements	4	4	100.00
<u>Non-Forfeiture Analysis</u>			
Extended Term/Reduced Paid Up Insurance	32	32	100.00
Life Cash Surrenders	1,160	106	09.13
Annuity Cash Surrenders	22	22	100.00
<u>Policy Forms & Advertising</u>	115	115	100.00
<u>Complaint Analysis</u>			
Department of Insurance Complaints	1	1	100.00
Consumer Complaints	2	2	100.00

IV. FINDINGS

A. Producer Analysis

1. A review of the 82 producers and 242 commission payments produced no criticisms.
2. There were no agents terminated for cause during the survey period.

B. Claims Analysis

1. Paid Individual Life

Forty-nine (49) Paid Individual Life claim files were reviewed. Forty-nine (49) files or 100% of the Paid Individual Life claim files reviewed were criticized. A general trend criticism was written under Section 5/224(1)(l) of the Illinois Insurance Code for failure to notify the insured's beneficiary of the availability of interest payment due to delayed claim processing. The Company agreed that it failed to provide the insured's beneficiary notice of the availability of interest due to delayed claim processing. See (215 ILCS 5/224(1)(l)).

The median for payment was four (4) days.

2. Paid Long Term Care

A review of eighty-nine (89) Paid Long Term Care claim files produced no criticisms.

The median for payment was eight (8) days.

3. Denied Long Term Care

Fifty-seven (57) Denied Long Term Care claim files were reviewed. Six (6) files or 10% of the Denied Long Term claim files reviewed were criticized. A general trend criticism was written under Section 919.50(a)(1) of the Illinois Administrative Code for failure to provide Notice of Availability of the Department of Insurance on denied claims. The Company disagreed that it failed to provide Notice of Availability of the Department of Insurance on denied claims in that the policies were issued in Illinois, but the insureds had since moved to another state. See (50 Ill. Adm. Code 919.50(a)(1)).

The median for denial was seven (7) days.

4. Paid Individual Hospital Indemnity

A review of six (6) Paid Individual Hospital Indemnity claim files produced no criticisms.

The median for payment was six (6) days.

5. Denied Individual Hospital Indemnity

A review of fifteen (15) Denied Individual Hospital Indemnity claim files produced no criticisms.

The median for denial was ten (10) days.

6. Paid Hospital/Medical/Surgical

A review of eight (8) Paid Individual Hospital/Medical/Surgical claim files produced no criticisms.

The median for payment was seven (7) days.

7. Denied Hospital/Medical/Surgical

A review of thirty-two (32) Denied Hospital/Medical/Surgical claim files produced no criticisms.

The median for denial was seven (7) days.

8. Paid Individual Major Medical

A review of nine (9) Paid Individual Major Medical claim files produced no criticisms.

The median for payment was fourteen (14) days.

9. Denied Individual Major Medical

A review of fifty-four (54) Denied Individual Major Medical claim files produced no criticisms.

The median for denial was six (6) days.

10. Paid Individual Medicare Supplement

A review of one hundred eighteen (118) Paid Individual Medicare Supplement claim files produced no criticisms.

The median for payment was one (1) day.

11. Denied Individual Medicare Supplement

A review of one hundred sixteen (116) Paid Individual Medicare Supplement claim files produced no criticisms.

The median for denial was three (3) days.

12. Paid Individual Nursing Home

A review of sixteen (16) Paid Individual Nursing Home claim files produced no criticisms.

The median for payment was eight (8) days.

13. Denied Individual Nursing Home

A review of thirty-six (36) Denied Individual Nursing Home claim files produced no criticisms.

The median for denial was six (6) days.

14. Paid Individual Specified Disease
A review of eleven (11) Paid Individual Specified Disease claim files produced no criticisms.
The median for payment was fourteen (14) days.
15. Denied Individual Specified Disease
A review of fifty (50) Denied Individual Specified Disease claim files produced no criticisms.
The median for denial was seven (7) days.
16. Paid Individual Cancer
A review of twelve (12) Paid Individual Cancer claim files produced no criticisms.
The median for payment was eleven (11) days.
17. Denied Individual Cancer
A review of forty-four (44) Denied Individual Cancer claim files produced no criticisms.
The median for denial was six (6) days.
18. Denied Travel Accident
A review of one (1) Denied Travel Accident claim file produced no criticisms.
No median for denial could be established.
19. Annuity Death Settlements
A review of four (4) Annuity Death Settlement claim files produced no criticisms.
The median for payment was seven (7) days.

C. Non-Forfeiture Analysis

1. Life Cash Surrenders

A review of one hundred six (106) Life Cash Surrender files produced no criticisms.

The median for payment was four (4) days.

2. Extended Term/Reduced Paid Up Insurance

Thirty-two (32) Extended Term/Reduced Paid Up Insurance files were reviewed. Thirty-two (32) files or 100% of the files reviewed were criticized. A general trend criticism was written under Section 5/234.1 of the Illinois Insurance Code for failure to provide the policyholder with a Notice of Enactment of the Non-Forfeiture Options that did not list the available options. The Company disagreed that it failed to provide a Notice of Enactment of Non-Forfeiture Options as required in that the notice instructed the policy owner to review the provisions of the policy. The company agreed to revise its letters so as to list the various non-forfeiture options applicable in each instance on all future notices. See (215 ILCS 5/234.1).

3. Annuity Cash Surrenders

Twenty-two (22) Annuity Cash Surrender files were reviewed. One (1) file or 5% of the Annuity Cash Surrender files reviewed was criticized. An individual criticism was written for the overpayment of one Annuity Cash Surrender in the amount of \$560.82. The company disagreed that it overpaid this Annuity Cash Surrender, but admitted that the annuity check

voucher did not disclose the market value adjustment, full surrender charge and the resulting credit.

The median for payment was seven (7) days.

D. Policy Forms & Advertising Material

A review of one hundred fifteen (115) policy forms and advertising brochures used during our survey period produced no criticisms.

E. Complaint Analysis

1. Department of Insurance Complaints

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

No median for response could be established.

2. Consumer Complaints

A review of two (2) Consumer Complaint files produced no criticisms.

The median for response was eleven (11) days.

V. INTERRELATED FINDINGS

None.

VI. TECHNICAL APPENDICES

None.

STATE OF NEW YORK)
) SS
COUNTY OF NEW YORK)

Danny Talkington, 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:

Standard Life & Accident Insurance Company, NAIC #86355

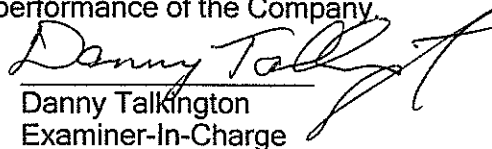
That, as Examiner-In-Charge, he was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish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



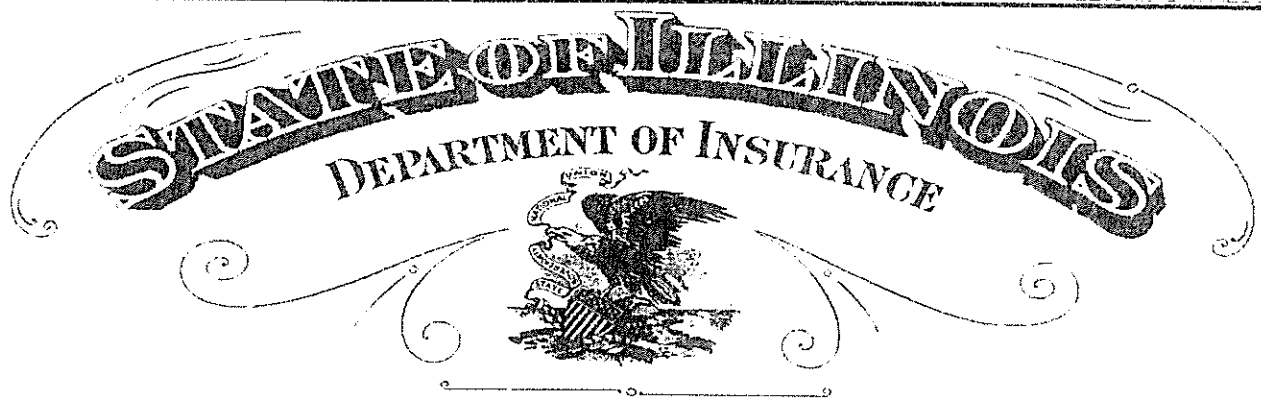
Danny Talkington
Examiner-In-Charge

Subscribed and sworn to before me
this 27 day of February, 2013.



Notary Public

ANNA M TIRONE
Notary Public - State of New York
No. 01TI6101625
Qualified in Richmond County
My Commission Expires Nov. 17, 2015



IN THE MATTER OF:

Standard Life & Accident Insurance Company
One Moody Plaza
Galveston, Texas 77550-7999

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, Standard Life Insurance Company ("Standard") is a life and health insurance company authorized under the insurance laws of this State and by the Director as a foreign stock company, to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a market conduct examination of Standard was conducted by duly qualified examiners from 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, the Department filed an examination report as an official document of the Department as a result of the targeted market conduct examination; and

WHEREAS, said report cited areas in which Standard 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 Standard; and

WHEREAS, Standard is aware of and understands the various rights in connection with the examination 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, Standard understands and agrees that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and

WHEREAS, Standard and the Director, for purposes 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 Standard and the Director as follows:

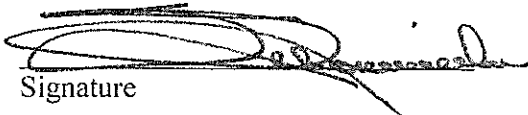
1. That the market conduct examination indicated areas in which Standard was not in compliance with the Illinois Insurance Code and/or Department Regulations; and
2. That Standard and the Director consent to this Stipulation and Consent Order requiring Standard to take certain actions to become compliant with certain provisions of the Illinois Insurance Code and/or Department regulations.

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

1. Institute and maintain procedures to notify the insured's beneficiary of the availability of interest payment due to delayed claim processing as required under 215 ILCS 5/224(1)(1).
2. Institute and maintain procedures to provide the insured with a Notice of Availability of the Department of Insurance on denied claims as required by 50 Ill. Adm. Code 919.50(a)(1).
3. Institute and maintain procedures to provide the policy owner with a Notice of Enactment of the Non-Forfeiture Options, as required by 215 ILCS 5/234.1, that lists the options available to the policy owner.
4. Institute and maintain procedures so that annuity check vouchers to the policy owner disclose any market value adjustment, along with all surrender charges and any resulting credit.
5. Submit to the Director a civil forfeiture of \$2,000.00 within 30 days of the entry date of this Stipulation and Consent Order.
6. Submit to the Director proof of compliance with the above Orders 1-4 within 30 days of the entry date of this Stipulation and Consent Order

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 Standard 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
Standard Life & Accident Insurance Company

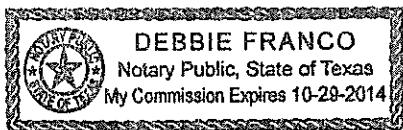

Signature

Steven Schowweiler
Name

President - COO
Title


Subscribed and sworn to before me this
8 day of April A.D. 2013.


Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois;

Date: 4/5/13


Andrew Boron
Director



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

July 15, 2013

Judith L. Regini, FLMI, AIRC, ACS
Assistant Vice President, CCO AML/OFAC
Corporate Compliance
Standard Life and Accident Insurance Company
One Moody Plaza
Galveston, Texas 77550

Re: Market Conduct Examination of Standard Life and Accident Insurance Company

Dear Ms. Regini:

Previously, by my letter, dated July 2, 2013, to Earl G. Taylor, the Department requested that the company resubmit its proof of compliance for Order #4 of the Stipulation and Consent Order, dated April 8, 2013. The copy of the annuity payment voucher that had been provided to the Department did not relate to the Standard Life and Accident Insurance Company. You submitted a second voucher, on Standard Life letterhead, by email dated July 3, 2013. The Department finds this voucher to be acceptable.

Accordingly, 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. Thank you for your assistance in resolving this matter.

Sincerely,

James C. Rundblom
Deputy General Counsel