



Illinois Department of Insurance

BRUCE RAUNER
Governor

JENNIFER HAMMER
Director

May 15, 2017

Mr. Thomas D. Myers
President
The Reliable Life Insurance Company
12115 Lackland Road
St. Louis, MO 63146

Re: The Reliable Life Insurance Company, NAIC 68357
Market Conduct Examination Report Closing Letter

Dear Mr. Myers:

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 black ink 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
E-mail: Jack.Engle@Illinois.gov

**MARKET CONDUCT EXAMINATION OF
RELIABLE LIFE INSURANCE COMPANY**

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: July 11, 2016 through November 23, 2016

EXAMINATION OF: Reliable Life Insurance Company
NAIC Number: 68357

LOCATION: 12115 Lackland Road
Saint Louis, MO 63146

PERIOD COVERED
BY EXAMINATION: April 1, 2015 through March 31, 2016 – Claims
October 1, 2014 through March 31, 2016 – Complaints

EXAMINERS: David Bradbury MCM, Examiner-in-Charge
Patricia Hahn MCM

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I. FOREWORD

This is a comprehensive market conduct examination report of Reliable Life Insurance Company (the “Company”), NAIC Code 68357. This examination was conducted at the offices of Kemper Corporation, located at 12115 Lackland Road, St. Louis, Missouri 63146.

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 (IDOI).

During this examination, the 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 the Illinois Insurance Code, 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 April 1, 2015 through March 31, 2016, for claims and October 1, 2014 through March 31, 2016, for complaints and appeals unless otherwise noted. Errors outside of this time period discovered during the course of the examination, however, may also be included in the report.

The examination was a comprehensive examination involving the following business functions and lines of business: claims handling practices, policy forms and advertising in use, producer licensing and the handling of consumer complaints, appeals 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 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 jurisdictions does not constitute acceptance of such practices.

III. SUMMARY

The following represent general findings, however specific details are found in each section of the report.

TABLE OF TOTAL VIOLATIONS							
Criticism	Crit #	Statute/Rule	Description of Violation	Population	Sample	# of Violations	Error %
Paid Individual Life	40	50 Ill. Adm. Code 919.70(A)(1)(B)	Failed to pay beneficiary interest when claim paid after 31 days of receipt of due proof of loss totaling \$26.12.	114	76	1	1%
Denied Individual Life	30, 35 & 38	215 ILCS 5/224(1)(I)	Failed to notify beneficiary of the availability of Interest at time of claim.	17	17	4	24%
Denied Individual Life	32	50 Ill. Admin. Code 919.50(a)	Failed to affirm or deny coverage within a reasonable time.	17	17	4	24%
Denied Individual Life	36	50 Ill. Admin. Code 919.70(a)(2)	Failed to provide the beneficiary with the "Notice of Availability of the Department of Insurance" on the 45 day delay letter.	17	17	1	6%
Denied Individual Life	37	50 Ill. Admin. Code 919.50(a)(1)	Failed to provide the beneficiary with the "Notice of Availability of the Department of Insurance" on a denial letter.	17	17	1	6%
Rejected Waiver of Premium	10	50 Ill. Admin. Code 919.50(a)(1)	Failed to provide the beneficiary with the "Notice of Availability of the Department of Insurance" on a denial letter.	3	3	3	100%
Rejected Waiver of Premium	11	50 Ill. Admin. Code 919.70(a)(2)	Failed to provide the insured with a reasonable written explanation of delay beyond 45 days.	3	3	1	33%
Policy Forms	5 & 18	215 ILCS 5/143(1)	Exclusions that use language excluding coverage for illegal acts or illegal activity.	20	20	7 forms	NA
Policy Forms	13	50 Ill. Admin. Code 2007.70(b)(8)(A)(x)	Excluded skin cancer as a covered benefit on a cancer policy.	20	20	2 forms	NA
Policy Forms	14	215 ILCS 5/357.3	Three (3) year rescission period in a life policy form. A two (2) year rescission is the maximum allowed.	20	20	1 form	NA

TABLE OF TOTAL VIOLATIONS

Criticism	Crit #	Statute/Rule	Description of Violation	Population	Sample	# of Violations	Error %
Policy Forms	24	215 ILCS 5/143(1) and 50 Ill. Admin. Code 916.40(a) and (b)	Use of policy forms that were not approved. The IDOI at the 2005 filing prohibited the use of arbitration provisions yet the Company continued their use until the time of this exam.	20	20	1 form	NA
Advertising	8	50 Ill. Admin. Code 2007.70(b)(8)(A)(x)	Excluded skin cancer as a covered benefit on a cancer policy.	NA	NA	Example form used with Advertising	NA

IV. BACKGROUND

The Company was incorporated as Reliable Life & Accident Company on December 29, 1911, and was issued a Certificate of Authority as a stock life company. The Company began operations on January 22, 1912. In 1936, the Company changed its name to The Reliable Life Insurance Company.

Reliable was acquired by Unitrin, Inc. on May 29, 1998. Unitrin, Inc. was a publicly traded company with shares trading on the New York Stock Exchange and subsidiaries engaging in life and health insurance, property and casualty insurance, and consumer finance.

On March 5, 2001, all common stock of Reliable was purchased by United Insurance Company of America (United), a wholly owned subsidiary of Unitrin, Inc.

Effective December 31, 2003, Clayton Reinsurance Ltd. (Clayton Re), a Missouri domestic property and casualty insurer and wholly owned subsidiary of Reliable, was merged into Reliable, as of December 31, 2008, Clayton Reinsurance Ltd. was dissolved.

Effective December 28, 2005, ownership of Reliable Life was transferred from United Insurance Company of America to Unitrin, Inc., the ultimate controlling entity in the holding company system.

Effective October 31, 2008, the Reliable Life Insurance Company of Texas was merged into the Company.

On December 1, 2009, Unitrin, Inc. was granted an Order of Exemption for the Form A filing to transfer all stock of Reliable from Unitrin, Inc. to United Insurance Company of America. As a result of the transfer, United became Reliable's immediate parent while Unitrin, Inc. remained the ultimate controlling entity in the holding company system.

On August 25, 2011, Unitrin, Inc. changed its name to Kemper Corporation (a Delaware corporation).

V. METHODOLOGY

The Market Conduct Examination covered the business for the period of April 1, 2015 through March 31, 2016, for claims and October 1, 2014 through March 31, 2016, for the complaint/appeal file review. Specifically, the examination focused on a review of the following areas:

1. Producer Production
2. Claims
3. Department Complaints and Consumer Appeals

The review of the categories was accomplished through examination of appointed and terminated producer files, claim 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 Company which resulted in failure to comply with Illinois statutes and administrative rules. Criticisms were prepared and communicated to the Company addressing violations discovered in the review process. All valid violations were cited in the report. The following methods were used to obtain the required samples and to assure a methodical selection:

Producer Production

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

Claims

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 certificate of coverage provisions.

All claims were reviewed for compliance with policy contracts and applicable sections of the Illinois Insurance Code (215 ILCS 5/1 *et seq.*), the Managed Care Reform and Patient Rights Act (215 ILCS 134/1 *et seq.*) and the Illinois Administrative Code (50 Ill. Admin. Code 101 *et seq.*).

Median payment periods were measured from the date all necessary proofs of loss were received to the date of payment or denial to the claimant. The period under review was April 1, 2015 through March 31, 2016.

Department Complaints and Consumer Appeals

The Department requested that the Company provide all files relating to complaints received via the Department of Insurance and those received directly from consumers. The Department also requested the Company to provide files of all consumer complaints and external independent reviews handled during the survey period.

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

The period under review was October 1, 2014 through March 31, 2016.

VI. SELECTION OF SAMPLE

<u>Survey</u>	<u>Population</u>	<u># Reviewed</u>	<u>% Reviewed</u>
CLAIMS ANALYSIS			
Paid Individual Life	114	76	66.00%
Denied Individual Life	17	17	100.00%
Paid Individual Health	44	44	100.00%
Denied Individual Health	12	12	100.00%
Paid Hospital Indemnity	44	44	100.00%
Approved Waiver of Premium	4	4	100.00%
Rejected Waiver of Premium	3	3	100.00%
PRODUCER LICENSING			
Agents	219	219	100.00%
Applications	6277	6277	100.00%
CONSUMER COMPLAINTS			
	0	0	0
DEPARTMENT OF INSURANCE COMPLAINTS			
	11	11	100.00%
POLICYHOLDER SERVICES			
Declined Life Applications	37	37	100.00%
Life New Business	320	181	57.00%
Accident & Health Scheduled	630	113	18.00%
Non-Forfeiture Review	117	79	68.00%
Life Cash Surrender	74	74	100.00%
Replacements	1	1	100.00%
POLICY FORMS AND ADVERTISING			
Policy Forms	20	20	100.00%
Advertising	13	13	100.00%

VII. FINDINGS

A. Claims

1. Paid Individual Life

- In one (1) instance out of 76 files reviewed for an error percentage of 1%, the Company failed to pay beneficiary interest when the claim was paid after 31 days of receipt of due proof of loss totaling \$26.12. This is a violation of 50 Ill. Adm. Code 919.70(A)(1)(B).

The median for payment was five (5) days.

Criticism	Crit#	Statute/Rule	Description of Violation	Interest Underpayment
DB PIL	40	50 Ill. Adm. Code 919.70(A)(1)(B)	Interest due to late payment	\$26.12
			TOTAL	\$26.12

2. Denied Individual Life

- In four (4) instances out of 17 files reviewed for an error percentage of 24%, the Company failed to notify the beneficiary at the time of claim of the availability of interest payment due to delayed claim processing beyond 31 days. This is a violation of 215 ILCS 5/224(1)(l).
- In four (4) instances out of 17 files reviewed for an error percentage of 24%, the Company failed to affirm or deny coverage within a reasonable time. This is a violation of 50 Ill. Admin. Code 919.50(a).
- In one (1) instance out of 17 files reviewed for an error percentage of 6%, the Company failed to provide the "Notice of Availability of the Department of Insurance" on the delay letter when a claim was delayed beyond 45 days. This is a violation of 50 Ill. Admin. Code 919.70(a)(2).
- In one (1) instance out of 17 files reviewed for an error percentage of 6%, the Company failed to provide the insured's beneficiary with the "Notice of Availability of the Department of Insurance" on denied claims. This is a violation of 50 Ill. Admin. Code 919.50(a)(1).

The median for denial was 12 days.

3. Paid Individual Health

No exceptions were noted.

The median for payment was four (4) days.

4. Denied Individual Health

No exceptions were noted.

The median for denial was three (3) days.

5. Paid Hospital Indemnity

No exceptions were noted.

The median for payment was four (4) days.

6. Approved Waiver of Premium

No exceptions were noted.

The median could not be established.

7. Rejected Waiver of Premium

- In three (3) instances out of three (3) files reviewed for an error percentage of 100%, the Company failed to provide the insured's beneficiary with the "Notice of Availability of the Department of Insurance" on denied claims. This is a violation of 50 Ill. Admin. Code 919.50(a)(1).
- In one (1) instance out of three (3) files reviewed for an error percentage of 33%, the Company failed to provide a delay letter when a claim was delayed beyond 45 days. This is a violation of 50 Ill. Admin. Code 919.70(a)(2).

A median could not be established.

B. Department of Insurance Complaints

No exceptions were noted.

The median for response to the Department was 12 days.

C. Policy Holder Services

1. Declined Life Applications

A review of 37 declined life applications produced no exceptions.

The median for declination was 18 days.

2. Life New Business

A review of 181 life new business applications produced no exceptions.

3. Accident and Health New Business

A review of 113 accident and health new business applications produced no exceptions.

4. Non-Forfeiture Review

A review of 79 non-forfeiture files produced no exceptions.

5. Life Cash Surrenders

A review of 74 life cash surrender files produced no exceptions.

The median for surrender was seven (7) days.

6. Life Replacements

A review of a single life replacement file produced no exceptions.

D. Producer Licensing

1. Agent Production

A review was performed on company provided data that included first year commissions. No exceptions were noted.

E. Policy Forms and Advertising

1. Policy Forms

Reviews of the policy forms filed and in use for the period under review did not meet the current standards under 215 ILCS 5/143(1).

- In one (1) instance the Company was criticized under 215 ILCS 5/143(1) and 50 Ill. Admin. Code 916.40(a) and (b) for use of a policy form that was not approved for use in 2005. The form contains an arbitration provision for claim settlement between the beneficiaries of the policy and the Company and it was not allowed when originally filed. The Company continued to use the form up until it was discovered by Examiners at time of the Examination.
- In seven (7) instances the company was criticized under 215 ILCS 5/143(1) for use of forms that use language excluding coverage for illegal acts or illegal activity.
- In two (2) instances the insurer was criticized under 50 Ill. Admin. Code 2007.70(b)(8)(A)(x) for use of cancer policy forms that exclude skin cancer as a covered benefit. This is the risk purported to be assumed under the described coverage.
- In one (1) instance the Company was criticized under 215 ILCS 5/357.3 for use of a policy form with a three (3) year rescission period.

2. Advertising

Reviews of the advertising forms in use for the period under review identified a form that did not meet current standards.

- In one (1) instance the insurer was criticized under 50 Ill. Admin. Code 2007.70(b)(8)(A)(x) for use of a cancer advertising form that excludes skin cancer as a covered benefit. This is the risk purported to be assumed under the described coverage.

STATE OF OKLAHOMA)
) ss
COUNTY OF OKLAHOMA)

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 RELIABLE LIFE INSURANCE COMPANY (collectively the "Company").

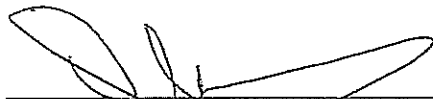
That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish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

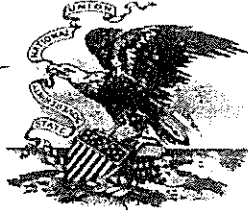
Subscribed and sworn to before me
this 25th day of December, 2016



Notary Public



STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

THE RELIABLE LIFE INSURANCE COMPANY
12115 LACKLAND ROAD
ST. LOUIS, MO 63146

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, The Reliable Life Insurance Company ("the Company"), NAIC 68357, 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 its 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, 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 policies and procedures whereby the Company shall provide notice to the beneficiary or beneficiaries, at the time a beneficiary makes a claim, of the availability of interest on life claims if payment is delayed beyond 31 days, as required by 215 ILCS 5/224(1)(l).
2. Institute and maintain policies and procedures whereby the Company shall affirm or deny liability on claims within a reasonable time as required by 50 Ill. Adm. Code 919.50(a).
3. Institute and maintain policies and procedures whereby the Company shall provide the insured or insured's beneficiary a Notice of Availability of the Department of Insurance on denied claims as required by 50 Ill. Adm. Code 919.50(a)(1).
4. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above three (3) orders within 30 days of execution of this Order.
5. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$4,000 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 **THE RELIABLE LIFE INSURANCE COMPANY**

Tom Myers

Signature

Tom Myers

Name

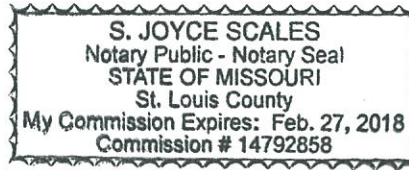
President

Title

Subscribed and sworn to before me this
11 day of April 2017.

S. Joyce Scales

Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE 4/12/2017

Jennifer Hammer

Jennifer Hammer
Director

