



Illinois Department of Insurance

BRUCE RAUNER
Governor

JAMES A. STEPHENS
Acting Director

Bradford Hewitt, President
Thrivent Financial for Lutherans
625 Fourth Avenue South
Minneapolis, MN 5541-1624

Re: Thrivent Financial for Lutherans NAIC # 56014; and
Thrivent Life Insurance Company NAIC #97721
Market Conduct Examination Report Closing letter

Dear Mr. Hewitt:

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 make the Examination Report available for public inspection as authorized by 215 ILCS 5/132.

If you have any questions, my contact information is listed below.

Sincerely,

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

Jack Engle
Assistant Deputy Director
Market Conduct Unit
Illinois Department of Insurance
320 West Washington St.
Springfield, Illinois 62767-0001
Phone: 217-558-1058
E-mail: Jack.Engle@Illinois.gov

Cc: Carla Strauch, Thrivent- Director, Insurance Compliance (via email)

THRIVENT FINANCIAL FOR LUTHERANS
THRIVENT LIFE INSURANCE COMPANY

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: March 1, 2014 through October 10, 2014

EXAMINATION OF: Thrivent Financial for Lutherans
NAIC Number: 56014
Thrivent Life Insurance Company
NAIC Number: 97721

LOCATION: 4321 North Ballard Road
Appleton, Wisconsin 54919

PERIOD COVERED
BY EXAMINATION: January 1, 2013 through December 31, 2013
COMPLAINTS: January 1, 2011 through December 31, 2013

EXAMINERS: Beverly A. Dale – CIE, FLMI - Examiner-In-Charge
Michael Dolphin, MCM, J.D.
Jenny Frederick, MCM, J.D.
Patricia Gabriel, MCM, J.D.
James Gowins, MCM
Sheri Kenney, MCM
Ann McClain, CIE, AMCM, CICS, FLMI, FLHC, AIRC, AIC,
AIAA, ARA, ACS, AIS
Victor Negron, CIE, MCM, FLMI, IR

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I. SUMMARY

A comprehensive market conduct examination of Thrivent Financial for Lutherans and Thrivent Life Insurance Company was performed to determine compliance with Illinois Statutes and Illinois Administrative Code.

The following represents general findings, however, specific details are found in each section of the report. These findings are for Thrivent Financial for Lutherans only.

TABLE OF TOTAL VIOLATIONS						
Crit #	Statute/Rule	Description of violation & company response if disagreed	Population	Files Reviewed	Number of Violations	Error %
1	215 ILCS 5/154.6(c)	Paid Annuity Death Settlement	4,178	221	4	1.8%
2	215 ILCS 5/1007(G) (2)(a)(b)	Authorization Forms	20	20	6	30%
3	215 ILCS 5/143d(c)	Complaints – Company	171	83	2	2.4%

II. BACKGROUND

Thrivent Financial for Lutherans (Thrivent Financial) was originally incorporated on November 24, 1901 and commenced business on July 15, 1902 in Appleton, Wisconsin, as Aid Association for Lutherans (AAL). Thrivent Financial for Lutherans, was established effective January 1, 2002 upon the merger of the Lutheran Brotherhood (LB) fraternal society into Aid Association for Lutherans.

Lutheran Brotherhood was a Minnesota domiciled fraternal benefit society originally founded in 1917 under the name Luther Union and resulted from the 1917 Merger Convention of the Norwegian Lutheran Church of America. The Merger Convention approved the formation of Luther Union as a not-for-profit mutual aid society. Luther Union merged with Lutheran Brotherhood of America in 1920 and adopted the corporate name of Lutheran Brotherhood.

Prior to the 2002 merger, AAL and LB were separate, independent fraternal societies, with home offices and business operations located in Appleton, Wisconsin and Minneapolis, Minnesota respectively. In 2001, the supreme governing body of AAL and LB voted on and approved the 2002 merger of the two fraternal societies, with AAL the surviving entity. AAL subsequently changed its name to Thrivent Financial for Lutherans effective May 21, 2002.

Thrivent Financial offers a broad range of insurance products, financial services, and fraternal benefits to its policyholders, non-policyholder members, and other Lutherans. Thrivent Financial markets its products through a general agency system.

Thrivent Life Insurance Company (Thrivent Life) was incorporated on April 20, 1982 as a stock life insurance company under the name Lutheran Brotherhood Variable Insurance Products Company in the State of Minnesota and commenced business on December 1, 1982 in Minneapolis, Minnesota. On March 24, 2003 the Company's name was changed to Thrivent Life Insurance Company. Thrivent Life's ultimate parent is Thrivent Financial for Lutherans, a Fraternal Benefit Society domiciled in the State of Wisconsin. Thrivent Life received its license to conduct business in Illinois on November 15, 1982.

Thrivent Life ceased writing new business in 2003 and began the run-off of the existing in force business. Thrivent Life's existing in force business is comprised of Variable Universal Life and Variable Deferred Annuity policies.

Total Direct Premiums Written in Illinois for Life and Annuities insurance for Thrivent Financial for Lutherans was as follows:

Year	Total Written Premium In Illinois (Per Schedule T of the Annual Statement)	Current IL market share
2013	\$308,398,783	6%

Total Direct Premiums Written in Illinois for Life and Annuities insurance for Thrivent Life Insurance Company was as follows:

Year	Total Written Premium In Illinois (Per Schedule T of the Annual Statement)	Current IL market share
2013	\$8,135,140	5.5%

III. METHODOLOGY

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

1. Operations/Management
2. Complaints
3. Marketing and Sales
4. Producer Licensing
5. Policyholders Services
6. Underwriting and Rating
7. Claim procedures

The review of the categories was accomplished through examination of authorization forms, complaint files, advertising materials, appointed and terminated producer files, new business application files, and claim 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 Thrivent Financial which resulted in failure to comply with Illinois Statutes and/or Administrative Rules. Criticisms were prepared and communicated to Thrivent Financial addressing violations discovered in the review process. All violations were cited in the report.

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

Operation/Management

- 1a. Reviewed authorization forms utilized during the examination period
- 1b. Reviewed internal audit reports
- 1c. Reviewed disaster recovery plan
- 1d. Reviewed third party administrator agreements
- 1e. Reviewed privacy forms and Company procedures

Complaint Handling

- 2a. Reviewed complaints received by the Illinois Department of Insurance
- 2b. Reviewed complaints received by both companies

Both companies were requested to provide all files relating to complaints received via the Department of Insurance and those received directly from the policyholder. Both companies were also requested to provide files of all policyholder complaints and external independent reviews handled during the survey period.

Marketing and Sales

3. Reviewed advertising materials utilized during the examination period

Producer Licensing

- 4a. Reviewed active producers licensed during the examination period
- 4b. Reviewed producer terminations

Policyholders Services

- 5a. Sampled life cash surrenders.
- 5b. Sampled extended term insurance/reduced paid up
- 5c. Sampled full cash annuity surrenders

Underwriting and Rating

- 6a. Sampled new business issued during the examination period
- 6b. Sampled denied life applications during the examination period

Claims

- 7a. Sampled paid claims made during the examination period
- 7b. Sampled denied claims during the examination period for benefits not covered by the policy provisions

All claims were reviewed for compliance with policy contracts and applicable Sections of the Illinois Insurance Code (Section 5/1 Article I through XLV) and the Illinois Administrative Code.

IV. FINDINGS

A. Operations/Management

- 1a. A review of 20 authorization forms indicated that six (6) forms (30%) were not in compliance with 215 ILCS 5/1007 and a criticism was issued. Six (6) of the disclosed authorization forms provided for our review indicate that the authorizations are valid for 24 months. However, per 215 ILCS 5/1007(G)(2)(a) and (b), the maximum validity period for information collected for a claim is either:

- (a) the term of coverage of the policy if the claim is for a health insurance benefit,
- (b) the duration of the claim if the claim is not for a health insurance benefit;

As the 24 month period could exceed the term of coverage or the duration of a claim, Thrivent Financial is not in compliance.

- 1b. A review of 17 internal audit reports produced no criticisms.
- 1c. A review of the Company's disaster recovery plan produced no criticisms.
- 1d. A review of 22 third party administrator agreements produced no criticisms.
- 1e. A review of 4 privacy forms and Company procedures produced no criticisms.

B. Complaint Handling

- 2a. A review of 8 complaints received by the Illinois Department of Insurance produced no criticisms.
- 2b. A review of 83 directly received complaints sampled indicated the Company was not in compliance with Illinois Insurance Code 215 ILCS 5/143d(c). Two (2) of the complaint files (2.4%) reviewed indicated a lack of required documentation in the file. A criticism was issued to Thrivent Financial.

C. Marketing and Sales

- 3. A review of 269 pieces of advertising materials produced no criticisms.

D. Producer Licensing

- 4a. A review of 113 agents to determine the agents were duly licensed produced no criticisms.
- 4b. A review of 5 terminated producers produced no criticisms.

E. Policyholder Services

- 5a. Full Life Cash Surrenders - A review of 114 claims produced no criticisms.
- 5b. Full Annuity Cash Surrenders - A review of 113 claims produced no criticisms.
- 5c. Extended Term Insurance/Reduced Paid Up - A review of 79 requests produced no criticisms.

F. Underwriting and Rating

- 6a. New Business Issued - A review of 230 life, annuity, long term care and health policies issued produced no criticisms.
- 6b. Declined Life Applications - A review of 113 declined life applications produced no criticisms.

G. Claims

- 7a. Paid Claims
A review of 877 paid claims was performed, in which 221 claims were for Paid Annuity Death benefits. Our review indicated that four (4) of the 221 claims (1.8%) were not in compliance with Illinois Insurance Code 215 ILCS 5/154.6(c) as the claims were not settled in a timely manner. A criticism was issued to Thrivent Financial.
- 7b. Denied Claims.
A review of 222 denied claims produced no criticisms.

STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF:

THRIVENT FINANCIAL FOR LUTHERANS; AND
THRIVENT LIFE INSURANCE COMPANY
(The "Companies")

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, Thrivent Financial for Lutherans, NAIC #56014, and Thrivent Life Insurance Company NAIC #97721, (the Companies) are 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 Companies 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, 5/407.2, 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 Companies were 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 Companies 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 Companies; and

WHEREAS, the Companies are 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, 403, 407, and 425 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Companies understand and agree that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and

WHEREAS, the Companies 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 Companies and the Director as follows:

1. The Market Conduct Examination indicated various areas in which the Companies were not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and
2. The Director and the Companies consent to this Order requiring the Companies 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 Companies shall:

1. Institute and maintain policies and procedures whereby the Companies ensure that all claims are paid in a timely manner, with adequate documentation to support the payments in compliance with the requirements of 215 ILCS 5/154.6(c).
2. Institute and maintain policies and procedures whereby the Companies' authorization forms utilized do not exceed the term of coverage or the duration of a claim in compliance with 215 ILCS 5/1007(G)(2)(a) and 215 ILCS 5/1007(G)(2)(b).
3. Institute and maintain policies and procedures whereby the Companies ensure that all complaints received by its Field Representatives (FR), when resolved by the FR, be submitted to the Companies with adequate documentation in compliance with 215 ILCS 5/143d(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 \$ 12,000 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 Companies 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:

THRIVENT FINANCIAL FOR LUTHERANS; AND
THRIVENT LIFE INSURANCE COMPANY

James M Odland
Signature

James M. Odland
Name

Vice President and Managing Counsel
Vice President and Chief Legal Officer
Title

Subscribed and sworn to before me this
11th day of February ~~2014~~ 2015

David L. Westmark
Notary Public

my commission is permanent.

DAVID L. WESTMARK
Notary Public
State of Wisconsin

DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE 2-23-15

James Stephens
~~Andrew Boron~~
~~Director~~ MR

James Stephens
Acting Director