

STATE OF ILLINOIS



Department of Insurance

IN THE MATTER OF
THE EXAMINATION OF:

WESTERN CATHOLIC UNION
505-510 MAINE STREET
QUINCY, ILLINOIS 62301

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 5/131.21, 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425) do hereby appoint Max Weaver, Examiner-In-Charge, John Staples and associates as the proper persons to examine the insurance business and affairs of Western Catholic Union of Quincy, Illinois, and to make a full and true report to me of the examination made by them of Catholic Union with a full statement of the condition and operation of the business and affairs of Catholic Union with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of Catholic Union.

IN TESTIMONY WHEREOF,

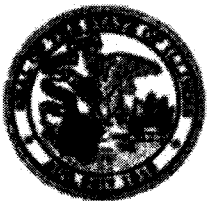
I hereto set my hand and cause to be affixed the Seal of my office.

Done at the City of Springfield, this 28th day of January, 2010

Michael T. McRaith

Michael T. McRaith

Director



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.

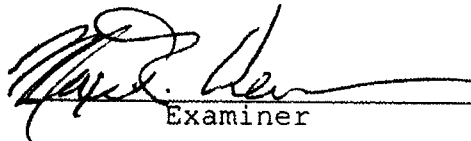
No company, corporation, or individual shall use this report or any statement, excerpt, portion, or section thereof for any advertising, marketing or solicitation purpose. Any company, corporation or individual action contrary to the above shall be deemed a violation of Section 149 of the Illinois Insurance 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 C. Rundblom
Staff Attorney

STATE OF ILLINOIS)
) SS
COUNTY OF SANGAMON)

I personally served a copy of the within Warrant by leaving
said copy with MARK WIEWEL , at the hour of 1 PM
on 8/9 _____, A.D., 2010.



Examiner

WESTERN CATHOLIC UNION

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: August 09, 2010 – November 19, 2010

EXAMINATION OF: Western Catholic Union
NAIC # 57711

LOCATION OF EXAMINATION: 500-510 Maine Street
Quincy, Illinois 62301

PERIOD COVERED BY EXAMINATION: January 1, 2009 – December 31, 2009
Department of Insurance complaints and
new business: January 1, 2007 through
August 1, 2010.

EXAMINERS: Mike Hager
Max R. Weaver
Examiner-In-Charge

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I. SUMMARY

1. The Company was criticized under 215 ILCS 5/500-80 for payment of first year commissions, totaling \$5,376.04, to one (1) unlicensed entity for 15 applications.
2. The Company was criticized under 215 ILCS 5/143(1) for using application forms that had not been filed with and approved by the Director of Insurance.
3. The Company was criticized under 215 ILCS 5/143(1) for using Board Resolutions to alter applications and contracts, without first filing the Board resolutions for approval by the Director.
4. The Company was criticized under 50 Ill. Adm. Code 909.40(a) for the form and content of the Company's advertisements using language in connection with guaranteed income benefits that was not sufficiently complete and clear.
5. The Company was criticized under 50 Ill. Adm. Code 909.40(b) for using the term "deposit" and not the proper term "premium" in advertisements.
6. The Company was criticized under 50 Ill. Adm. Code 926.50 for failure to maintain a complaint record with the minimum information required for Department of Insurance complaints.

II. BACKGROUND

Western Catholic Union ("Company" or "WCU") was established by forming a Corporation under an act of the General Assembly of the State of Illinois as the Supreme Council of the Western Catholic Union.

The Corporation's intent was, first, to protect and benefit the widows, orphans, heirs and devisees of deceased members; second, to create and establish subordinate branches of said Society and to grant dispensations or charters to such subordinate Societies as may be established; and third, to establish by laws for its own government and that of its branches not in conflict with the laws of the State of Illinois or the United States on December 20, 1877 and commenced doing business in Illinois on December 21, 1877.

Western Catholic Union is licensed in the following States: Illinois, Missouri, Wisconsin, Colorado, Maryland, West Virginia, Iowa, Pennsylvania, Michigan, Ohio and Texas.

Western Catholic Union's 2009 Annual Statement contained the following information concerning its 2009 Illinois premium and annuity considerations:

01	Life insurance (direct premiums and annuity considerations)	IL	2,444,188
02	Annuity considerations (direct premiums and annuity considerations)	IL	43,534,645
03	Deposit-type contract funds (direct premiums and annuity considerations)	IL	4,798,615
04	Other considerations (direct premiums and annuity considerations)	IL	0
05	Total (direct premiums and annuity considerations)	IL	50,777,448

III. METHODOLOGY

The Market Conduct Examination places emphasis on evaluating an insurer's system and procedures used in dealings with insureds and claimants.

The following categories are the general areas examined:

1. Producer Licensing and Production Analysis
2. Non-Forfeiture Analysis
3. Claims Analysis
4. Policy Forms and Advertising Material Analysis
5. Complaint Analysis

The review of these categories is accomplished through examination of producer files, cash surrendered policies, extended term insurance and reduced paid-up insurance, policy forms, endorsements and riders, underwriting methods and advertising materials. Each of these categories is examined for compliance with Department of Insurance Rules and Regulations and applicable state law.

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

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

Producer Licensing and Production Analysis

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 selecting newly solicited insurance applications which reflected Illinois addresses for the applicants.

Policy Forms and Advertising Material Analysis

The Company provided specimen copies of all policy forms and samples of all advertising material in use during the survey period.

Non-Forfeiture Analysis

Listings were requested of all policies cash surrendered, placed on extended term insurance status, or converted to reduced paid-up insurance during the survey period covered by the examination. These listings were retrieved by a search of Illinois life policies which either lapsed for nonpayment of premium or were requested non-forfeiture option conversions made by the policyholders.

Claims Analysis

Claim surveys were selected using the following criteria:

Paid Claims – Payment for coverage made during the examination period.

Denied Claims – Denial of benefits for losses not covered by policy provisions.

Individual or Franchise Claims – Determine whether the contracts were issued on an individual or franchise basis.

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.

Department of Insurance Complaints

The Company was required 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 January 1, 2007 through August 01, 2010.

SELECTION OF SAMPLE

SURVEY	POPULATION	# REVIEWED	% REVIEWED
Producer Production Analysis			
Terminated Producers	57	57	100
Producer Production	4032	4032	100
New Business Application Files	1784	90	5
Non-Forfeiture Analysis			
Life Cash Surrender	30	30	100
Extended Term Insurance and Reduced Paid-Up	6	6	100
Annuity Cash Surrender	145	85	59
Approved Waiver of Premium	1	1	100
Claims Analysis			
Paid Individual Life	74	74	100
Paid Annuity Death Settlements	55	55	100
Policy Forms and Advertising			
Policy Forms	76	76	100
Advertising Review	105	105	100
Replacement Policy Analysis			
Replacements	570	119	21
Complaint Analysis			
Department of Insurance Complaints	4	4	100
Consumer Complaints	5	5	100

IV. FINDINGS

A. Producer Licensing and Production Analysis

1. Terminated Agents

A review of 57 producer termination files resulted in no criticisms.

2. Producer Production

A review of the producer production files resulted in one (1) criticism. A criticism was made under 215 ILCS 5/500-80 for payment of first year commissions, totaling \$5,376.04, for 15 annuity applications to one (1) entity not duly licensed.

3. New Business

A review of new annuity business produced the following criticisms:

a. A general criticism was made under 215 ILCS 5/143(1) for using applications which had not been filed with and approved by the Director. WCU added the wording, "Surrender Charge Period: Number of Years 1," to application forms which had previously been filed with and approved by the Director, and did not file the changed application forms for the Director's approval.

The unfiled applications with the added wording were attached to and included as part of the policies that were issued to insureds. The other policy language had been approved by the Director. One of the other policy provisions read "The maturity date may not be earlier than ten years from date of issue."

The wording which was added to the application was used to turn a ten year contract into a one year contract. WCU did honor the one year surrender charge language on the application and disregarded the ten year maturity language in the policy.

This practice was noted on the following certificates which include new business, renewal and replacement policies:

Certificate #	Date
[REDACTED]	1-8-09
[REDACTED]	7-17-08
[REDACTED]	4-16-08
[REDACTED]	5-5-09

[REDACTED]	8-18-08
[REDACTED]	12-17-07
[REDACTED]	3-9-09
[REDACTED]	4-4-09
[REDACTED]	4-30-09
[REDACTED]	3-11-09

b. A general criticism was made under 215 ILCS 5/143(1) for using board resolutions to alter applications and contracts without first filing the board resolutions for approval by the Director. This practice was noted on the following contracts:

Certificate #	Date	Alteration
[REDACTED]	12-21-09	Annual percentage yield changed to 3.10%
[REDACTED]	7-22-09	Single premium annuity with 114 monthly payments of \$221.81.
[REDACTED]	2-1-10	5 year non-qualified single premium annuity
[REDACTED]	8-16-10	Up to 10% withdrawal allowed prior to annuity date
[REDACTED]	5-24-10	Up to 10% withdrawal allowed prior to annuity date
[REDACTED]	3-27-10	Up to 10% withdrawal allowed prior to annuity date
[REDACTED]	6-1-10	Up to 10% withdrawal allowed prior to annuity date
[REDACTED]	7-21-10	Up to 10% withdrawal allowed prior to annuity date
[REDACTED]	7-3-08	"Intended annual percentage yield" changed to 4.25% ... minimum guaranteed yield of 3 percent"

B. Non-Forfeiture Analysis

1. Life Cash Surrender

A review of 30 or 100% of the life cash surrender files produced no criticisms.

The median for surrender was six (6) days.

2. Annuity Cash Surrender

A review of 85 or 59% of the annuity cash surrender files revealed further instances in which WCU had used board resolutions to alter applications and contracts without first filing the board resolutions for approval by the Director as required under Section 215 ILCS 5/143(1).

The median for surrender was 14 days.

3. Approved Waiver of Premium

A review of the one (1) approved waiver of premium file produced no criticisms.

C. Claims Analysis

1. Paid Individual Life Analysis

A review of 72 or 100% of the paid life claim files produced no criticisms.

The median for payment was six (6) days.

2. Paid Annuity Death Settlement Analysis

A review of 55 or 100% of the annuity death settlement claim file produced no criticisms.

The median for payment was eight (8) days.

D. Policy Forms and Advertisement

1. Policy Forms

A review of the policy forms used by the company produced one criticism:

This criticism has also been discussed above -- the failure to file for the Director's approval Application Amendments and Board Resolution forms that alter applications and contracts. Documents incorporated by reference, bylaws or other matters that change the terms of applications and contracts are required to be filed for the Director's approval under 215 ILCS 5/143. These Application Amendments and Board Resolution forms were used to amend contract provisions which had previously been filed with and approved by the Director.

2. Advertisement

A review of policy forms and advertising material produced two (2) criticisms:

a. A general criticism was made under 50 Ill. Adm. Code 909.40(a) for form and content of the Company's advertisements using language in connection with guaranteed income benefits that was not sufficiently complete and clear.

b. A criticism was made under 50 Ill. Adm. Code 909.40(b) for using on the Company's website and in other forms of advertising the misleading term "Deposit", a bank deposit account or money market account term, instead of the insurance term "Premium" which is the term used in the policy. WCU corrected its website prior to the examiners' departure.

E. Policy Replacements

1. Internal and External Annuity

A review of 119 of 570 or 21% of the annuity replacements produced additional violations of 215 ILCS 5/143 where application amendments and board resolutions that had not been filed with the Director were used to amend contract provisions.

F. Complaint Analysis

1. Department Complaint Analysis

An analysis of five (5) or 100% of the Department complaint files produced one (1) criticism. A general criticism was made under 50 Ill. Adm. Code 926.50 for failure to maintain a complaint log with the minimum required information.

The median for response was eight (8) days.

2. Consumer Complaint Analysis

An analysis of 55 or 100% of the consumer complaint files produced no criticisms.

The median for response was five (5) days.

V. INTERRELATED FINDINGS

Reviewing the material provided by the Company was complicated by the fact that the Company frequently changes the wording for letters, amendments, applications, annual statements, etc. The computer system used by the Company only provided access to the then current wording for letters, amendments, applications, annual statements, etc. The computer system does not allow access to prior wording. The only way to review prior wording for letters, forms, annual statements, applications and amendments is to locate the documents in the policyowner's files. Some forms were automatically printed at the time the newly issued policy was printed.

The Company is using Application Amendments and Board Resolutions to amend provisions of the issued certificates in an attempt to avoid filing new certificates that conform to the type of annuity it is issuing. The Company should create certificates for each specific type of annuity policy to be issued and file them with the Director of Insurance for approval as required by 215 ILCS 5/143. The Application Amendment form should be filed with the Director and used to make changes to the application not to amend the provisions to the certificate. The Board Resolution form should also be filed for approval with the Department. The time period covering the review of new business was expanded for the purpose of comparing policies issued in 2010 with policies issued in 2009.

V. TECHNICAL APPENDICES

None

STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF:

WESTERN CATHOLIC UNION
500-510 Maine Street
Quincy, Illinois 62301

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, WESTERN CATHOLIC UNION (WCU) is authorized under the insurance laws of this State and by the Director as a fraternal benefit society, to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of WCU was conducted by duly qualified examiners appointed by the Director pursuant to Sections 132, 401, 402 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402 and 5/425); and

WHEREAS, the appointed examiners have filed an examination report as an official document of the Department as a result of the Market Conduct Examination; and

WHEREAS, said report cited five areas in which WCU was criticized; and

WHEREAS, nothing herein contained, nor any action taken in connection with this Stipulation and Consent Order (Order), shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by WCU; and

WHEREAS, WCU 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, WCU understands and agrees that by entering into this Order, it waives any and all rights to notice and hearing; and

WHEREAS, WCU 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 Order.

NOW, THEREFORE, IT IS agreed by and between WCU and the Director as follows:

1. That the Market Conduct Examination indicated six criticisms in which WCU was not in compliance with the provisions of the Illinois Insurance Code and/or Department Regulations.
2. That the Director and WCU consent to this order requiring WCU to take certain actions to come into compliance with provisions of the Illinois Insurance Code and/or Department Regulations.

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

1. Only pay commissions to entities in accordance with 215 ILCS 5/500-80.
2. Only use application forms that have been filed with and approved by the Director in accordance 215 ILCS 5/143(1).
3. Comply with 215 ILCS 5/ 143(1) and cease its use of Board Resolutions to alter applications and contracts when the Board Resolutions have not been filed with and approved by the Director.
4. Only use advertising that complies with 50 Ill. Adm. Code 909.40.
5. Comply with 50 Ill. Adm. Code 926.50 and maintain a complaint record with the minimum information required for the Department of Insurance complaints.
6. Pay a civil forfeiture to the Director in an amount of Five Thousand Dollars (\$5,000.00) within 30 days of the date of this Order.
7. Provide proof of compliance with the above Order Nos. 1-5 within 30 days of the date 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 WCU violate any of the provisions of this Order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of Western Catholic Union

Mark A. Wiewel

Signature

Mark A. Wiewel

Name

President & CEO

Title

Subscribed and sworn to before me this 11th day
of April, 2013

Bonnie S. Kistner

Notary Public



Department of Insurance of the State of Illinois

Andrew Boron
Andrew Boron, Director

May 1, 2013
Date



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

July 15, 2013

Steve W. Kinion
Zack Stamp, Ltd.
601 West Monroe Street
Springfield, Illinois 62704

Re: Proof of Compliance
Market Conduct Examination of Western Catholic Union

Dear Mr. Kinion:

Thank you for your letter dated July 3, 2013, with which you provided Western Catholic Union's Internal Policy Memoranda as proof of compliance with the six orders resulting from the market conduct examination. The Department finds these memoranda to be acceptable.

The Department is accordingly 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. We appreciate your assistance in resolving this matter.

Sincerely,

A handwritten signature in cursive script that reads "James C. Rundblom".

James C. Rundblom
Deputy General Counsel