

DEPARTMENT OF COMMERCE & INSURANCE

P.O. Box 690, Jefferson City, Mo. 65102-0690

In Re:)
)
 BANKERS LIFE AND CASUALTY) **Market Conduct Examination No. 317019**
 COMPANY (NAIC #61263))

ORDER OF THE DIRECTOR

NOW, on this 28th day of October, 2022, Director, Chlora Lindley-Myers, after consideration and review of the market conduct examination report of Bankers Life and Casualty Company (NAIC #61263) (hereinafter “Bankers”), examination report number #317019, prepared and submitted by the Division of Insurance Market Regulation (hereinafter “Division”) pursuant to §374.205.3(3)(a)¹, does hereby adopt such report as filed. After consideration and review of the Stipulation of Settlement and Voluntary Forfeiture (“Stipulation”), relating to the market conduct examination #317019, the examination report, relevant work papers, and any written submissions or rebuttals, the findings and conclusions of such report are deemed to be the Director’s findings and conclusions accompanying this order pursuant to §374.205.3(4). The Director does hereby issue the following orders:

This order, issued pursuant to §374.205.3(4), §374.280 RSMo, and §374.046.15. RSMo, is in the public interest.

IT IS THEREFORE ORDERED that Bankers and the Division having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

¹ All references, unless otherwise noted, are to Revised Statutes of Missouri 2016.

IT IS FURTHER ORDERED that Bankers shall not engage in any of the violations of statutes and regulations set forth in the Stipulation, shall implement procedures to place it in full compliance with the requirements in the Stipulation and the statutes and regulations of the State of Missouri, and to maintain those corrective actions at all times, and shall fully comply with all terms of the Stipulation.

IT IS FURTHER ORDERED that Bankers shall pay, and the Department of Commerce and Insurance, State of Missouri, shall accept, the Voluntary Forfeiture of \$38,500.00 payable to the Missouri State School Fund in connection with the examination.

IT IS SO ORDERED.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 28th day of October, 2022.



Chlora Lindley-Myers
Chlora Lindley-Myers
Director

**IN THE DEPARTMENT OF COMMERCE AND INSURANCE
STATE OF MISSOURI**

In Re:)
)
BANKERS LIFE AND CASUALTY) Market Conduct Examination No. 317019
COMPANY (NAIC #61263))

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter “Division”), and Bankers Life and Casualty Company (hereinafter “Bankers”), as follows:

WHEREAS, the Division is a unit of the Missouri Department of Commerce and Insurance (hereinafter “Department”), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State of Missouri;

WHEREAS, the Department issued Bankers a certificate of authority to transact the business of insurance in the State of Missouri;

WHEREAS, the Division conducted a market conduct examination of Bankers, examination #317019;

WHEREAS, based on the market conduct examination of Bankers, the Division alleges that:

1. In nine instances, Bankers failed to maintain documentation for delivery of annuities to contract owners in violation of §374.205.2(2), RSMo and 20 CSR 100-8.040(2) and 20 CSR 100-8.040(3).
2. In seven instances, Bankers failed to maintain documentation for delivery of life policies to owners in violation of §374.205.2(2), RSMo and 20 CSR 100-8.040(2) and 20 CSR 100-8.040(3).

3. In one instance, Bankers failed to maintain the denial letter in the claim file in violation of §374.205.2(2), RSMo and 20 CSR 100-8.040(2) and 20 CSR 100-8.040(3).

4. In one instance, Bankers failed to refund all unearned premium to the insured after the insured elected to return the policy in violation of 20 CSR 400-2.010(3) and implicating the provision of §375.1007(6), RSMo.

5. In ten instances, Bankers' rules for producers and internal procedures failed to prevent the sale and issuance of unsuitable annuity replacement contracts in violation of §§375.936(6)(a), 375.936(6)(f) and 375.934(2), RSMo and 20 CSR 400-5.900(4)(A)2, 20 CSR 400-5.900(4)(A)3.A, 20 CSR 400-5.900(4)B, 20 CSR 400-5.900(4)(C), and 20 CSR 400-5.900(4)(F)1.E, 20 CSR 700-1.146(1)(B)1, 20 CSR 700-1.146(1)(B)2.D, 20 CSR 700-1.146(1)(B)2.E, 20 CSR 700-1.146(1)(B)3.A, 20 CSR 700-1.146(1)3.B, and 20 CSR 700-1.146(1)(C)1 (2008), and 20 CSR 700-1.148(1)(B) (2008).

6. In ten instances, Bankers materially aided its producers in making misrepresentations concerning the suitability of replacement annuity contracts and life insurance policies, by failing to follow its own internal procedures resulting in inadequate supervision and review of the replacement sales in violation of §375.144(2).

7. In one instance, Bankers' rules for producers and internal procedures failed to prevent the sale and issuance of unsuitable annuity replacement contract based upon incomplete, inaccurate, inconsistent, and misleading information in the application and the suitability form in violation of §§375.936(6)(a), 375.936(6)(f) and 375.934(2), RSMo and 20 CSR 400-5.400(1)(B)1 (2003), 20 CSR 700-1.146(1)(B) (2008), and 20 CSR 700-1.148(1)(B) (2008).

8. In one instance, Bankers materially aided producers in issuing an unsuitable replacement annuity contract, by approving the inaccurate, inconsistent, and conflicting information contained in the application and in the suitability form in violation of §375.144(2).

9. In one instance, Bankers' rules for producers and internal procedures failed to prevent the sale and issuance of a life insurance replacement policy based upon an incomplete and inaccurate replacement comparison in violation of 20 CSR 400-5.400(1)(B)1 (2003), and implicating the provision of §375.936(6)(a), RSMo.

10. In one instance, Bankers failed to notify an existing policyholder of a proposed replacement policy within five business days in violation of 20 CSR 400-1.010(6) and 20 CSR 400-5.400(7)(B)2.

11. In four instances, Bankers' rules for producers and internal procedures failed to prevent the sale and issuance of unsuitable life insurance replacement policies in violation of §§374.205.2(2) RSMo and 20 CSR 400-5.400(1)(B)1 (2003), 20 CSR 400-5.400(1)(A)2.A. (2017), 20 CSR 400-5.400(4)(A) (2017), and 20 CSR 100-8.040(2) and 20 CSR 100-8.040(3) and implicating the provisions of §§375.936(6)(a) and 375.936(6)(f), RSMo.

12. In four instances, Bankers materially aided producers in concealing pertinent information from the applicants by failing to adequately review applications and subsequently accepting those incomplete or inaccurate applications and Life Insurance Replacement and Comparison Worksheets (LIRCWs) in violation of §375.144(2).

13. Bankers failed to pay a life insurance death benefit within 15 workings days of receipt of all information necessary to pay the claim and failed to pay interest in violation of 20 CSR 100-1.050(1)(A) and 20 CSR 100-1.050(1)(H) and implicating the provision of §375.1007(4), RSMo.

WHEREAS, the Division and Bankers have agreed to resolve the issues raised in the market conduct examination #317019 as follows:

A. **Scope of Agreement.** This Stipulation of Settlement and Voluntary Forfeiture (hereinafter, "Stipulation") embodies the entire agreement and understanding of the signatories with respect to the subject matter contained herein. The signatories hereby declare and represent that no

promise, inducement or agreement not herein expressed has been made, and acknowledge that the terms and conditions of this agreement are contractual and not a mere recital.

B. **Remedial Action.** Bankers agrees to take remedial action bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain such remedial actions at all times, to reasonably ensure that the errors noted in the market conduct examination #317019 and in this Stipulation do not recur. Such remedial actions shall consist of the following:

1. Bankers has represented to the Division that it has established enhanced suitability review standards and procedures since the time period of the examination that includes an enhanced suitability questionnaire and which applies the total asset threshold to all applications. Bankers agrees to continue to maintain these suitability review standards and procedures at all times going forward to address consumers' insurance needs and financial objectives.

2. Bankers agrees to maintain a system of supervision and control over its producers which will ensure compliance with 20 CSR 400-5.900 and 20 CSR 400-5.400.

3. If it has not already done so, Bankers agrees to establish enhanced internal procedures for supervising annuity sales and replacements that include: (1) reviewing all incoming applications to ensure that the appropriate forms are submitted with the application; (2) monitoring and auditing its producers' sales and replacement activity with respect to suitability for any trends and to ensure that they are complying with the suitability review requirements of 20 CSR 400-5.900; and (3) fully and completely investigating allegations of inappropriate conduct by producers. Bankers agrees to abide by and continue to maintain these producer supervision procedures at all times going forward.

4. If it has not already done so, Bankers agrees to enhance its internal procedures when issuing replacement annuity contracts and life insurance policies to appropriately document the file to show: (1) the product meets the consumer's insurance needs and financial objectives; (2) the consumer was educated on the advantages and disadvantages of the replacement contract including

any surrender charges on the existing contract; (3) all appropriate documentation was obtained and reviewed to make the recommendation; (4) the consumer's acknowledgment and approval to move forward with the replacement; (5) all applications are complete and accurate. Bankers agrees to continue to maintain these file documentation procedures at all times going forward.

5. Bankers agrees not to issue an annuity to a consumer unless it has a reasonable basis to believe that the annuity is suitable based on all available and complete suitability information, in accordance with 20 CSR 400-5.900(4)(C).

6. Bankers agrees to notify an existing insured of a proposed replacement policy within five business days pursuant to 20 CSR 400-5.400(5)(A)2.

C. **Compliance.** Bankers agrees to file documentation with the Division pursuant to §374.205, in a format acceptable to the Division, within 90 days of the entry of a final order of any remedial action taken pursuant to Paragraph B to implement compliance with the terms of this Stipulation or to document the payment of restitution required by this Stipulation.

D. **Ongoing Examination.** Bankers agrees to pay any reasonable examination fees incurred by the Division in conducting its review of the documentation provided by Bankers pursuant to Paragraph C of this Stipulation.

E. **Voluntary Forfeiture.** Bankers agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$38,500, such sum payable to the Missouri State School Fund, in accordance with §§374.049.11 and 374.280.2.

E. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission by Bankers, this Stipulation being part of a compromise settlement to resolve disputed factual and legal allegations arising out of the above referenced market conduct examination.

F. **Waivers.** Bankers, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights to procedural requirements, including notice and an opportunity

for a hearing, and review or appeal by any trial or appellate court, which may have otherwise applied to the market conduct examination #317019.

H. **Amendments.** No amendments to this Stipulation shall be effective unless made in writing and agreed to by authorized representatives of the Division and Bankers.

I. **Governing Law.** This Stipulation shall be governed and construed in accordance with the laws of the State of Missouri.

J. **Authority.** The signatories below represent, acknowledge and warrant that they are authorized to sign this Stipulation, on behalf of the Division and Bankers, respectively.

K. **Counterparts.** This Stipulation may be executed in multiple counterparts, each of which shall be deemed an original and all of which taken together shall constitute a single document. Execution by facsimile or by electronically transmitted signature shall be fully and legally effective and binding.

L. **Effective Date of Stipulation.** This Stipulation shall become effective only upon entry of an Order by the Director of the Department (hereinafter "Director") approving this Stipulation.

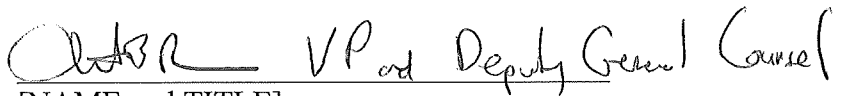
M. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: October 21, 2022



Teresa Kroll
Chief Market Conduct Examiner
Division of Insurance Market Regulation

DATED: October 20, 2022



[NAME and TITLE]
Bankers Life and Casualty Company



**FINAL MARKET CONDUCT EXAMINATION REPORT
Life and Health Business of**

**Bankers Life and Casualty Company
NAIC #61263**

MISSOURI SBS EXAMINATION #317019

NAIC MATS #MO-HICKSS1-97

**Home Office
111 East Wacker Drive, Suite 2100
Chicago, IL 60601-4508**

**STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE**

JEFFERSON CITY, MISSOURI

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Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your market conduct examination warrant, a targeted market conduct examination has been conducted of the specified lines of business and business practices of

Bankers Life and Casualty Company (NAIC #61263)

hereinafter referred to as Bankers or as the Company. This examination was conducted as a desk examination at the offices of the Missouri Department of Commerce and Insurance (DCI).

FOREWORD

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures, products, or files does not constitute approval thereof by the DCI.

During this examination, the examiners cited errors considered potential violations made by the Company. Statutory citations were as of the examination period unless otherwise noted.

When used in this report:

- “Company” refers to Bankers Life and Casualty Company
- “CSR” refers to the Missouri Code of State Regulations
- “DCI” refers to the Missouri Department of Commerce and Insurance
- “Director” refers to the Director of the Missouri Department of Commerce and Insurance
- “NAIC” refers to the National Association of Insurance Commissioners
- “RSMo” refers to the Revised Statutes of Missouri

SCOPE OF EXAMINATION

The DCI has authority to conduct this examination pursuant to, but not limited to, §§374.110, 374.190, 374.205, 375.938, and 375.1009, RSMo, conducted in accordance with §374.205.

The purpose of this examination was to determine if the Company complied with Missouri statutes and DCI regulations. The primary period covered by this review is January 1, 2014, through December 31, 2017, unless otherwise noted. Errors found outside of this time period may also be included in the report.

The examination was a targeted examination involving the following lines of business and business functions: Life Insurance, Annuity Contracts, Accident and Health Insurance, and Long-Term

Care Insurance in the areas of Operations/Management, Complaint Handling, Marketing and Sales, Producer Licensing, Policyholder Service, Underwriting and Rating, and Claims.

The examination was conducted in accordance with the standards in the NAIC's 2019 *Market Regulation Handbook*. As such, the examiners utilized the benchmark error rate guidelines from the NAIC *Market Regulation Handbook* when conducting reviews that applied a general business practice standard. The NAIC benchmark error rate for claims practices is seven percent (7%) and for other trade practices it is ten percent (10%). Error rates exceeding these benchmarks are presumed to indicate a general business practice. The benchmark error rates were not utilized for reviews not applying the general business practice standard.

In performing this examination, the examiners reviewed only a sample of the Company's practices, procedures, products and files. Therefore, some noncompliant practices, procedures, products and files may not have been found. As such, this report may not fully reflect all of the practices and procedures of the Company.

COMPANY PROFILE

Bankers Life and Casualty Company, a stock life and health insurance company, is a foreign insurer domiciled in the State of Illinois and licensed as a life insurance company in Missouri pursuant to Chapters 375 and 376, RSMo. The Company is currently licensed in Missouri to offer life insurance, annuities, endowments, and accident and health insurance. The Company is also licensed to transact insurance business in 48 other states (excluding New York).

The present Company is the result of the 1942 consolidation of the Illinois Standard Life Insurance Company, Hotel Men's Assessment Association of the United States and Canada, and Bankers Life and Casualty Company, with the surviving company adopting the current name. The Company has changed ownership over the years, with the current owner being CNO Financial Group, Inc. CNO Financial Group, Inc., the ultimate controlling person for the Conseco Insurance Holding Company system, is a publicly held company trading on the New York Stock Exchange under the symbol "CNO".

EXECUTIVE SUMMARY

The DCI conducted a targeted market conduct examination of Bankers Life and Casualty Company. The examiners found the following areas of concern:

OPERATIONS/MANAGEMENT

- The Company failed to maintain documentation for delivery of annuities to contract owners for nine annuity contract files supplied for the "Underwriting and Rating" review. Reference: §374.205.2(2), RSMo, and 20 CSR 100-8.040(2) and (3).
- The Company failed to maintain documentation for delivery of life policies to owners for seven policy files supplied for the "Underwriting and Rating" review. Reference: §374.205.2(2), RSMo, and 20 CSR 100-8.040(2) and (3).

- For one claim, the Company failed to maintain the denial letter in the claim file documentation as required. Reference: §374.205.2(2), RSMo, and 20 CSR 100-8.040(2) and (3).

COMPLAINT HANDLING

- In one complaint, the Company failed to refund all premium contrary to the provisions of the policy even though the policy had never been delivered. The Company refunded the remaining portion of the premium during the course of the examination. Reference: §375.1007(6)), RSMo, 20 CSR 100-1.010(1)(B)2 and 20 CSR 400-2.010(3).

MARKETING AND SALES

- For 10 annuity contracts, the Company's rules for producers and internal procedures failed to prevent the sale and issuance of unsuitable annuity replacement contracts. Reference: §§375.144(2) and 375.936(6)(a) and (6)(f), RSMo, 20 CSR 400-5.900(4)(A)2, (4)(A)3.A, (4)B, (4)(C), and (4)(F)1.E, 20 CSR 700-1.146(1)(B)1, (1)(B)2.D, (1)(B)2.E, (1)(B)3.A, (1)3.B, and (1)(C)1 (2008), and 20 CSR 700-1.148(1)(B) (2008).
- For one annuity contract, the Company's rules for producers and internal procedures failed to prevent the sale and issuance of a replacement contract based upon incomplete, inaccurate, inconsistent, and misleading information in the application and the suitability form that prevented the contract owner from making an informed decision. Reference: §§375.144(2), 375.936(6)(a) and (6)(f), RSMo, and 20 CSR 400-5.400(1)(B)1 (2002), 20 CSR 700-1.146(1)(B) (2008), and 20 CSR 700-1.148(1)(B) (2008).
- For one life insurance policy, the Company's rules for producers and internal procedures failed to prevent the sale and issuance of a replacement policy based upon an incomplete and inaccurate replacement comparison. Reference: §375.936(6)(a), RSMo, and 20 CSR 400-5.400(1)(B)1 (2002).
- For one life insurance policy, the Company failed to send a replacement notice within five calendar days of receipt of the application in the Company's office. Reference: 20 CSR 400-1.010(6) and 20 CSR 400-5.400(7)(B)2.
- For four life insurance policies, the Company's rules for producers and internal procedures failed to prevent the sale and issuance of unsuitable replacement policies. Reference: §§374.205.2(2), 375.144(2), 375.936(6)(a), and 375.936(6)(f), RSMo and 20 CSR 400-5.400(1)(B)1 (2002), 20 CSR 400-5.400(1)(A)2.A. (2017), 20 CSR 400-5.400(4)(A) (2017), and 20 CSR 100-8.040(2) and (3).

CLAIMS

- The Company failed to pay a life insurance death benefit within 15 working days of receipt of all information necessary to pay the claim and failed to pay interest when it eventually paid the claim more than 30 days after receipt. Reference: §375.1007(3) and (4), RSMo, and 20 CSR 100-1.050(1)(A) and (1)(H).

EXAMINATION FINDINGS

I. OPERATIONS/MANAGEMENT

The operations/management portion of the examination provides a review of what the Company is and how it operates.

A. NAIC Operations/Management Standard 7: Records are adequate, accessible, consistent and orderly, and comply with state record retention requirements.

To test for this standard, the examiners reviewed the sufficiency of the records supplied in the other reviews conducted for this examination.

The examiners found the following errors in this review.

Finding 1: The Company failed to maintain documentation for delivery of annuities to contract owners for nine annuity contract files supplied for the “Underwriting and Rating” review.

Reference: §374.205.2(2), RSMo, and 20 CSR 100-8.040(2) and (3).

Finding 2: The Company failed to maintain documentation for delivery of life policies to owners for seven policy files supplied for the “Underwriting and Rating” review.

Reference: §374.205.2(2), RSMo, and 20 CSR 100-8.040(2) and (3).

Finding 3: For one claim, the Company failed to maintain the denial letter in the claim file documentation as required.

Reference: §374.205.2(2), RSMo, and 20 CSR 100-8.040(2) and (3).

II. COMPLAINT HANDLING

The complaint handling portion of the examination provides a review of the Company’s complaint handling practices. The examiners reviewed how the Company handled complaints to ensure it was performing according to its own guidelines and Missouri statutes and regulations.

A. NAIC Complaint Handling Standard 1: All complaints are recorded in the required format on the regulated entity’s complaint register.

Pursuant to §375.936(3), RSMo, and 20 CSR 100-8.040(3)(D), insurance companies are required to maintain a log or register of all written complaints received for the last three years. The log or register must include all Missouri complaints, including those sent to the DCI and those sent directly to the Company. The examiners requested and reviewed the Company’s complaint log as to content and format. The examiners also checked to see that all DCI complaints were listed in the log.

The examiners found no errors in this review.

B. NAIC Complaint Handling Standard 2: The regulated entity has adequate complaint handling procedures in place and communicates such procedures to policyholders.

To test for this standard, the examiners requested and reviewed a copy of the Company's complaint handling procedure manual.

The examiners found no errors in this review.

C. NAIC Complaint Handling Standard 3: The regulated entity takes adequate steps to finalize and dispose of the complaint in accordance with applicable statutes, rules and regulations and contract language.

To test for this standard, the examiners selected a sample of 100 complaint files from the 254 complaints listed in the complaint log. The sample consisted of 67 complaints filed directly with the Company, 32 complaints filed with the DCI, and one complaint filed with the Attorney General's Office. The 100 complaint files were reviewed to determine if the Company's response fully addressed the issues raised. The results of this review are summarized below.

Field Size	254
Sample Size	100
Type of Sample	Selective
Number of Errors	1

The examiners found the following errors in this review.

Finding 1: In one complaint, the Company failed to refund all premium contrary to the provisions of the policy even though the policy had never been delivered. The Company refunded the remaining portion of the premium during the course of the examination.

Reference: §375.1007(6), RSMo, 20 CSR 100-1.010(1)(B)2 and 20 CSR 400-2.010(3).

D. NAIC Complaint Handling Standard 4: The time frame within which the regulated entity responds to complaints is in accordance with applicable statutes, rules and regulations.

While reviewing the 100 complaint files noted above, the examiners also assessed whether the company responded to complaints in a timely manner.

The examiners found no errors in this review.

III. MARKETING AND SALES

The marketing and sales portion of the examination evaluates the representations made by the Company about its product(s) or services. This includes reviews of all advertising and sales material and all producer sales training materials to determine compliance with Missouri statutes and regulations.

For the purposes of this examination, the examiners focused on standards related to replacements and suitability in the sale of annuity contracts, life insurance policies, and long-term care insurance

policies in an effort to ensure that sales were appropriate and in the best interests of contract owners and policyholders.

A. NAIC Life and Annuity Examination Marketing and Sales Standard 1: All advertising and sales materials are in compliance with applicable statutes, rules and regulations.

To test for this standard, the examiners scrutinized the files reviewed in the “Life and Annuity Examination Marketing and Sales Standard 2” and “Standard 3” below as well as the policy files reviewed in the “Underwriting and Rating” section of this examination report for any issues related to the advertising used. If any issues were noted, the examiners requested and reviewed those marketing and advertising materials associated with the file.

The examiners found no errors in this review.

B. NAIC Life and Annuity Examination Marketing and Sales Standard 2: The insurer’s rules pertaining to producer requirements in connection with replacements are in compliance with applicable statutes, rules and regulations.

NAIC Life and Annuity Examination Marketing and Sales Standard 3: The insurer’s rules pertaining to replacement are in compliance with applicable statutes, rules and regulations.

To test for these two related standards, the examiners requested separate listings of all annuity contracts and life insurance policies replaced during the scope of the examination. From these two listings, the examiners selected and reviewed a random sample of 79 annuity contracts and a random sample of 113 life insurance policies. The examiners also requested and reviewed the Company’s written policies, procedures, manuals, producer training materials, and guidelines for replacement sales. The results of these reviews are summarized below.

1. Annuity Contract Replacements

Field Size	120
Sample Size	79
Type of Sample	Random
Number of Errors	11
Error Ratio	13.9%

The examiners found the following errors in this review.

Finding 1: For 10 annuity contracts, the Company’s rules for producers and internal procedures failed to prevent the sale and issuance of unsuitable annuity replacement contracts.

Reference: §§375.144(2) and 375.936(6)(a) and (6)(f), RSMo, and 20 CSR 400-5.900(4)(A)2, (4)(A)3.A, (4)B, (4)(C), and (4)(F)1.E, 20 CSR 700-1.146(1)(B)1,

(1)(B)2.D, (1)(B)2.E, (1)(B)3.A, (1)3.B, and (1)(C)1 (2008), and 20 CSR 700-1.148(1)(B) (2008).

Finding 2: For one annuity contract, the Company’s rules for producers and internal procedures failed to prevent the sale and issuance of a replacement contract based upon incomplete, inaccurate, inconsistent, and misleading information in the application and the suitability form that prevented the contract owner from making an informed decision.

Reference: §§375.144(2), 375.936(6)(a) and (6)(f), RSMo, and 20 CSR 400-5.400(1)(B)1 (2002), 20 CSR 700-1.146(1)(B) (2008), and 20 CSR 700-1.148(1)(B) (2008).

2. Life Insurance Policy Replacements

Field Size	595
Sample Size	113
Type of Sample	Random
Number of Errors	6
Error Ratio	5.3%

The examiners found the following errors in this review.

Finding 3: For one life insurance policy, the Company’s rules for producers and internal procedures failed to prevent the sale and issuance of a replacement policy based upon an incomplete and inaccurate replacement comparison.

Reference: §375.936(6)(a), RSMo, and 20 CSR 400-5.400(1)(B)1 (2002).

Finding 4: For one life insurance policy, the Company failed to send a replacement notice within five calendar days of receipt of the application in the Company’s office.

Reference: 20 CSR 400-1.010(6) and 20 CSR 400-5.400(7)(B)2.

Finding 5: For four life insurance policies, the Company’s rules for producers and internal procedures failed to prevent the sale and issuance of unsuitable replacement policies.

Reference: §§374.205.2(2), 375.144(2), 375.936(6)(a), and 375.936(6)(f), RSMo and 20 CSR 400-5.400(1)(B)1 (2002), 20 CSR 400-5.400(1)(A)2.A. (2017), 20 CSR 400-5.400(4)(A) (2017), and 20 CSR 100-8.040(2) and (3).

C. NAIC Life and Annuity Examination Marketing and Sales Standard 5: The insurer has suitability standards for its products, when required by applicable statutes, rules and regulations.

To test for this standard, the examiners requested and reviewed the Company’s processes, policies, procedures, manuals, and guidelines related to product suitability standards. The

examiners also scrutinized for suitability issues as they reviewed files for other standards in the examination.

The examiners found no errors in this review.

- D. NAIC Life and Annuity Examination Marketing and Sales Standard 9: Insurer rules pertaining to producer requirements with regard to suitability in annuity transactions are in compliance with applicable statutes, rules and regulations.**

NAIC Life and Annuity Examination Marketing and Sales Standard 10: Insurer rules pertaining to suitability in annuity transactions are in compliance with applicable statutes, rules and regulations.

To test for these two related standards, the examiners requested and reviewed the Company's processes, policies, procedures, manuals, and guidelines particular to annuity suitability standards. The examiners also scrutinized for suitability issues as they reviewed annuity files for other standards in the examination.

The examiners found no errors in this review.

- E. NAIC Life and Annuity Examination Marketing and Sales Standard 11: The insurer has procedures in place to educate and monitor compliance with insurer-specific education and training requirements and with applicable statutes, rules and regulations regarding the solicitation, recommendation and sale of annuity products.**

NAIC Life and Annuity Examination Marketing and Sales Standard 12: The insurer has product-specific training standards and materials designed to provide producers with adequate knowledge of the annuity products recommended prior to soliciting the sale of annuity products. The insurer also must have reasonable procedures in place to require its producers to comply with applicable producer training requirements.

To test for these two related standards, the examiners requested and reviewed the Company's producer training materials and other producer communications to determine if the Company's established training procedures were appropriate and that the Company advises producers of pertinent Missouri statutes and regulations. The examiners also scrutinized for training issues as they reviewed files for other standards in the examination.

The examiners found no errors in this review.

- F. NAIC Long-Term Care Examination Marketing and Sales Standard 1: The entity has suitability standards for its products, when required by applicable statutes, rules and regulations.**

NAIC Long-Term Care Examination Marketing and Sales Standard 3: Marketing for long-term care products complies with applicable statutes, rules and regulations.

NAIC Long-Term Care Examination Marketing and Sales Standard 4: All advertising and sales materials are in compliance with applicable statutes, rules, and regulations.

To test for these three related standards, the examiners scrutinized for suitability, marketing and advertising issues as they reviewed long-term care files for other standards in the examination.

The examiners found no errors in this review.

G. NAIC Long-Term Care Examination Marketing and Sales Standard 5: Company rules pertaining to producer requirements in connection with replacements are in compliance with applicable statutes, rules and regulations.

NAIC Long-Term Care Examination Marketing and Sales Standard 6: The insurer's rules pertaining to replacement are in compliance with applicable statutes, rules and regulations.

To test for these two related standards, the examiners requested a listing of all long-term care policies replaced during the scope of the examination. From this listing, the examiners selected and reviewed a census of all 71 long-term care policies appearing on the list. The examiners also requested and reviewed the Company's long-term care underwriting manuals, processes, procedures, and guidelines for replacement sales.

The examiners found no errors in this review.

IV. PRODUCER LICENSING

The producer licensing portion of the examination reviews a regulated entity's compliance with Missouri producer licensing laws and regulations.

A. NAIC Producer Licensing Standard 2: The producers are properly licensed and appointed and have appropriate continuing education (if required by state law) in the jurisdiction where the application was taken.

The examiners tested for this standard by checking the licensing status of producers appearing on applications in policy files reviewed for the other standards in the examination.

The examiners found no errors in this review.

V. POLICYHOLDER SERVICE

The policyholder service portion of the examination reviews the Company's compliance with Missouri statutes and regulations regarding notice/billing, delays/no response, and premium refund and coverage questions.

A. NAIC Policyholder Service Standard 5: Policy transactions are processed accurately and completely.

To test for this standard, the examiners requested a listing of annuity contracts and life policies surrendered during the examination period. From that listing, the examiners selected and reviewed a random sample of 57 annuity contract surrenders out of a field of 1,163 and 43 life insurance policy surrenders out of a field of 2,041. The examiners also requested and reviewed the Company's processes, policies, procedures, manuals, and guidelines related to processing policy surrender transactions.

The examiners found no errors in this review.

B. NAIC Policyholder Service Standard 6: Reasonable attempts to locate missing policyholders or beneficiaries are made.

To test for this standard, the examiners scrutinized for missing policyholder or beneficiary issues as they reviewed files for other standards in the examination. The examiners also requested and reviewed the Company's processes and procedures for locating missing policyholders and beneficiaries and handling unclaimed property.

The examiners found no errors in this review.

C. NAIC Policyholder Service Standard 7: Unearned premiums are correctly calculated and returned to the appropriate party in a timely manner and in accordance with applicable statutes, rules and regulations.

To test for this standard, the examiners requested three separate listings of all annuity contracts, life insurance policies, and long-term care, home health care, and short-term care insurance policies where the applicant exercised their right to return the contract or policy for a full refund (i.e., the "free look" period) during the examination period.

1. Annuity Contracts

From the listing of 36 annuity contracts where the applicant had exercised their "free look" rights, the examiners selected and reviewed a random sample of 22 contract files.

The examiners found no errors in this review.

2. Life Insurance Policies

From the listing of 430 life insurance policies where the applicant had exercised their "free look" rights, the examiners selected and reviewed a random sample of 44 policy files.

The examiners found no errors in this review.

3. Long-Term Care, Home Health Care, and Short-Term Care Policies

From the listing of 323 long-term care, home health care, and short-term care policies where the applicant had exercised their “free look” rights, the examiners selected and reviewed a random sample of 34 policy files.

The examiners found no errors in this review.

D. NAIC Life and Annuity Examination Policyholder Service Standard 1: Reinstatement is applied consistently and in accordance with policy provisions.

To test for this standard, the examiners scrutinized for reinstatement issues as they reviewed files for other standards in the examination. The examiners also requested and reviewed reinstatement processes and procedures.

The examiners found no errors in this review.

VI. UNDERWRITING AND RATING

The underwriting and rating portion of the examination provides a review of the Company’s compliance with Missouri statutes and regulations regarding underwriting and rating practices such as the use of policy forms, adherence to underwriting guidelines, assessment of premium, and procedures to decline or terminate coverage.

A. NAIC Underwriting and Rating Standard 2: All mandated disclosures are documented and in accordance with applicable statutes, rules and regulations.

To test for this standard, the examiners requested three separate listings of all annuity contracts, life insurance policies, and long-term care, home health care and short-term care insurance policies in force during the examinations period. In addition, the examiners requested and reviewed underwriting manuals and guidelines for appropriate processes.

1. Annuity Contracts

From the resulting listing of 1,071 annuity contracts, the examiners selected and reviewed a random sample of 114 contract files.

The examiners found no errors in this review.

2. Life Insurance Policies

From the resulting listing of 11,822 life insurance policies, the examiners selected and reviewed a random sample of 50 policy files.

The examiners found no errors in this review.

3. Long-Term Care, Home Health Care, and Short-Term Care Policies

From the resulting listing of 14,081 policies, the examiners selected and reviewed a random sample of 54 policy files.

The examiners found no errors in this review.

B. NAIC Underwriting and Rating Standard 6: Policies, contracts, riders, amendments and endorsements are issued or renewed accurately, timely and completely.

To test for this standard, the examiners reviewed the same samples noted above in “Underwriting and Rating Standard 2” for issuance and renewal issues. The examiners also requested and reviewed underwriting manuals, processes, and procedures for standards regarding issuance and renewal of policies, contracts, riders, amendments, and endorsements.

The examiners found no errors in this review.

C. NAIC Underwriting and Rating Standard 7: Rejections and declinations are not unfairly discriminatory.

To test for this standard, the examiners requested two separate listings of all annuity contracts and life insurance policies declined during the examination period. In addition, the examiners requested and reviewed underwriting manuals and guidelines for appropriate processes.

1. Annuity Contracts

From the resulting listing of 50 annuity contracts, the examiners selected and reviewed a sample of five contract files.

The examiners found no errors in this review.

2. Life Insurance Policies

From the resulting listing of 1,287 life insurance policies, the examiners selected and reviewed a sample of five policy files.

The examiners found no errors in this review.

C. NAIC Underwriting and Rating Standard 9: Rescissions are not made for non-material misrepresentation.

To test for this standard, the examiners scrutinized for rescissions as they reviewed files for other standards in the examination. The examiners also requested and reviewed underwriting and claims manuals to ensure that rescissions are performed based on documented material misrepresentations.

The examiners found no errors in this review.

D. NAIC Life and Annuity Examination Underwriting and Rating Standard 1: Pertinent information on applications that form a part of the policy and contract is complete and accurate.

To test for this standard, the examiners scrutinized for application issues as they reviewed files for other standards in the examination. The examiners also requested and reviewed processes and procedures regarding acceptance of applications for coverage.

The examiners found no errors in this review.

E. NAIC Long-Term Care Examination Underwriting and Rating Standard 2: Pertinent information on applications that form a part of the policy is complete and accurate, and applications conform to applicable statutes, rules and regulations.

To test for this standard, the examiners scrutinized for application issues as they reviewed long-term care files for other standards in the examination. The examiners also requested and reviewed processes and procedures regarding acceptance of applications for long-term insurance coverage.

The examiners found no errors in this review.

VII. CLAIMS

The claims portion of the examination provides a review of the Company's compliance with Missouri statutes and regulations regarding claims handling practices such as the timeliness of handling, accuracy of payment, adherence to contract provisions, and compliance with Missouri statutes and regulations.

A. NAIC Claims Standard 1: The initial contact by the regulated entity with the claimant is within the required time frame.

From the data supplied by the Company, the examiners extracted the following samples of claims for review: (1) a random sample of 34 paid annuity claims from a field of 4,162 claims; (2) a random sample of 24 denied or closed without payment life insurance claims from a field of 32 claims; (3) a random sample of 33 paid claims for long-term care, home health care, and short-term care insurance from a field of 30,098 claims; and (4) a random sample of nine denied or closed without payment claims for long-term care, home health care, and short-term care insurance from a field of 9,155 claims. The examiners requested and reviewed claim files for the four samples for compliance with the acknowledgment time standards in 20 CSR 100-1.030. The examiners also requested claim manuals for review.

The examiners found no errors in this review.

B. NAIC Claims Standard 2: Timely investigations are conducted.

The same four random samples of claims noted above in “NAIC Claims Standard 1” were reviewed for compliance with the claim investigation standards in 20 CSR 100-1.050(1)(C) and (4). Claim manuals were also reviewed for claim investigation processes.

The examiners found no errors in this review.

C. NAIC Claims Standard 3: Claims are resolved in a timely manner.

The same four random samples of claims noted above in “NAIC Claims Standard 1” were reviewed for compliance with the claim determination standards in 20 CSR 100-1.050(1)(A). Claim manuals were also reviewed for claim determination processes.

The examiners found no errors in this review. However, during the course of the examination, the Department’s Division of Consumer Affairs referred complaint #370198 to the examiners. Although this complaint dealt with a claim that was outside the examination time period, the examiners noted the following errors.

Finding 1: The Company failed to pay a life insurance death benefit within 15 working days of receipt of all information necessary to pay the claim and failed to pay interest when it eventually paid the claim more than 30 days after receipt.

Reference: §375.1007(3) and (4), RSMo, and 20 CSR 100-1.050(1)(A) and (1)(H).

D. NAIC Claims Standard 4: The regulated entity responds to claims correspondence in a timely manner.

The same four random samples of claims noted above in “NAIC Claims Standard 1” were reviewed for compliance with the communication standards in 20 CSR 100-1.030(2). Claim manuals were also reviewed for claim communication processes.

The examiners found no errors in this review.

E. NAIC Claims Standard 9: Denied and closed without payment claims are handled in accordance with policy provisions and state law.

To test for this standard, the examiners reviewed the random sample of 24 denied/closed without payment life insurance claims noted above in “NAIC Claims Standard 1” for compliance with general claim handling standards. Claim manuals were also reviewed for claim handling processes.

The examiners found no errors in this review.

F. NAIC Health Examination Claims Standard 1: Claims files are handled in accordance with policy provisions, HIPAA and state law.

Of the two samples of long-term care, home health care, and short-term care insurance claims noted above in “NAIC Claims Standard 1,” the paid sample had eight home health care claims

and six short-term care claims and the denied/closed without payment sample had two home health care claims and one short-term care claim. The examiners tested for this standard by reviewing these 17 claims for compliance with general claim handling standards. Claim manuals and applicable policy forms were also reviewed for issues particular to home health care and short-term care insurance.

The examiners found no errors in this review.

G. NAIC Long-Term Care Examination Claims Standard 1: Claim files are handled in accordance with policy provisions and applicable statutes, rules and regulations.

Of the two samples of long-term care, home health care, and short-term care insurance claims noted above in “NAIC Claims Standard 1,” the paid sample had 19 long-term care claims and the denied/closed without payment sample had six long-term care claims. The examiners tested for this standard by reviewing these 25 claims for compliance with general claim handling standards. Claim manuals and applicable policy forms were also reviewed for issues particular to long-term care insurance.

The examiners found no errors in this review.

VIII. CRITICISMS AND FORMAL REQUESTS TIME STUDY

This study is based upon the time required by the Company to provide the examiners with the requested material or to respond to criticisms. Missouri statutes and regulations require companies to respond to criticisms and formal requests within 10 calendar days. In the event an extension of time was requested by the Company and granted by the examiners, the response was deemed timely if it was received within the subsequent time frame. If the response was not received within the allotted time, the response was not considered timely.

A. Criticism Time Study

Number of Calendar Days to Respond	Number of Criticisms	Percentage of Total
0 to 10 days	22	81.5%
Over 10 days with extension	5	18.5%
Over 10 days without extension or after extension due date	0	0.0%
Totals	27	100.0%

The examiners found no errors in this review.

B. Formal Request Time Study

Number of Calendar Days to Respond	Number of Requests	Percentage of Total
0 to 10 days	46	58.2%
Over 10 days with extension	33	41.8%
Over 10 days without extension or after extension due date	0	0.0%
Totals	79	100.0%

The examiners found no errors in this review.

EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of Bankers Life and Casualty Company (NAIC #61263), Examination Number 317019, MATS #MO-HICKSS1-97. This examination was conducted by Examiner-In-Charge, Gary Bird, CIE, John Clubb, CIE, and Donald Wilson, CIE. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated December 28, 2021. Any changes from the text of the Market Conduct Examiner's Draft Report reflected in this Final Report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner's approval. This Final Report has been reviewed and approved by the undersigned.

October 21, 2022

Date



Teresa Kroll
Chief Market Conduct Examiner