

Market Conduct Report

Bankers Life & Casualty Company

February 27, 2023

Connecticut Insurance Department

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## Bankers Life & Casualty Company

### I. INTRODUCTION

An examination of Bankers Life & Casualty Company, (hereinafter referred to as the "Company") were conducted by Market Conduct examiners of the State of Connecticut Insurance Department at the Department's offices, and remotely.

### II. SCOPE OF EXAMINATION

From September 12, 2022 through December 9, 2022, the Market Conduct Division of the Connecticut Insurance Department examined the market conduct practices of the Company using a sample period of January 1, 2017 through September 30, 2019. The examination was limited to Connecticut business.

The purpose of the examination was to evaluate the Company's market conduct practices and treatment of policyholders in the State of Connecticut. The examinations focused on the solicitation of new business, marketing and sales, agent licensing and appointments, underwriting and rating, policyholder service, complaint handling, claim processing and company operations.

The market conduct examination was conducted pursuant to Connecticut Insurance Department policies and procedures and the standards proposed in the NAIC Market Regulation Handbook.

### III. COMPANY PROFILE

The market conduct examination included the review of Bankers Life & Casualty Company was incorporated in 1880 and its principal place of business is in Chicago, Illinois. The Company is licensed to write business in Connecticut.

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Direct premiums written as of December 31, 2018 were as follows:

Bankers Life & Casualty Company

	Connecticut	Total (All States)
Life	9,365,393	445,652,582
Annuity Considerations	20,511,273	1,153,858,289
Accident & Health	10,481,575	956,224,462

IV. AGENCY ORGANIZATION

The Company operates in Connecticut principally through a career agency system and independent producers.

The Company maintains an ongoing training program for their agents. The Company supplies new producers with product portfolios which provide detailed descriptions of products and coverage. Changes in coverage mandated by statutes or Company' policies are communicated through written notices as they occur. In addition, the Company hosts periodic training seminars for agents.

V. RECORDS SELECTED FOR REVIEW

The Company supplied a listing of all new business produced and claims processed during the period under review. A sample of four hundred twenty (420) new businesses, cancellation and declined contracts, and two hundred twenty (220) claims were selected for review. The samples included life, annuity, and accident and health contracts.

In addition, the producer and the application date for each policy in the samples were noted in order to identify any producers who were not properly licensed and appointed as required by Connecticut statutes. The licensing and appointment review is described in more detail in Section VI.

VI. PRODUCER LICENSING AND APPOINTMENT

The lists of the new business written during the sample period, identifying the producer for each policy, were compared to the Department's licensing records to determine whether each producer was properly licensed in the State of Connecticut and whether each individual was appointed by the Company, as required by Connecticut General Statutes §§38a-702b, 38a-702l, and 38a-702m.

Evaluation included, but was not limited to, an assessment based on the following specific standards:

**Standard 1: The Company' records of licensed and appointed producers agree with Insurance Department's records.**

**Standard 2: Producers are properly licensed and appointed in the jurisdiction where the application was taken.**

The following information was noted in conjunction with the review of this standard:

- The Company maintain automated producer databases that interface with new business processing, policy maintenance and producer compensation.
- The Company perform background checks and other due diligence procedures on individuals prior to contracting with them.
- The Company' appointment procedures are designed to comply with the Department's requirements, which mandate that an agent must be appointed within 15 days from the date the application is received by the Company.

**Findings:**

Comparisons were made between the Company' records of licensed and appointed producers and the Insurance Department's records. No exceptions were noted.

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**Standard 3: Termination of producers complies with applicable standards, rules and regulations regarding notification to the producer and notification to the state, if applicable.**

The Company have procedures to provide notification of termination to the Department.

**Findings:**

The examiners reviewed the Company' termination lists and verified that no producers were terminated for cause during the examination period.

**Standard 4: The Company' policies for producer appointments and terminations do not result in unfair discrimination against policyholders.**

**Findings:**

The examiners noted no evidence of unfair discrimination against policyholders as a result of producer appointments and terminations.

**Standard 5: Records of terminated producers adequately document reasons for terminations.**

The examiners reviewed the Company' terminated producer files to ensure that records are documented sufficiently.

**Findings:**

The examiners verified the listing of terminated agents and reviewed the reasons for termination for each agent. Based on the examiners' review, the Company' s records adequately document reasons for agent termination.

VII. UNDERWRITING AND RATING

New business files were reviewed to determine the use and accuracy of rating methodology, accuracy of issuance, consistent (non-discriminatory) practices and use of proper forms. The Company's policies, forms and rates were reviewed for proper filing with the Insurance Department and compliance with applicable statutes and regulations.

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Evaluation included, but was not limited to, an assessment based on the following specific standards:

**Standard 1: The rates charged for the policy coverages are in accordance with filed rates, if applicable, or the Company' rating plans.**

The following information was noted in conjunction with the review of this standard:

- Rates are systematically computed based on applicant information and rating classification assigned.
- The Company provided copies of Department approved rates for the new business submissions reviewed during the examination period.

**Findings:**

The Company appears to be in compliance.

**Standard 2: The Company do not permit illegal rebating, commission cutting or inducements.**

The following information was noted in conjunction with the review of this standard:

- The Company has procedures to pay agent commissions in accordance with the Company' approved written contracts.

**Findings:**

The examiners reviewed the Company' policies and procedures and verified that controls are in place to monitor and prevent illegal rebating, commission cutting and inducements.

**Standard 3: All forms, including contracts, riders, endorsement forms and certificates, are filed with the Insurance Department, if applicable.**

The following information was noted in conjunction with the review of this standard:

- The Company has compliance policies and procedures in place to review forms, rates, contract riders and endorsements.

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- The Company has a process to log and document Department approved forms, rates, contract riders and endorsements.

**Findings:**

No exceptions were noted.

**Standard 4: The Company' underwriting practices are not to be unfairly discriminatory. The Company adhere to applicable statutes, rules and regulations and Company' guidelines in selection of risks.**

The following information was noted in conjunction with the review of this standard:

- The Company' policies and procedures prohibit unfair discrimination.

**Findings:**

See Section VII. Underwriting and Rating, Additional Concerns.

**Standard 5: File documentation adequately supports decisions made.**

The examiners reviewed the sample files selected for review to ensure that all files requested are available for review and sufficiently documented.

**Findings:**

No exceptions were noted.

**Standard 6: Policies and endorsements are issued or renewed accurately, timely and completely.**

The examiners reviewed the sample new business and renewal files to ensure that the Company' underwriting policies and procedures were consistently applied for each sample file reviewed.

**Findings:**

The Company' practices for the issuance of policies and endorsements appear to be accurate and timely for the sample files reviewed.



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**Standard 7: Applications rejected and not issued are not found to be discriminatory.**

The Company's underwriting policies and procedures prohibit unfair discrimination.

**Findings:**

The examiners reviewed ninety (90) rejected applications and no exceptions were noted.

**Standard 8: Cancellation/non-renewal notices comply with policy provisions and state laws, including the amount of advance notice provided to the insured and other parties to the contract.**

The Company has procedures in place for the issuance of cancellation and non-renewal notices.

**Findings:**

The examiners reviewed one hundred eighty-three (183) cancellation files, no exceptions were noted.

**Standard 9: Pertinent information on applications that form a part of the policy are complete and accurate.**

**Findings:**

The Company appears to be in compliance.

**Standard 10: Rescission is not made for non-material misrepresentation.**

**Findings:**

The Company appears to be in compliance.

**Additional Concerns:**

The Examiners noted one (1) instance in which an applicant for an individual long term care policy was incorrectly denied, according to the Companies underwriting guidelines. In addition, there were sixteen (16) applications that

## Bankers Life & Casualty Company

were rescinded based on responses submitted by the applicants. It is recommended that the Company reviews its underwriting guidelines and policies and procedures, and that applications are properly investigated and resolved pursuant to required underwriting practices.

### **In Summary:**

It is recommended that the Company reviews its underwriting guidelines and policies and procedures, and that applications are properly investigated and resolved pursuant to required underwriting practices.

## VIII. POLICYHOLDER SERVICE

New business files and policy transactions were reviewed for accuracy and timeliness of handling.

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Evaluation included, but was not limited to, an assessment based on the following specific standards:

### **Standard 1: Premium notices and billing notices are sent out with an adequate amount of advance notice.**

The following information was noted in conjunction with the review of this standard:

- Verification that billing notices are generated automatically based on contract renewal dates and payment cycles.
- If premiums are not received, as required, an overdue premium notice is mailed, noting that non-payment will cause the policy to lapse.

#### **Findings:**

The Company appear to be in compliance.

### **Standard 2: Policy issuance and insured requested cancellations are timely.**

The following information was noted in conjunction with the review of this standard:

- When the policyholder requests cancellation, the cancellation is processed and any premium due is provided to the policyholder.
- The Company' policy is to provide written notice to the policyholders when the Company cancel for non-payment of premium.

#### **Findings:**

No exceptions were noted.

### **Standard 3: All communication directed to the company is answered in a timely and responsive manner by the appropriate department.**

The following information was noted in conjunction with the review of this standard:

- The Company have customer call centers to respond to policyholder and member concerns

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**Findings:**

The Company appears to be in compliance.

**Standard 4: Reinstatement is applied consistently and in accordance with policy provisions.**

The Company has standardized reinstatement guidelines in place to ensure that requests are reviewed and either approved or denied by underwriting.

**Findings:**

The examiners reviewed the Company's policies and procedures. After reviewing the sample files, no exceptions were noted.

**Standard 5: Policy transactions are processed accurately and completely.**

The Company has policies and procedures in place for processing policyholder transactions including conversions, plan changes and enrollment updates.

**Findings:**

The Company appear to be in compliance.

**Standard 6: Non-forfeiture options are communicated to the policyholder and correctly applied in accordance with the policy contract.**

The Company has policies and procedures in place for processing policyholder transactions including conversions, plan changes and enrollment updates.

**Findings:**

The examiners reviewed sample files, and no exceptions were noted.

**Standard 7: The Company provide each policy owner with an annual report of policy values in accordance with statutes, rules and regulations and, upon request, an in-force illustration or contract policy summary.**

**Findings:**

Through a review of the sampled new business files, the examiners found that the required information was provided.

**Standard 8: Unearned premiums are correctly calculated and returned to appropriate party in a timely manner and in accordance with applicable statutes, rules and regulations.**

The Company has policies and procedures in place for processing policyholder transactions including conversions, plan changes and enrollment updates.

**Findings:**

The Company appears to be in compliance.

IX. MARKETING AND SALES

The marketing and sales materials were analyzed to identify any piece that had a tendency to mislead or misrepresent any aspect of the Company' products or benefits to policyholders. In addition, the marketing and sales materials were reviewed to verify compliance with statutes and regulations related to the disclosure of certain information regarding the Company' identity, financial standing and organization.

Evaluation included, but was not limited to, an assessment based on the following specific standards:

**Standard 1: All advertising and sales materials are in compliance with applicable statutes, rules and regulations.**

The following information was noted in conjunction with the review of this standard:

- Written policies and procedures govern the advertising and sales material process.
- All advertising and sales materials are reviewed in a consistent format through an online submission and tracking process.
- All advertising and producer generated material is subject to compliance review.
- Prior to final approval, all advertising and sales materials are reviewed to ensure that any necessary changes identified during the initial review were made.
- Approved producer submissions are endorsed for use for a specific period.

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**Findings:**

The examiners reviewed the advertising material to ensure that pertinent statutes and regulations relative to the disclosure of each Company' identity, financial standing and organization were reviewed for compliance. In addition, the examiners reviewed a sample of sixty (60) marketing and sales advertisement materials to ensure that the products did not have a tendency to mislead or misrepresent the policyholder. The Company is in compliance.

**Standard 2: The Company' internal producer training materials are in compliance with applicable statutes, rules and regulations.**

The Company has developed training programs for their producers.

**Findings:**

The examiners reviewed the Company' training programs, and established policies and procedures. The Company' internal producer training materials appear to be in compliance.

**Standard 3: The Company' communications to producers are in compliance with applicable statutes, rules and regulations.**

The Company maintain extensive on-going training programs. Written policies and procedures govern that all communications are reviewed and approved by the Company' compliance units.

**Findings:**

The Company appears to be in compliance.

**Standard 4: Outline of coverage is in compliance with applicable statutes, rules and regulations.**

**Findings:**

The Company appears to be in compliance.

X. COMPLAINTS

The Department's complaint records and the Company' complaint records were reviewed to locate any allegations of misrepresentation against the Company' agents or any other adverse trends.

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All fifty-four (54) Department complaints were reviewed, and all sixty-seven (67) Non-Department Complaints and appeals were reviewed.

Evaluation included, but was not limited to, an assessment based on the following specific standards:

**Standard 1: All complaints or appeals/grievances are recorded in the required format on the Company' complaint registers.**

The following information was noted in conjunction with the review of this standard:

- Written policies and procedures govern the complaint handling process.
- All complaints are recorded in a consistent format in the complaint log.
- An automated tracking database is used to record and maintain complaint information.

**Findings:**

The Company appears to be in compliance.

**Standard 2: The Company have adequate complaint handling procedures in place and communicate such procedures to policyholders.**

The following information was noted in conjunction with the review of this standard:

- The Company' Plan Descriptions have been reviewed and approved by the Department.
- The complaint handling procedures are included in the Plan Descriptions.

**Findings:**

The examiners verified that the Company have complaint procedures in place as required by statute.

**Standard 3: The Company should take adequate steps to finalize and dispose of Department complaints in accordance with applicable statutes, rules and regulations, and contract language.**

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### **Findings:**

The examiners found no instances where the Department complaints were not responded to in a reasonable time frame.

**Standard 4: The time frame within which the Company respond to complaints, grievances and appeals is in accordance with applicable statutes, rules and regulations.**

### **Findings:**

The Company appears to be in compliance.

## XI. CLAIMS

The Company provided a listing of all claims paid during the period under examination. The review consisted of a sampling of paid and denied claims closed during the examination period. Two Hundred Twenty (220) claimfiles were selected at random for review. The files were reviewed to determinethe accuracy and timeliness of claim payments and interest payable on proceeds were recalculated to verify the accuracy of the Company' calculations and payments.

Evaluation included, but was not limited to, an assessment based on the following specific standards:

**Standard 1: The initial contact by the Company with the claimant is within the required time frame and claims are settled in a timely manner.**

The following information was noted in conjunction with the review of this standard:

- Written policies and procedures govern the claim handling process.
- All claim notifications are logged into the claim system.
- Claim management monitors claim accuracy and timeliness.

### **Findings:**

No exceptions were noted.



**Standard 2: Claim files are adequately documented.**

The following information was noted in conjunction with the review of this standard:

- copy of proof of loss
- applicable clinical/other investigative correspondence
- written communication, telephone or other communication
- proof of payment

**Findings:**

No exceptions noted.

**Standard 3: The Company have appropriate policies in place for the archival and disposal of claim forms.**

**Findings:**

The examiners reviewed the policies and procedures and no identifiable occurrences were found.

**Standard 4: The Company' claim forms are appropriate for the type of product.**

**Findings:**

The examiners noted that the claim forms were appropriate and in accordance with the Company' policies and procedures.

**Standard 5: Canceled benefit checks and drafts reflect appropriate claim handling practices.**

The following information was noted in conjunction with the review of this standard:

- Claim procedures were verified to ensure that the check/draft claim process was handled accurately and was appropriate.

**Findings:**

The examiners noted that sampled claim payments were appropriate and in

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accordance with the Company's policies and procedures.

**Standard 6: Claim handling practices do not compel claimants to institute litigation, in cases of clear liability and coverage, to recover amounts due under policies by offering substantially less than is due under the policy.**

The following information was noted in conjunction with the review of this standard:

- A review of all litigated claims for the examination period was conducted and no exceptions were noted.

**Findings:**

The examiners reviewed the policies and procedures and no identifiable occurrences were found.

**Standard 7: Reasonable attempts to locate missing policyholders or beneficiaries are made.**

**Findings:**

The examiners reviewed the policies and procedures and no identifiable occurrences were found.

XII. COMPANY OPERATIONS

Evaluation included, but was not limited to, an assessment based on the following specific standards:

**Standard 1: The Company have up-to-date valid, internal or external, audit programs.**

The following information was noted in conjunction with the review of this standard:

- The Company have an internal audit department that has performed reviews of a variety of operational functions.
- Audit reports are distributed to all relevant operational and management personnel.

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- External audits are performed on a regular basis.

**Findings:**

The Company performed a number of audits during the examination period. The examiners reviewed the audit reports and found that appropriate action was taken.

**Standard 2: The Company have appropriate controls, safeguards and procedures for protecting the integrity of computer information.**

The following information was noted in conjunction with the review of this standard:

- The Company have procedures in place for all operational functions.
- System tests are performed on a regular basis.

**Findings:**

The examiners reviewed and verified that the Company have programs in place to protect the integrity of computer information.

**Standard 3: The Company have anti-fraud plans in place.**

The following information was noted in conjunction with the review of this standard:

- The Company have written anti-fraud plans.
- The Company have a Special Investigative Unit (SIU) dedicated to the prevention and handling of fraud.
- Potential fraud activity is tracked by the SIU and investigated. Activity is reported to the regulator, as necessary.

**Findings:**

The examiners reviewed the written antifraud plans, and investigative policies and procedures. The Company have no instances of fraud during the examination period.

**Standard 4: The Company have valid disaster recovery plans.**

**Findings:**

The examiners verified that the Company have had a valid disaster recovery and business recovery program in place and no incidences were reported during the examination period.

**Standard 5: Records are adequate, accessible, consistent and orderly and comply with record retention requirements.**

**Findings:**

The examiners have reviewed the Company' record retention policies and no exceptions were noted.

**Standard 6: The Company are licensed for the lines of business that are being written.**

**Findings:**

The examiners reviewed the Certificates of Authority for the Company and compared them to the lines of business that the Company write in the State of Connecticut.

No exceptions were noted.

**Standard 7: The Company have procedures for the collection, use and disclosure of information gathered in connection with insurance transactions so as to minimize any improper intrusion into the privacy of applicants and policyholders.**

The following information was noted in conjunction with the review of this standard:

- The Company' policy allows for sharing customer and personal information with affiliates, but does not share such information with non-affiliates.
- The Company' policy requires a consumer privacy notice to be provided to policyholders on an annual basis.
- The Company have developed and implemented information technology security practices to safeguard customer, personal and health information.
- The Company' internal audit function conducts reviews of privacy policies and procedures.

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- The Company' disclosure authorization forms meet content standards.
- The Company' use of Artificial Intelligence with regard to underwriting, rating/pricing and claims. Describe how the models and algorithms developed are tested to ensure they are not biased or discriminatory, and in addition who is responsible for the monitoring and testing of the processes developed.
- The Company advise and describe any use of Biometric Data including but not limited to: Retinal Scans, Finger Prints, Voice Prints, Hand and Face Geometry.

### **Findings:**

The examiners reviewed the Company' disclosure authorization forms, use of Artificial Intelligence and Biometric Data, and no exceptions were noted.

### **Standard 8: The Company have a comprehensive written information security program for the protection of non-public customer information.**

The examiners reviewed and verified that the Company have a written security program in place for the protection of non-public customer information.

### **Standard 9: The Company cooperated on a timely basis with the examiners performing the examination.**

### **Findings:**

The Department received cooperation from the Company throughout the examination process.

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XVI. SUMMARY OF RECOMMENDATIONS

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VII. UNDERWRITING AND RATING

It is recommended that the Company reviews its underwriting guidelines and policies and procedures, and that applications are properly investigated and resolved pursuant to required underwriting practices.

Bankers Life & Casualty Company

XIV. ACKNOWLEDGMENT

The courtesy and cooperation of the Company, during course of the examination, is acknowledged.

Steve DeAngelis and Robert Chester participated in the preparation of this report.



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

-----X  
IN THE MATTER OF: DOCKET MC 23-03  
BANKERS LIFE & CASUALTY  
COMPANY  
-----X

### STIPULATION AND CONSENT ORDER

It is hereby stipulated and agreed between Bankers Life & Casualty Company and the State of Connecticut Insurance Department by and through Andrew N. Mais, Insurance Commissioner, to wit:

I

WHEREAS, pursuant to a Market Conduct examination, the Insurance Commissioner alleges the following with respect to Bankers Life & Casualty Company:

1. Bankers Life & Casualty Company, hereinafter referred to as Respondent, is domiciled in the State of Illinois, is licensed to transact the business of an insurance company in the State of Connecticut under license number 61263 and is authorized to write life, annuity and accident and health insurance.
2. From September 12, 2022 through December 9, 2022, the Department conducted an examination of Respondent's market conduct practices in the State of Connecticut covering the period from January 1, 2017 through September 30, 2019.
3. During the period under examination, Respondent failed to follow established practices and procedures to ensure compliance with statutory requirements, resulting in instances of:
  - a. failure to maintain sufficient procedures relative to underwriting practices and guidelines.
4. The conduct as described above violates §§ 38a-477b of the Connecticut General Statutes, and constitutes cause for the imposition of a fine or other administrative penalty under §§38a-2, and 38a-41 of the Connecticut General Statutes.



II

1. WHEREAS, Respondent admits the allegations contained in paragraphs three and four of Article I of this Stipulation; and
2. WHEREAS, Respondent agrees to undertake a complete review of its practices and procedures to enhance compliance with Connecticut statutes in the areas of concern, as described in the Market Conduct Report and this Stipulation; and
3. WHEREAS, Respondent agrees to provide the Insurance Commissioner with a summary of actions taken to comply with the recommendations in the Market Conduct Report within ninety (90) days of the date of this document; and
4. WHEREAS, Respondent agrees to pay a fine in the amount of \$10,000 for the violations described herein; and
5. WHEREAS, Respondent, being desirous of terminating this proceeding without the necessity of a formal proceeding or further litigation, does consent to the making of this Consent Order and voluntarily waives:
  - a. any right to a hearing; and
  - b. any requirement that the Insurance Commissioner's decision contain a statement of findings of fact and conclusions of law; and
  - c. any and all rights to object to or challenge before the Insurance Commissioner or in any judicial proceeding any aspect, provision or requirement of this Stipulation.

NOW THEREFORE, upon the consent of the parties, it is hereby ordered and adjudged:

1. That the Insurance Commissioner has jurisdiction of the subject matter of this administrative proceeding.
2. That Respondent is fined the sum of Ten Thousand Dollars (\$10,000) for the violations herein above described.

Bankers Life & Casualty Company

By: Chris Rigsbee  
(Representative of Insurance Company)

CERTIFICATION

The undersigned deposes and says that he/she has duly executed this Stipulation and Consent Order on this 14th day of March 2023 for and on behalf of Bankers Life & Casualty Company, that he/she is the Vice President, Deputy General Counsel of such company, and he/she has authority to execute and file such instrument.

By: Chris Riggsbee

State of Indiana

County of Hamilton

Personally appeared on this 14th day of March 2023  
Chris Riggsbee signer and sealer of the foregoing  
Stipulation and Consent Order, acknowledged same to be his/her free act and deed before  
me.

TERRI SCOTT  
Notary Public/Commissioner of the Superior Court



*Section Below To Be Completed by State of Connecticut Insurance Department*

Dated at Hartford, Connecticut this 28th day of March 2023.

Andrew N. Mais  
Insurance Commissioner