

MARKET CONDUCT EXAMINATION REPORT

EquiTrust Life Insurance Company
NAIC #62510
7100 Westown Parkway, Suite 200
West Des Moines, IA 50266

ETS # KS182-M19

As of

December 31, 2012



KANSAS INSURANCE DEPARTMENT

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The Honorable Sandy Praeger
Insurance Commissioner
Kansas Insurance Department
420 SW Ninth Street
Topeka, KS 66612

Dear Commissioner Praeger:

In accordance with your respective authorization, and pursuant to K.S.A. 40-222, a market conduct examination has been conducted on the business affairs of:

EquiTrust Life Insurance Company
NAIC #62510
7100 Westown Parkway, Suite 200
West Des Moines, IA 50266

hereafter referred to as “Equitrust Life Insurance Company” or the “Company”, the following report of such examination is respectfully submitted,

Tate Flott, AIRC
Market Conduct Examiner
Examiner-in-Charge

PURPOSE AND SCOPE OF REVIEW

A targeted market conduct examination of EquiTrust Life Insurance Company, also referred to as the “Company”, was conducted pursuant to, but not limited to K.S.A. 40-222.

The Kansas Insurance Department (KID) simultaneously conducted targeted desk examinations on several companies to determine compliance of the requirements set forth in K.S.A. 40-2404 (10) regarding the recording and proper handling of complaints. The review was performed at KID on electronic files provided by the Company and was conducted according to the guidelines and procedures recommended in the 2012 NAIC Market Regulation Handbook (MRH). The exam team utilized the standards and tests recommended in the Handbook which allows an error tolerance 10%. Silence on any NAIC standard or Company practice does not imply KID acceptance or endorsement of such practices. Applicable statutes and regulations cited throughout the report may be found in the Appendix.

The examination included a review of the complaint register and the complaint files the company had received for the exam period of January 1, 2010 through December 31, 2012. This included both the complaints from KID as well as direct consumer complaints that were received during the time period. Interrogatories were submitted to the Company prior to the file review segment of the examination, and written responses were provided.

EXECUTIVE SUMMARY

The complaint log contained several inaccuracies related to the dates of final disposition. Specifically, three of the complaints had an incorrect date on the log.

DESK EXAMINATION

COMPLAINT HANDLING

The examiners reviewed the Company's procedures for handling complaints, the complaint register from January 1, 2010 through December 31, 2012, as well as the complaint files from that period. The "Number of Errors" included in the samples below are defined as the total number of complaints in the sample which contained errors.

Standard 1

All complaints are recorded in the required format on the regulated entity's complaint register.

| Sample Type | Sample Size | Number of Errors | Percent Compliance |
|-------------|-------------|------------------|--------------------|
| Complaints | 7 | 3 | 57% |

The complaint log contained several inaccuracies related to the dates of final disposition. Three of the initial complaints had an incorrect date on the log. As there are enough errors in the dates to not accurately reflect the complaints, the company is in violation of K.S.A. 40-2404(10).

Result: Fail

Recommendation: The Company must ensure the required dates on the complaint register are accurate.

Standard 2

The regulated entity has adequate complaint handling procedures in place and communicates such procedures to policyholders.

| Sample Type | Sample Size | Number of Errors | Percent Compliance |
|-------------|-------------|------------------|--------------------|
| Complaints | 7 | 0 | 100% |

Result: Pass

Recommendation: None

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.

| Sample Type | Sample Size | Number of Errors | Percent Compliance |
|-------------|-------------|------------------|--------------------|
| Complaints | 7 | 0 | 100% |

Result: Pass

Recommendation: None

Standard 4

The time frame within which the regulated entity responds to complaints is in accordance with applicable statutes, rules and regulations.

| Sample Type | Sample Size | Number of Errors | Percent Compliance |
|--------------------|--------------------|-------------------------|---------------------------|
| Complaints | 7 | 0 | 100% |

Result: Pass

Recommendation: None

CONCLUSION

I would like to acknowledge the cooperation and courtesy extended by the EquiTrust Life Insurance Company staff. The following examiners from the Office of the Commissioner of Insurance in the State of Kansas participated in the review:

Tate Flott
Market Conduct Examiner

Respectfully submitted,



Tate Flott, AIRC
Market Conduct Examiner
Examiner-In-Charge

APPENDIX

Related Kansas Insurance Statutes and Administrative Regulations

K.S.A. 40-222. Examinations

(a) Whenever the commissioner of insurance deems it necessary but at least once every five years, the commissioner may make, or direct to be made, a financial examination of any insurance company in the process of organization, or applying for admission or doing business in this state. In addition, at the commissioner's discretion the commissioner may make, or direct to be made, a market regulation examination of any insurance company doing business in this state.

...

(c) For the purpose of such examination, the commissioner of insurance or the persons appointed by the commissioner, for the purpose of making such examination shall have free access to the books and papers of any such company that relate to its business and to the books and papers kept by any of its agents and may examine under oath, which the commissioner or the persons appointed by the commissioner are empowered to administer, the directors, officers, agents or employees of any such company in relation to its affairs, transactions and condition.

...

(g) The refusal of any company, by its officers, directors, employees or agents, to submit to examination or to comply with any reasonable written request of the examiners shall be grounds for suspension or refusal of, or nonrenewal of any license or authority held by the company to engage in an insurance or other business subject to the commissioner's jurisdiction. Any such proceedings for suspension, revocation or refusal of any license or authority shall be conducted in accordance with the provisions of the Kansas administrative procedures act.

...

K.S.A. 40-2404. Unfair methods of competition and unfair or deceptive acts or practices

...

(10) Failure to maintain complaint handling procedures. Failure of any person, who is an insurer on an insurance policy, to maintain a complete record of all the complaints which it has received since the date of its last examination under K.S.A. 40-222, and amendments thereto; but no such records shall be required for complaints received prior to the effective date of this act. The record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of the complaints, the date each complaint was originally received by the insurer and the date of final disposition of each complaint. For purposes of this subsection, "complaint" means any written communication primarily expressing a grievance related to the acts and practices set out in this section.