



Report on

Market Conduct Examination

of

Independent Order of Foresters – United States Branch

Toronto, Ontario, Canada M3C 1

by Representatives of the
North Carolina Department of Insurance

as of

December 6, 2017

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Raleigh, North Carolina
December 6, 2017

Honorable Michael Causey
Commissioner of Insurance
Department of Insurance
State of North Carolina
Albemarle Building
325 N. Salisbury Street
Raleigh, North Carolina 27603-5926

Mr. Brian Mills
Superintendent of Financial Services
Chief Executive Officer
Financial Services Commission of Ontario
5160 Yonge Street
Toronto, Ontario M2N 6L9, Canada

Honorable Commissioner and Superintendent:

Pursuant to your instructions and in accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131 through 58-2-134, a target examination has been made of the market conduct activities of

Independent Order of Foresters –United States Branch (NAIC # 58068)

NAIC Exam Tracking System Exam Number: NC-NC131-17
Toronto, Ontario, Canada M3C 1

hereinafter generally referred to as the Company, at the North Carolina Department of Insurance (Department) office located at 325 N. Salisbury Street, Raleigh, North Carolina. A report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Department conducted a target examination of the Company. This examination commenced on March 6, 2017, and covered the period of January 1, 2014, through December 31, 2015, with analyses of certain operations of the Company being conducted through November 16, 2017. This action was taken due to market analysis of policyholder treatment, marketing, nonforfeiture benefits, claims practices, and policy rescissions. All comments made in this report reflect conditions observed during the period of the examination.

This examination was performed in accordance with auditing standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC). The scope of this examination was not comprehensive, and consisted of an examination of the Company's practices and procedures in policyholder treatment, marketing, nonforfeiture benefits, claims, and policy rescissions. The findings and conclusions contained within the report are based solely on the work performed and are referenced within the appropriate sections of the examination report.

It is the Department's practice to cite companies in violation of a statute or rule when the results of a sample show errors/noncompliance that fall outside certain tolerance levels. The Department applied a 0 percent tolerance level for policyholder treatment and marketing, 5 percent tolerance level for nonforfeiture benefits, and 3 percent tolerance level for claims practices and policy rescissions. Sample sizes were generated using Audit Command Language (ACL) software. The Department utilized a 95% Confidence Level to determine the error tolerance level.

EXECUTIVE SUMMARY

This market conduct examination revealed concerns with the Company's procedures and practices in the following area:

Policyholder Treatment – Consumer Complaints: Failure to respond within seven calendar days of receipt without requesting an extension; and failure to log one complaint into the register.

Specific violations are noted in the appropriate sections of this report. All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be

viewed on the North Carolina Department of Insurance Web site www.ncdoi.com by clicking “Insurance Industry” then “Legislative Services” under “Other Divisions”.

This examination identified various statutory violations, some of which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business in North Carolina according to its insurance laws and regulations. When applicable, corrective action for other jurisdictions must be addressed.

All statutory violations may not have been discovered or noted in this report. Failure to identify statutory violations in North Carolina or in other jurisdictions does not constitute acceptance of such violations.

POLICYHOLDER TREATMENT

Consumer Complaints

As a result of the Department’s market surveillance activities, all consumer complaints from a population of 21 were reviewed for accuracy, adherence to Company guidelines, and compliance with North Carolina statutes and rules.

The following table displays the types of complaints received for each year of the examination:

Type	2014	2015
Administrative Related	5	2
Agent Related	6	2
Claim Related	3	3
Total	14	7

Three complaints were not responded to within seven calendar days of receipt and no extension was requested or granted. The Company did not adhere to the provisions of Title 11 of the North Carolina Administrative Code (NCAC) Chapter 1, Section 0602. One complaint was responded to in excess of seven calendar days; however, an extension was requested and granted.

The Company provided a consumer complaint register for the examiners' review. The Company did not adhere to the provisions of 11 NCAC 19.0103 as the Company failed to log one Departmental complaint into the complaint register.

The average service time to respond to a Departmental complaint was six calendar days. A chart of the service time follows:

Service Days	Number of Files	Percentage of Total
1 – 7	17	81.0
8 – 14	3	14.2
15 – 21	1	4.8
Total	21	100.0

MARKETING

Policy Forms and Filings

As a result of the Department's market surveillance activities, the entire population of 140 policy forms and filings in use and approved during the examination period were compared with a list of approved forms from the Department pursuant to the provisions of NCGS 58-3-150. No irregularities, adverse trends, or unfair trade practices were perceived in this section of the examination.

Sales and Advertising

The Company provided a listing of 1,872 sales and advertising documents. One hundred thirty-one sales and advertising files were randomly selected for review to determine adherence to Company guidelines and compliance with applicable North Carolina Statutes and rules. No adverse trends or unfair trade practices were observed in this section of the examination.

NONFORFEITURE BENEFITS

Cash Surrenders

The Company provided a listing of 2,137 individual cash surrender files. One hundred nineteen cash surrender files were randomly selected for review. No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to process a cash surrender was 26 calendar days. A chart of the service time follows:

Service Days	Number of Files	Percentage of Total
1 – 7	16	13.4
8 – 14	38	31.9
15 – 21	35	29.4
22 – 30	16	13.4
31 – 60	10	8.4
Over 60	4	3.5
Total	119	100.0

CLAIMS PRACTICESIndividual Life Claims Paid

The Company provided a listing of 92 individual life claims paid policy files. The entire population was selected for review to determine adherence to Company guidelines and compliance with applicable North Carolina statutes and rules. No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to process a paid claim was 156 calendar days. A chart of the service time follows:

Service Days	Number of Files	Percentage of Total
1 – 7	3	3.3
8 – 14	8	8.7
15 – 21	12	13.0
22 – 30	10	10.9
31 – 60	19	20.7
Over 60	40	43.4
Total	92	100.0

Individual Life Claims Denied

The Company provided a listing of 49 individual life claims denied policy files. The entire population was selected for review to determine adherence to Company guidelines and compliance with applicable North Carolina statutes and rules. No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to process a claim denial was 221 calendar days. A chart of the service time follows:

Service Days	Number of Files	Percentage of Total
31 – 60	1	2.0
Over 60	48	98.0
Total	49	100.0

POLICY RESCISSIONS

Individual Life Rescissions

The Company provided a list of nine life rescission policies. The entire population was selected for review to determine adherence to Company guidelines and compliance with applicable North Carolina statutes and rules. No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to process a rescission was 162 calendar days. A chart of the service time follows:

Service Days	Number of Files	Percentage of Total
1 – 7	1	11.1
Over 60	8	88.9
Total	9	100.0

COMMENTS, RECOMMENDATIONS, AND DIRECTIVES

The Company must complete and implement corrective actions as a result of this target examination. These corrective actions must include but are not limited to compliance with statutory requirements regarding response time for responding to consumer complaints and statutory requirements for maintaining the complaint register.

CONCLUSION

A target examination has been conducted on the market conduct affairs of Independent Order of Foresters – United States Branch for the period January 1, 2014, through December 31, 2015, with analyses of certain operations of the Company being conducted through November 16, 2017.

This examination was conducted in accordance with the North Carolina Department of Insurance and the National Association of Insurance Commissioners Market Regulation Handbook procedures, including analyses of Company operations in the areas of policyholder treatment, marketing, nonforfeiture benefits, claims practices, and policy rescissions.

In addition to the undersigned, Shane E. Jordan, MHS, MCM, North Carolina Market Conduct Senior Examiner and Marion A. Flemmings, MCM, HIA, HIPAAP, HCSA, North Carolina Market Conduct Senior Examiner participated in this examination.

Respectfully submitted,



Vicki S. Royal, CPM, MCM, ACS, AIAA, AIRC
Examiner-In-Charge
Market Regulation Division
State of North Carolina

I have reviewed this examination report and it meets the provisions for such reports prescribed by this Division and the North Carolina Department of Insurance.

A handwritten signature in black ink that reads "Bill George". The signature is written in a cursive, flowing style.

Bill George, CPCU, AIS, MCM
Assistant Chief Examiner
Market Regulation Division