

NOV 28 2003

DEPT. OF INSURANCE
BY [Signature]

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

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In the Matter of:) Docket No. 03A-199-INS
)
IL ANNUITY AND INSURANCE COMPANY N.K.A. ,)
INDIANAPOLIS LIFE INSURANCE COMPANY,)
NAIC # 71692;) CONSENT ORDER
)
Respondent.)

Examiners for the Department of Insurance (the "Department") conducted a market conduct examination of IL Annuity and Insurance Company ("ILAN"). The Report of the Examination of the Market Conduct Affairs of ILAN, dated April 6, 2001 alleges that ILAN has violated A.R.S. §§ 20-444, 20-449, and 20-1233.

ILAN wishes to resolve this matter without formal proceedings, admits that the following Findings of Fact are true, and consents to the entry of the following Conclusions of Law and Order.

FINDINGS OF FACT

1. ILAN is authorized to transact life insurance and annuity business pursuant to a Certificate of Authority issued by the Director.

2. The Examiners were authorized by the Director to conduct a market conduct examination of ILAN. The on-site examination covered the time period from June 1, 1999 through May 31, 2000, and was concluded on April 6, 2001. Based on the findings the Examiners prepared the "Report of Examination of the Market Conduct Affairs of IL Annuity and Insurance Company" dated April 6, 2001.

3. Effective June 30, 2003, IL Annuity and Life Insurance Company, NAIC # 71692, was merged into Indianapolis Life Insurance Company, NAIC # 64645. Neither

1 the Company name nor the NAIC number of ILAN was retained by the surviving
2 Company.

3 4. The Examiners reviewed 13 of 13 ILAN complaints received by the
4 Department during the time frame of the examination and found that ILAN allowed its
5 agents to pay association membership dues for two applicants.

6 5. The Examiners reviewed 49 of 49 of the advertising materials used by the
7 Company during the time frame of the examination and alleged that ILAN used one
8 advertising brochure (ILA606-1199VKII) that was deceptive and misleading.

9 6. The Examiners reviewed six of six annuity policy forms used by the
10 Company during the time frame of the examination and found that the Company used
11 six annuity application forms that failed to include a notice prominently printed on or
12 attached to the first page stating that, upon written request, an insurer is required to
13 provide within a reasonable time reasonable factual information regarding the benefits
14 and provisions of the annuity contract to the contract holder. These noncompliant
15 forms were used 54 times.

16 7. The Examiners reviewed 27 of 27 fixed annuity certificates issued and
17 surrendered by the Company during the examination period and found that ILAN
18 allowed its agents to pay group membership dues for three certificate holders.

19 8. The Examiners reviewed 31 of 31 group annuity certificates not taken by
20 the Company during the time frame of the examination and found that ILAN allowed its
21 agents to pay group membership due for six applicants.

22 CONCLUSIONS OF LAW

23 1. ILAN violated A.R.S. § 20-444(A) by using advertising materials and
24 sales illustrations that are untrue, misleading, and deceptive with respect to the
25 business of insurance.

1 bulletins, E-mails, correspondence, procedures manuals, print screens, and training
2 materials.

3 3. The Department shall be permitted, through authorized representatives,
4 to verify that ILAN has complied with all provisions of this Order.

5 4. ILAN shall pay a civil penalty of \$25,000.00 to the Director for deposit in
6 the State General Fund in accordance with A.R.S. § 20-220(B). The civil penalty shall
7 be provided to the Market Conduct Examinations Section of the Department prior to the
8 filing of this Order.

9 5. The Report of Examination of the Market Conduct Affairs of IL Annuity
10 and Insurance Company as of April 6, 2001, including the letter submitted in response
11 to the Report of Examination, shall be filed with the Department upon the filing of this
12 Order.

13 DATED at Phoenix, Arizona this 26th day of November, 2003.

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16 Christina Urias
17 Director of Insurance
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1 **CONSENT TO ORDER**

2 1. IL Annuity and Insurance Company has reviewed the foregoing Order.

3 2. IL Annuity and Insurance Company admits the jurisdiction of the Director
4 of Insurance, State of Arizona, admits the foregoing Findings of Fact, and consents to
5 the entry of the Conclusions of Law and Order.

6 3. IL Annuity and Insurance Company is aware of the right to a hearing, at
7 which it may be represented by counsel, present evidence and cross-examine
8 witnesses. IL Annuity and Insurance Company irrevocably waives the right to such
9 notice and hearing and to any court appeals related to this Order.

10 4. IL Annuity and Insurance Company states that no promise of any kind or
11 nature whatsoever was made to it to induce it to enter into this Consent Order and that
12 it has entered into this Consent Order voluntarily.

13 5. IL Annuity and Insurance Company acknowledges that the acceptance of
14 this Order by the Director of the Arizona Department of Insurance is solely for the
15 purpose of settling this matter and does not preclude any other agency or officer of this
16 state or its subdivisions or any other person from instituting proceedings, whether civil,
17 criminal, or administrative, as may be appropriate now or in the future.

18 6. Mark V. Heitz, who holds the office of Vice President of Indianapolis Life
19 Insurance Company ("ILICO"), the successor company to IL Annuity and Insurance
20 Company, is authorized to enter into this Order for it and on its behalf.

21 **IL ANNUITY AND INSURANCE COMPANY**

22 11/18/03

23 Date

23 By 
24 Mark V. Heitz, Vice President, ILICO

1 COPY of the foregoing mailed/delivered
2 this 28th day of November , 2003, to:

- 3 Gerrie Marks
4 Deputy Director
- 5 Mary Butterfield
6 Assistant Director
7 Consumer Affairs Division
- 8 Paul J. Hogan
9 Market Oversight Administrator
10 Market Oversight Division
- 11 Deloris E. Williamson
12 Assistant Director
13 Rates & Regulations Division
- 14 Steve Ferguson
15 Assistant Director
16 Financial Affairs Division
- 17 Alan Griffieth
18 Chief Financial Examiner
- 19 Alexandra Schafer
20 Assistant Director
21 Life and Health Division
- 22 Terry L. Cooper
23 Fraud Unit Chief

15 DEPARTMENT OF INSURANCE
16 2910 North 44th Street, Suite 210
17 Phoenix, AZ 85018

18
19 J. Michael Low, Esq.
20 IL Annuity and Insurance Company, N.K.A.,
21 Indianapolis Life Insurance Company
22 C/O Low & Childers, P.C.
23 2999 N. 44th Street, Suite 250
24 Phoenix, AZ 85018

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