

MARKET CONDUCT
EXAMINATION REPORT OF
CMFG LIFE INSURANCE COMPANY
MADISON, WISCONSIN
AS OF DECEMBER 31, 2020

Madison, WI
March 28, 2022

HONORABLE DOUG OMMEN
Commissioner of Insurance
State of Iowa
Des Moines, Iowa

Commissioner:

In accordance with your authorization and pursuant to Iowa statutory provisions, a market conduct examination has been made of the records, business affairs, and marketing practices of

CMFG LIFE INSURANCE COMPANY

MADISON, WISCONSIN

AS OF DECEMBER 31, 2020

with its principal place of business at 2000 Heritage Way, Waverly, Iowa and executive headquarters at 5910 Mineral Point Road, Madison, Wisconsin.

INTRODUCTION

This market conduct examination report, containing applicable comments, explanations and findings, is presented herein. In general, this is a report by exception. Comments regarding practices and procedures reviewed during the examination have been omitted from the report if no improprieties were found. All unacceptable or non-complying practices may not have been identified. The failure to identify specific company practices does not constitute acceptance of these practices.

SCOPE OF EXAMINATION

This risk-focused, market conduct examination was conducted as a coordinated examination of an insurance holding company group covering the period from January 1, 2016 through December 31, 2020. The following insurance entities were examined as part of the coordinated examination, with separate examination reports prepared for each entity.

CMFG Life Insurance Company
MEMBERS Life Insurance Company
CUMIS Specialty Insurance Company, Inc.
CUMIS Insurance Society, Inc.

The risk-focused examination reviews internal policies, procedures, and control structures for compliance with applicable Iowa statutes and administrative rules. The examination then focuses on compliance with those policies, procedures, and control structures.

HISTORY

The Company was initially organized in 1935 under the applicable laws of Wisconsin and was established by credit union interests for the purpose of providing for the insurance needs of credit unions, credit union organizations, and credit union members. Ownership and control of the Company is vested in the Company's policyholders, which are comprised primarily of credit union institutions and individual members of credit unions.

Following a vote of the shareholders on April 20, 2007 and upon approval by the Insurance Commissioners of Wisconsin and Iowa, the Company re-domesticated to Iowa effective May 3, 2007.

The Company and CUNA Mutual Life Insurance Company, an Iowa-domiciled life insurer, had been joined in a permanent affiliation agreement since 1990. The two companies applied to the Iowa Insurance Division for permission to merge the two companies with CUNA Mutual Insurance Society as the surviving company. The Board of Directors, the policyholders of both companies and the Iowa Insurance Division approved the merger, which was completed on December 31, 2007. The merger was accounted for using the statutory merger method.

On June 2, 2011, the Board of Directors of the Company unanimously approved and adopted a Plan of Reorganization whereby the Company would reorganize from a mutual life insurance company into a stock life insurance company and become an indirect subsidiary of a newly formed mutual insurance holding company. Policyholders approved and adopted the Plan on September 7, 2011. The Iowa Insurance Division approved the Plan on October 7, 2011. Effective January 31, 2012, the Plan became effective and CUNA Mutual Insurance Society changed its name to CMFG Life Insurance Company.

On October 1, 2015, the Boards of Directors and sole shareholders of the Company and CMFG Life Vermont, Inc. approved and adopted a Plan of Merger whereby CMFG Life Vermont, Inc. would be merged with and into the Company, with the Company being the surviving corporation. The merger became effective on November 30, 2015.

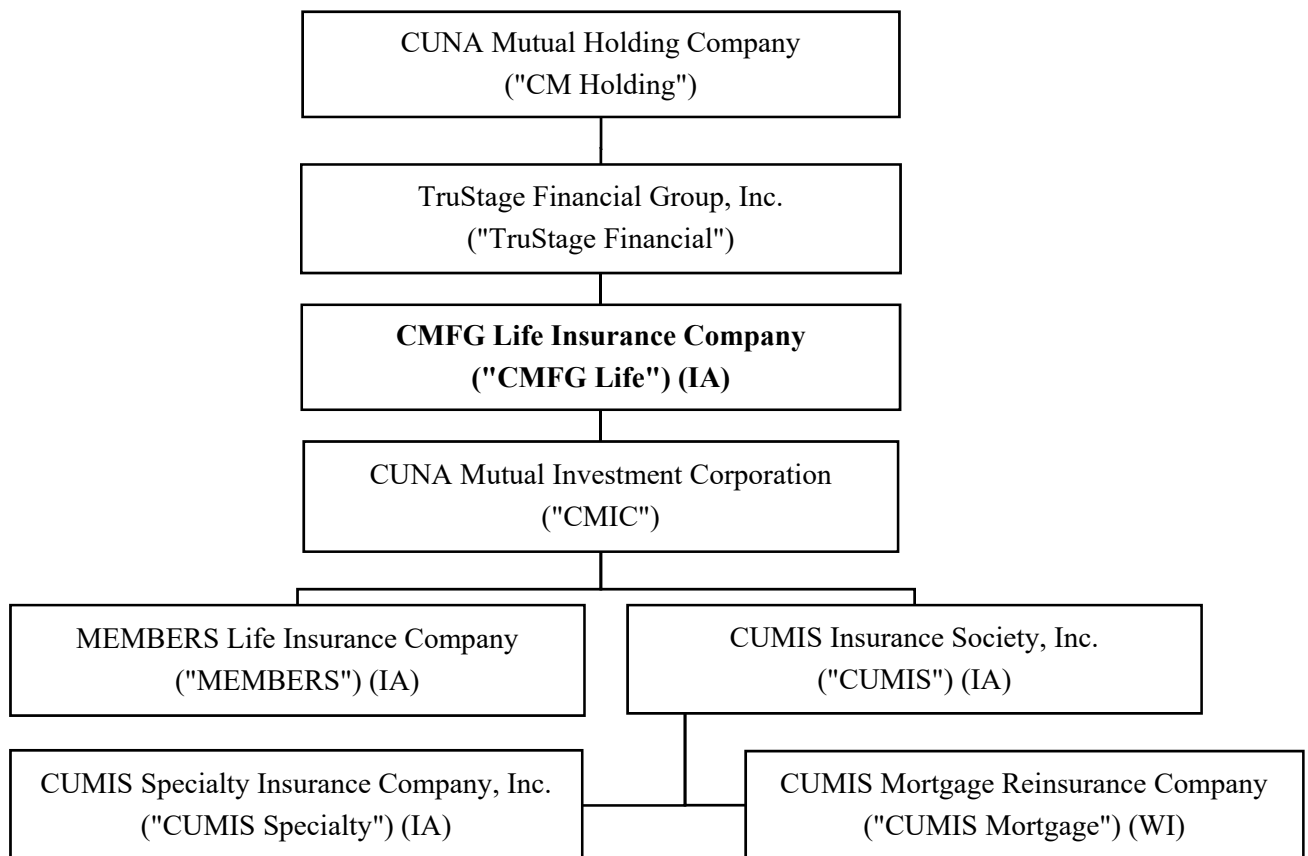
MUTUAL INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of a Mutual Insurance Holding Company System as defined by Chapter 521A, Code of Iowa. Cuna Mutual Holding Company (“CM Holding”) is the ultimate controlling person for the group. An Insurance Holding Company System Registration Statement was filed annually with the Iowa Insurance Division for each year of the examination period.

CM Holding was formed on January 31, 2012. Its home office is located at 2000 Heritage Way, Waverly, Iowa 50677 and its principal executive office is located at 5910 Mineral Point Road, Madison, WI 53705. It is a mutual insurance holding company.

CM Holding is a separately dedicated corporate entity, without shareholders as such, but with an ownership/equity interest which, by law, is attributable to policy owners of the Company who are characterized in CM Holding’s Articles of Incorporation as Members.

An abbreviated organizational chart identifying the Companies within the Holding Company System follows:



TERRITORY AND PLAN OF OPERATION

The Company is licensed to write business in all fifty states, the District of Columbia, Puerto Rico, U.S. Virgin Islands and Canada. The primary source of business is derived through a licensed sales force of internal employee agents. Each credit union is assigned a relationship manager who is trained and licensed to work with the respective credit unions. The relationship manager is supported by licensed specialists who are familiar with a specific product line and support sales of that line within an assigned territory.

The Company is primarily engaged in selling insurance for credit unions and their members. Primary products include group credit life and group credit disability, retirement plan group annuities and plan administration, group life and disability products, and life, health and annuity policies.

The following products are no longer being sold but claims are still being administered: group mortgage protection was discontinued in 2019; and prior to the current exam period, loan protection and life savings products, home mortgage protection and large loan protection, and long-term care.

TREATMENT OF POLICYHOLDERS

Annuity Suitability

The Examiners reviewed the Company's policies and procedures for the sale, replacement, and surrender of annuities. The Company also has established compliance monitoring programs to enforce adherence to Company policies and procedures including quarterly compliance monitoring reports, internal review procedures, annual certifications for their distribution partners, and the annual Annuity Suitability Report to management.

For Annuity Sales, the Examiners reviewed a sample of ten (10) annuities and verified the producer listed on the application was licensed, a consumer profile was constructed, and there was a description of the agent compensation. All samples were found to be in compliance with applicable regulations.

For Annuity Replacements and Surrenders, Examiners reviewed a sample of ten (10) annuity replacements, fifteen (10) annuity surrenders, and five (5) annuity terminations. All samples followed Company standards regarding disclosure forms, timeliness standards, and applicable regulations.

Subsequent to the exam period, the Company implemented changes to their annuity suitability program effective January 1, 2021 to comply with amendments to Iowa Administrative Code 191-15.75 (1). Changes to the Company's process include a new disclosure document for producers to use when selling non-registered fixed annuity transactions and updates to the Company's suitability form used with fixed annuity product recommendations.

Claim Practices

Examiners reviewed the Company's claim handling policies and procedures to ensure standards exist. The Examiners then reviewed a sample of fifty (50) paid claims to verify timeliness of settlement, accuracy of payments, and adherence to claim policies and procedures. All were found to follow claim handling guidelines and applicable statutes and regulations. The Examiners also reviewed a sample of thirty (30) denied claims. All were handled in accordance with applicable regulations.

Complaints

Examiners reviewed the Company's complaint handling policies and procedures. Complaints are handled and addressed by the compliance department. Examiners found the complaint register to be in compliance with applicable state statutes. Examiners also reviewed a sample of thirty three (33) consumer complaints, all were handled in accordance with applicable regulations.

Underwriting

Examiners reviewed the underwriting procedures, guidelines, and rating practices for reasonableness and to ensure adherence to underwriting standards. Examiners reviewed a sample of thirty (30) new business applications and found all to be issued in a timely manner and in accordance with Company standards. Examiners also reviewed a sample of fifteen (15) canceled or terminated policies and found all to be handled in accordance with Company guidelines. The Company did not have any declinations for Iowa during the exam period.

MARKETING AND SALES

The Shared Service Compliance Department is responsible for the oversight of marketing materials and ensuring compliance with the Company's Advertising Policy established by the Legal Department. All advertising and marketing materials are submitted for review by a Compliance Reviewer who ensures the submission complies with the corporate advertising standards, laws and regulations.

Examiner's review of the advertisement log for the exam period found that it did not contain form numbers for any advertised policies and did not contain descriptions of the manner of distribution. This is not in compliance with IAC 191-15.13(2). Examiners sampled nine (9) advertisements from the advertisement log and no issues of non-compliance were identified.

PRODUCER LICENSING

Examiners reviewed producer licensing policies and procedures. Producer appointment and termination procedures and practices were in compliance with applicable statutes and regulations.

CONCLUSION

Acknowledgment is hereby made of the cooperation and assistance extended by the officers and employees of the Group during this examination.

In addition to the undersigned, John Echeveste and Logan Thomsen, examiners for the Iowa Insurance Division, participated in the examination and preparation of this report.

Respectfully submitted,

/s/ Amanda Theisen
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Examiner-in-Charge
Insurance Division
State of Iowa