

MARKET CONDUCT  
EXAMINATION REPORT OF  
MEDICO LIFE AND HEALTH INSURANCE COMPANY  
DES MOINES, IOWA  
AS OF DECEMBER 31, 2015

Des Moines, Iowa  
June 27, 2017

HONORABLE DOUG OMMEN  
Commissioner of Insurance  
State of Iowa

Commissioner:

In accordance with your authorization and pursuant to Iowa statutory provisions, a risk-focused market conduct examination has been made of the business practices of

MEDICO LIFE AND HEALTH INSURANCE COMPANY

DES MOINES, IOWA

AS OF DECEMBER 31, 2015

The examination was conducted at the Home Office located at 601 Sixth Avenue, Des Moines, Iowa. The report thereof, containing applicable comments, explanations and financial data is presented herein.

#### INTRODUCTION

This 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. Medico Life and Health Insurance Company, hereinafter referred to as the "Company", is domiciled and licensed as a stock life insurance company in the State of Iowa.

#### SCOPE OF EXAMINATION

The risk-focused, market conduct examination covers the intervening period from January 1, 2010 through December 31, 2015. It was conducted and performed solely for the Iowa Insurance Division by its examiners. A risk-focused examination reviews and evaluates the insurer's business processes and controls related to statutory compliance and unfair trade practices.

#### HISTORY

Medico Life and Health Insurance Company (the Company or MLHIC) is an Iowa domiciled Life and Health insurance Company holding licenses to do business in 15 states. The Company is a 100% owned subsidiary of American Enterprise Group, Inc., (AEG), which is a subsidiary of American Enterprise Mutual Holding Company (AEMHC). Both of the holding companies are domiciled in the state of Iowa.

The Company is primarily in the business of providing individual and group life and accident and health insurance coverage.

Effective August 1, 2013, Lincoln Republic Insurance Company (formerly, Lincoln Mutual Life and Casualty Insurance Company) became a part of the American Enterprise Mutual Holding Company system and through an agreement; the company became a stock life insurance company, as permitted by the North Dakota mutual insurance company reorganization act, N.D.C.C Chapter 26.1-12.1 (the Reorganization). Under the Reorganization, all of the shares of the Company were contributed to American

Enterprise Group, Inc., an intermediate stock holding company and wholly owned subsidiary of American Enterprise Mutual Holding Company. Effective July 1, 2015, the company was re-domesticated from North Dakota to Iowa, and its name was changed to Medico Life and Health Insurance Company (MLHIC), which is now a directly owned subsidiary of American Enterprise Group, Inc., and an indirectly owned subsidiary of American Enterprise Mutual Holding Company. There was no financial impact as a result of this event.

The Company, prior to the reorganization, had an exclusive agency agreement with Noridian Insurance Services Inc., a wholly owned subsidiary of Noridian Mutual Insurance Company, to distribute the Company's products in North Dakota. The agency agreement was terminated on December 31, 2012 and as a result, a substantial portion of group business has been moved to other life insurance companies, and overall, the closed blocks of business are declining.

Also as part of the Reorganization, the Company is now a party to a services agreement with its affiliates under American Enterprise Mutual Holding Company. This agreement outlines reimbursement of the costs of services or materials, which the Company may receive from these affiliates.

#### RISK FOCUSED PROCEDURES

The risk-focused exam reviews the Company's internal policies, procedures, and control structures for compliance with applicable Iowa Codes and Administrative Rules. The exam then focuses on the Company's compliance with those policies, procedures, and control structures. The following areas of operations were reviewed as a part of the risk-focused exam process:

Complaints - This portion of the exam is designed to provide a view of how the regulated entity treats individuals who have filed complaints with the Company and whether that treatment is in compliance with applicable statutes, rules and regulations. The N.A.I.C. definition of a complaint is "any written communication that expresses dissatisfaction with a specific person or entity subject to regulation under the state's insurance laws".

Marketing and Sales - This portion of the examination is designed to evaluate the representations made by the regulated entity about its product(s) or services.

Producer Licensing - This portion of the examination is designed to test a regulated entity's compliance with state producer licensing laws and rules.

Policyholder Services - The policyholder service portion of the examination is designed to evaluate a regulated entity's compliance with statutes regarding policy issuance/cancellation, premium notice/billing/refund, consumer inquiry delays/no response and coverage questions.

Claim Practices - The claims portion of the examination is designed to provide a view of how the regulated entity treats claimants and whether that treatment is in compliance with applicable statutes, rules, and regulations.

Underwriting Practices - The underwriting portion of the examination is designed to provide a view of how the regulated entity treats the public and whether that treatment is in compliance with applicable statutes, rules, and regulations

Based on the Company's response to questionnaires, review and evaluation of supporting documentation, and information gained from other regulatory agencies, this examination focused on the policies and procedures. Examination procedures including personnel interviews, review of policy and procedure documentation, assessment of self-audits and review of third-party contractual obligations were developed to assess the Company's practices. Claim and complaint sampling was completed. The company was found to be in compliance with established policies and procedures.

Respectfully submitted,

/s/ Lindsay Bates  
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Insurance Examiner Specialist  
Iowa Insurance Division  
State of Iowa