

**STATE OF VERMONT
DEPARTMENT OF FINANCIAL REGULATION**

IN RE:)	
STATE FARM LIFE INSURANCE)	DOCKET NO. 20-018-I
COMPANY)	
NAIC # 69108)	
)	

STIPULATION AND CONSENT ORDER

WHEREAS, the Vermont Department of Financial Regulation (“the Department”) asserts that State Farm Life Insurance Company (“Respondent”) has violated the insurance laws as set forth below; and

WHEREAS, Respondent and the Department wish to resolve these violations without further administrative proceedings or litigation;

NOW, THEREFORE, Respondent and the Department stipulate and agree to the terms and conditions in this Stipulation and Consent Order.

STATEMENT OF FACTS

1. Respondent is a foreign life insurance company with its principal place of business at One State Farm Plaza, Bloomington, IL 61710.
2. Respondent’s NAIC number is 69108.
3. At all times relevant to this matter, Respondent held a license issued by the Insurance Division of the Department (the “Insurance Division”) pursuant to 8 V.S.A. § 3361 authorizing Respondent to operate as an insurer in the State of Vermont.
4. In a May 30, 2019 communication to Respondent, following the Insurance Division’s receipt and review of a life insurance policy form submitted by Respondent to the Insurance Division, the Insurance Division informed Respondent that it was required to add a statement

to its form that interest on death benefits would be paid at a rate equal to the greater of 6% or the rate applicable to the proceeds left on deposit with the insurer, as required by 8 V.S.A.

§ 3665(c)(2).

5. In its May 30, 2019 communication to Respondent, the Insurance Division also asked Respondent to certify that it had complied with the interest requirements of 8 V.S.A. § 3665(c)(2) for all death claims paid in Vermont in the past five years.
6. In an August 23, 2019 communication to the Insurance Division, Respondent stated that it could not certify that all death claims in the past five years were paid in accordance with 8 V.S.A. § 3665.
7. On August 27, 2019, representatives of Respondent met with the Insurance Division to identify the problems they had identified after conducting an internal audit of death claims paid in Vermont in the past six years.
8. Following the August 27, 2019 meeting and subsequent communications between Respondent and the Insurance Division, Respondent identified a total of 569 instances of death claims made between June 24, 2013 and January 15, 2020 for which Respondent had underpaid the interest due to a beneficiary.
9. On September 3, 2019, the Insurance Division received an updated life insurance policy form from Respondent that identifies for policyholders the interest rate that will be paid with death benefits and that conforms with 8 V.S.A. § 3665.
10. Beginning with an initial group of checks mailed on January 30, 2020, Respondent provided a total of \$30,347.06 in restitution to underpaid beneficiaries of death claims identified in Respondent's internal audit.

11. Respondent has cooperated with and promptly responded to the Insurance Division's requests, has acknowledged that it engaged in statutory violations, has provided restitution to underpaid beneficiaries as identified in Paragraph 10, and has implemented internal corrective actions to prevent future violations of 8 V.S.A. § 3665.

DESCRIPTION OF VIOLATIONS

12. The Commissioner of Financial Regulation ("the Commissioner") is responsible for administering and enforcing the insurance laws of the State of Vermont and is authorized to investigate insurance companies to determine compliance with Vermont law and issue orders imposing remedial actions and civil administrative penalties, pursuant to 8 V.S.A. §§ 10-15, 3661, and 4726.

13. Pursuant to 8 V.S.A. § 3661, the Commissioner may impose a civil administrative penalty for each violation of Title 8, an administrative rule of the Department, or an order of the commissioner relating to insurance, of up to \$1,000 per violation or \$10,000 per willful violation.

14. Pursuant to 8 V.S.A. § 4726, the Commissioner may impose a civil administrative penalty for each violation of §§ 4721-4727 of up to \$1,000 per violation or \$10,000 per willful violation.

15. Pursuant to 8 V.S.A. § 3665(c)(2), "all payments of claims under policies of life insurance shall include interest accrued from the date of death of the insured" at a rate of 6% or the rate paid on proceeds left on deposit, whichever is greater.

16. Insurance Division Bulletin 159: Interest on Insurance Death Benefits, dated November 30, 2010, notifies insurers that interest payments are required to be paid pursuant to 8 V.S.A. § 3665(c)(2) in the following situations:

(1) When the individual or group policy was delivered or issued for delivery in

Vermont, regardless of whether the beneficiary resides in Vermont at the time of death of the owner or certificate holder;

(2) When the beneficiary resides in Vermont at the time of the death of the owner or certificate holder, regardless of where the group or individual policy was issued; and

(3) When the group policy was issued outside of Vermont, but the certificate was delivered or issued for delivery to a Vermont resident who is also a resident of this state at the time of his or her death.

17. It is a violation of 8 V.S.A. § 4723 and 8 V.S.A. § 4724(19) to fail to comply with any rules, regulations, or forms filed with the Commissioner.

18. By failing to pay 6% interest on 569 life insurance claims received by Respondent between June 24, 2013 and January 15, 2020, Respondent violated 8 V.S.A. § 3665(c)(2) and § 4723.

CONSENT ORDER

19. Within 30 calendar days of the entry of this Stipulation and Consent Order by the Commissioner, Respondent shall pay an administrative penalty of \$204,000. Payment shall be made via wire or check made payable to the “Department of Financial Regulation” and mailed to:

Attn: Tom Taylor
Department of Financial Regulation
Insurance Division
89 Main Street
Montpelier, VT 05620-3101

20. Respondent has implemented or shall implement the following corrective actions:

a. Respondent has provided a total of \$30,347.06 in restitution to underpaid beneficiaries of death claims identified in Respondent’s internal audit.

- b. On or before the entry of this Stipulation and Consent Order by the Commissioner, Respondent shall update the interest rate parameters in Respondent's claims interest calculation tools to reflect the requirements of and ensure compliance with 8 V.S.A. § 3665b and Bulletin 159.
- c. Within 30 calendar days of the entry of this Stipulation and Consent Order by the Commissioner, Respondent shall institute a control feature within its claims interest calculation tool that will capture the details of any changes or updates to the interest rate parameters used in the tool, including the name of the individual performing the change or update and the date of the change or update.
- d. Within 30 calendar days of the entry of this Stipulation and Consent Order by the Commissioner, Respondent shall institute an ongoing testing protocol of its interest rate calculation tools to promptly detect errors on interest payments.
- e. Within 30 calendar days of the entry of this Stipulation and Consent Order by the Commissioner, Respondent shall provide certification to the Insurance Division that it has implemented the corrective actions identified in Paragraph 21(a)-(d).
- f. On or before September 30, 2020, and on a quarterly basis thereafter, Respondent shall complete a self-audit, and shall submit to the Insurance Division, using a template provided by the Insurance Division, the data gathered from the self-audit, of all death claims received and death benefits paid, including interest, for life insurance policies issued in Vermont or benefiting Vermont residents during the prior quarter's months (beginning with the months August and September 2020 for the September 30, 2020 reporting period).

21. Respondent's audit and report obligation under Paragraph 21(f) shall terminate following one year of timely reporting and no violations of 8 V.S.A. § 3665b or upon agreement of the Insurance Division.
22. Respondent acknowledges and admits the jurisdiction of the Commissioner over the subject matter of this Stipulation and Consent Order.
23. With respect to the facts and violations identified herein, Respondent waives its right to a hearing before the Commissioner or the Commissioner's designee and waives its right to all other administrative or judicial review otherwise available under Vermont law, including the rules of the Vermont Department of Financial Regulation and the provisions of 3 V.S.A., Chapter 25.
24. This Stipulation and Consent Order is entered into solely for the purpose of resolving the violations identified herein, and it is not intended for any other purpose.
25. Respondent understands all terms and conditions in this Stipulation and Consent Order, consents to the entry of this Stipulation and Consent Order, and acknowledges that its consent is given freely and voluntarily and that, except as set forth herein, no promise was made to induce Respondent's consent.
26. Noncompliance with any of the terms and conditions in this Stipulation and Consent Order shall be a violation of a lawful order of the Commissioner and a violation of the laws of the State of Vermont and may result in additional administrative action and the imposition of injunctive relief, sanctions, and additional penalties pursuant to applicable provisions of Title 8.

27. Nothing herein shall be construed as limiting the Commissioner's ability to investigate Respondent for violations not resolved herein or to respond to and address any consumer complaints made with regard to Respondent.
28. Nothing herein shall be construed as having relieved, modified, or in any manner affected Respondent's ongoing obligation to comply with all federal, state, or local statutes, rules, and regulations applicable to Respondent.
29. Nothing herein shall be construed as limiting any private right of action a person may have.
30. This Stipulation and Consent Order shall be governed by and construed under the laws of the State of Vermont.

SIGNATURES

The terms and conditions set forth in this Stipulation and Consent Order are hereby stipulated and agreed to. I state under oath that I have taken all necessary steps to obtain the authority to bind Respondent to this Stipulation and Consent Order and that I have been duly authorized to enter into this Stipulation and Consent Order on behalf of Respondent.

STATE FARM LIFE INSURANCE COMPANY

By:  Date: July 31, 2020
Lori Kaufman
AVP – Life/Health Services

The terms and conditions set forth in this Stipulation and Consent Order are hereby stipulated, agreed to, and ordered.

DEPARTMENT OF FINANCIAL REGULATION

By:  Date: 
Michael S. Pieciak
Commissioner of Financial Regulation
Vermont Department of Financial Regulation