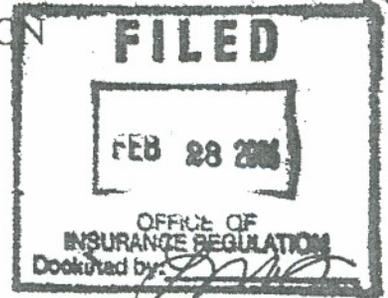




OFFICE OF INSURANCE REGULATION

KEVIN M. McCARTY  
COMMISSIONER



IN THE MATTER OF:

CASE NO.: 80623-05-CO

**AMERICAN GENERAL LIFE & ACCIDENT  
INSURANCE COMPANY**  
Life and Health Market Conduct Investigation

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CONSENT ORDER

THIS CAUSE came on for consideration as the result of an agreement between AMERICAN GENERAL LIFE & ACCIDENT INSURANCE COMPANY (hereinafter referred to as "AMERICAN GENERAL") and the OFFICE OF INSURANCE REGULATION (hereinafter referred to as the "OFFICE"). Following a complete review of the entire record, and upon consideration thereof, and being otherwise fully advised in the premises, the OFFICE hereby finds as follows:

1. The OFFICE has jurisdiction over the subject matter of, and parties to, this proceeding.
2. AMERICAN GENERAL is a foreign insurer authorized to transact insurance business in Florida, and is subject to the jurisdiction and regulation of the OFFICE pursuant to the Florida Insurance Code.
3. Consent Order Number 92-RATE-068MG, filed December 29, 1993, was entered into by INDEPENDENT LIFE & ACCIDENT INSURANCE COMPANY with respect to certain individual health business in Florida to bring the loss ratios on such business up to that

required by applicable laws. AMERICAN GENERAL acquired INDEPENDENT LIFE & ACCIDENT INSURANCE COMPANY in 1996, and completed transition of the business to AMERICAN GENERAL in 1997. The block of business subject to the Consent Order has been closed for several years and now consists only of policies issued on Hospital policy form numbers 1-6230, 7013-I, 7015-I, 7120, 7121, 7122, 1-12075, 1-12076, 1-A167, 1-A168, 1-A192, Plan 19, Plan 69; and on Accident policy form numbers 1-A071, 1-A170, 1-12521.

4. The OFFICE has conducted an investigation of AMERICAN GENERAL pursuant to Section 624.318, Florida Statutes. As a result of such investigation, the OFFICE has determined that AMERICAN GENERAL committed the following willful violations of the Florida Statutes, with respect to the above referenced policies:
  - a. Section 627.410(7)(a), Florida Statutes - Failure to make annual rate filings demonstrating the reasonableness of benefits in relation to premium rates. All filings made in the years 1998 through 2004 were either disapproved or withdrawn.
  - b. Rule 690-149.005, Florida Administrative Code – Failure to maintain required loss ratios in the years 1998 through 2004.
  - c. Section 627.418(2)(a), Florida Statutes – Failure to take corrective action as agreed to in writing in violation of Consent Order Number 92-RATE-068MG, filed December 29, 1993.
5. The OFFICE and AMERICAN GENERAL expressly waive a hearing in this matter and the making of Findings of Fact and Conclusions of Law by the OFFICE and all further and other proceedings herein to which the parties may be entitled by law or rules of the OFFICE. AMERICAN GENERAL hereby knowingly and voluntarily waives all rights to challenge or

to contest this Order, in any forum now available to it, including the right to any administrative proceeding, circuit or federal court action, or any appeal.

6. AMERICAN GENERAL agrees that the failure to adhere to one or more of the terms and conditions of this Order shall constitute a violation of a lawful order of the OFFICE, and shall subject AMERICAN GENERAL to such administrative action as the OFFICE may deem appropriate.

7. AMERICAN GENERAL agrees that upon the execution of this Consent Order, it shall be subject to the following terms and conditions:

a. AMERICAN GENERAL shall pay a penalty of \$100,000.00 and administrative costs of \$5,000.00 on or before the 30th day after this Consent Order is executed.

b. With respect to Hospital policy form numbers 1-6230, 7013-I, 7015- I, 7120, 7121, 7122, 1-12075, 1-12076, 1-A167, 1-A168, 1-A192, Plan 19, Plan 69, AMERICAN GENERAL agrees to take the following actions:

1) Payment of a premium refund of approximately \$1,144,911.00 to the Florida policyholders; and

2) Provide an endorsement to each policyholder declaring that all such policies are paid up, with no more premiums due, within 60 days of the execution of this Consent Order. This endorsement and all related correspondence is subject to approval of the OFFICE;

3) Comply with the benefit enhancement requirements as established in Consent Order Number 92-RATE-068MG, filed December 29, 1993.

Hospital – Continue to pay the enhanced benefits that are currently in place, specifically as follows:

Form Number	Benefit Enhancement
1-6230	100%
7013-I	100%
7015-I	100%
7120	90%
7121	65%
7122	100%
1-12075	70%
1-12076	100%
1-A167	100%
1-A168	90%
1-A192	95%
Plan 19	80%
Plan 69	90%

- 4) File a refund strategy with the OFFICE within 30 days of the execution of this Consent Order, which shall be subject to approval by the OFFICE;
  - 5) Any future rate increase filings of a product with similar benefits shall pool the experience from these forms; and
  - 6) Any future new form filings of a product with similar benefits shall incorporate the experience from these forms into the pricing assumptions.
- c. With respect to Accident policy form numbers 1-A071, 1-A170, 1-12521, AMERICAN GENERAL agrees to take the following actions:
- 1) Payment of a premium refund of approximately \$318,413.00 to the Florida policyholders; and
  - 2) Provide an endorsement to each policyholder declaring that all such policies are paid up, with no more premiums due, within 60 days of the execution of this Consent

Order. This endorsement and all related correspondence is subject to approval of the OFFICE; and

- 3) Comply with the benefit enhancement requirements as established in Consent Order Number 92-RATE-068MG, filed December 29, 1993.

Accident – Continue to pay the enhanced benefits that are currently in place, specifically as follows:

Form Number	Benefit Enhancement
1-A071	100%
1-A170	100%
1-12521	100%

- 4) File a refund strategy with the OFFICE within 30 days of the execution of this Consent Order, which shall be subject to approval by the OFFICE;
  - 5) Any future rate increase filings of a product with similar benefits shall pool the experience from these forms; and
  - 6) Any future new form filings of a product with similar benefits shall incorporate the experience from these forms into the pricing assumptions.
- d. AMERICAN GENERAL is hereby placed on notice of the requirements of the above-referenced sections of law and agrees that any future violations of these sections by AMERICAN GENERAL may be deemed willful, subjecting AMERICAN GENERAL to appropriate penalties.
8. The OFFICE acknowledges that the actions set forth above, when completed, will resolve the issues related to the above-referenced policy forms and that AMERICAN GENERAL will not be required to submit further rate certifications regarding these forms.
  9. Except as noted above, each party to this action shall bear its own costs and attorney's fees.

THEREFORE, the agreement between AMERICAN GENERAL and the OFFICE, the terms and conditions of which are set forth above, is approved.

FURTHER, all terms and conditions above are hereby ORDERED.

DONE AND ORDERED this 28<sup>th</sup> day of February, 2006.



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KEVIN M. McCARTY  
Commissioner  
Office of Insurance Regulation

By execution hereof AMERICAN GENERAL consents to entry of this Consent Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. The undersigned represents, pursuant to Section 624.310, Florida Statutes, that he/she has the authority to bind AMERICAN GENERAL to the terms and conditions of this Consent Order.

**AMERICAN GENERAL LIFE AND  
ACCIDENT INSURANCE COMPANY**

By \_\_\_\_\_

James A. Mallon

Print or Type Name

Corporate Seal

Title: Chairman, President and CEO

Date: 02/09/06

STATE OF TENNESSEE

COUNTY OF DAVIDSON

On FEBRUARY 9, 2006 before me, KAREN L. LACKEY, personally appeared JAMES A. MALLON, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument, the person or the entity upon behalf which the person acted, executed the instrument.

Subscribed and sworn to before me this 9<sup>TH</sup> day of FEBRUARY 2006.

Signature \_\_\_\_\_  
(Signature of Notary Public)

My Commission Expires: 7/25/09



**COPIES FURNISHED TO:**

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