



# **THE STATE OF FLORIDA**

## **OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS**

**MARKET CONDUCT FINAL EXAMINATION REPORT**

**OF**

**GLOBE LIFE AND ACCIDENT INSURANCE COMPANY**

**December 30, 2014**

**NAIC COMPANY CODE: 91472**

**NAIC GROUP CODE: 0290**

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## EXECUTIVE SUMMARY

In June 2006, the Florida Legislature enacted the Freedom to Travel Act, which modified Florida's Unfair Trade Practices Act by placing prohibitions on life insurance limitations upon an individual based solely on the individual's past lawful foreign travel or future lawful travel plans. The Florida Unfair Trade Practices Act also prohibits the refusal to insure, or continue to insure, based on the individual's race, color, creed, marital status, sex, or national origin.

Rule 69D-2 Florida Administrative Code, became effective in October 2006 to implement the provisions of Section 626.9891, Florida Statutes. This rule establishes guidelines and reporting requirements for insurer anti-fraud special investigative units (SIU) and insurer anti-fraud plans.

The following represent general findings, however, specific details are found in each section of the report.

<b><u>TABLE OF TOTAL VIOLATIONS</u></b>			
<b>Statute/Rule</b>	<b>Description</b>	<b>Files Reviewed</b>	<b>Number of Violations</b>
624.318(2)	Failure to produce request for benefit change	116	1
624.318(2)	Failure to produce a policy termination file	176	1

## PURPOSE AND SCOPE OF EXAMINATION

The Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of Globe Life and Accident Insurance Company (Company) pursuant to Section 624.3161, Florida Statutes. The examination was performed by Fatzinger Consulting, Inc. The scope period of this examination was January 1, 2013 through December 31, 2013. The examination began March 24, 2014 and ended September 5, 2014.

The purpose of this examination was to review compliance with Sections 626.9541(1)(g), 626.9541(1)(x), 626.9541(1)(dd) and 626.9891, Florida Statutes, and Rules 69O-125.003 and 69D-2, Florida Administrative Code.

The examination included a review of the following:

- Life policy application files to determine if an application was denied, issued in a manner other than applied for, or terminated solely on the individual's past or future lawful foreign travel experiences, or on the applicant's national origin.
- Administrative and underwriting files for issued policies to determine if the policy was terminated or had a benefit change based solely on the individual's past or future lawful foreign travel experiences, or on the insured's national origin.

- Reinsurance agreements to verify if any of the agreements place any limitations as a result of the applicant's past and/or future foreign travel or the applicant's place of birth.
- Anti-Fraud Plans to verify filing and implementation.

In reviewing materials for this final report, the examiner relied on records provided by the Company. Procedures and conduct of the examination were in accordance with the *Market Regulation Handbook* produced by the National Association of Insurance Commissioners.

### **COMPANY OPERATIONS**

Globe Life and Accident Insurance Company, a Torchmark Corporation Company (Torchmark), is a foreign Life and Health insurer licensed to conduct business in the State of Florida on January 20, 1960. The Company is authorized to offer Life, Accident & Health, Group Life and Annuity, Credit Life and Credit Disability coverage in the State of Florida.

The Company markets adult whole and term life insurance and juvenile whole life insurance. The Company's life insurance policies are primarily sold by direct response and home office licensed call center employees, with the majority of sales resulting from direct response solicitations. Direct mail solicitations are distributed by mail, consumer publications, company websites, and weekly ad packs. In addition to direct response and call center sales, the Company's Employee Services Division contracts with general agents. The Company's life insurance products are also available for application online.

Total Direct Premiums Written in Florida for Life Insurance was as follows:

Year	Total Written Premium In Florida (Per Schedule T of the Annual Statement)
2013	\$43,096,703

### **LIFE APPLICATION REVIEW**

The Company's life insurance <sup>1</sup>applications and call scripts, which are used to gain additional information related to application responses, do not include questions related to foreign travel or national origin. Its underwriting process is automated to allow all non-problematic applications to be issued without underwriting. If additional information is needed to complete an application, to clarify responses to the health questions, or to obtain additional information regarding reports from automated prescription or Medical Information Bureau (MIB) searches, a follow up phone call is made to the proposed insured or applicant. In some instances a letter is sent. Policies are underwritten and issued based on the applicant's self-reported health

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<sup>1</sup> The Company uses a Delaware trust and stated that, at one time, it believed these forms were exempt from filing. In 2010 it determined filings were required under 627.5565, F.S. The Company stated it responded to this issue. Florida is participating in the NAIC resolution of this issue. It should be noted that the Company did not provide forms that showed a FL informational filing.

information, the information obtained from the automated health searches, or the information in the Company's records from past applications. The policy premium is determined by the applicant's age and location, however, policies can be issued with a substandard rate based on the health information.

The Company received 118,058 applications for life insurance during the scope period, which included 12,976 denied, 8,080 withdrawn and 6,841 issued with a substandard rating.

**1) The Company reported it had received 119,695 life applications in the 2013 Freedom to Travel Survey, which was 1,637 more than was provided for the examination.**

- a) **COMPANY RESPONSE:** In its 2013 Freedom to Survey response, the Company included 83 applications that were not Florida applications and 1,554 accidental death policies.
- b) **CORRECTIVE ACTION:** The Company should report only Florida life insurance applications in its future Freedom to Travel survey responses.

The examiners reviewed information contained in the policy underwriting files, which included but was not limited to, the applications, underwriting and call notes, policyholder communications, and other supplemental materials. The examiners also listened to phone applications and follow-up calls that were made to obtain additional information needed to process the application.

Because the Company does not use application forms that capture travel or national origin, the file review was conducted using a random sample from the population of all applications received. An initial random sample of 116 files was selected for review, as well as two additional files that had been denied due to foreign residency. The Company indicated that foreign residency is noted only if volunteered by the applicant during the course of a phone call, usually during a follow up call to ask the insured to verify the health questions. The calls associated with the two foreign residency files were reviewed, both of which were made to confirm the medical information provided on the application. The review confirmed the residency information was provided by the applicants in response to a request to speak with the proposed insured. No violations were noted.

**1) The Company does not have a written call script for use by call center and sales staff when foreign residency is discovered during a phone call. The Company stated that its agents who take applications over the phone are trained verbally.**

- a) **COMPANY RESPONSE:** The Company stated that its agents are taught to explain that the proposed insured must have a US address and that he or she must reside in the US to apply for insurance. Agents are also trained that there are no restrictions on foreign travel.
- b) **RECOMMENDATION:** The Company should prepare written guidelines and call scripts for use by its agents and call center staff to determine and document that the proposed insured has established foreign residency, or has relocated due to employment, as defined by Rule 690-125.003(10), Florida Administrative Code.

A second sample was reviewed due to the fact that foreign residency can be discovered as a result of a conversation with Company call center and sales staff. This sample consisted of 150 files that had phone calls and were selected as follows: 50 withdrawn, 50 denied and 50 policies that were issued with substandard rating. No freedom to travel or national origin violations were noted.

### **LIFE POLICY REVIEW**

#### **Policies with Benefit Changes**

The examiners reviewed a random sample of 116 policies that had benefit changes during the scope, regardless of application date. There were no freedom to travel or national origin violations noted.

- 1. In 1 instance, the Company was unable to locate the insured's request for the benefit change, as required by Section 624.318(2), Florida Statutes.**
  - a. **COMPANY RESPONSE:** The Company agreed with this finding.
  - b. **CORRECTIVE ACTION:** The Company should maintain its files to ensure policy documentation can be provided for examination.

#### **Terminated, Cancelled and Rescinded Policies**

The examiners reviewed 60 policies that were coded as withdrawn, rescinded or rejected, and a random sample of 116 of the remaining population to verify coding accuracy. There were no freedom to travel or national origin violations noted.

- 1. In 1 instance, the Company was unable to locate the file, as required by Section 624.318(2), Florida Statutes.**
  - a. **COMPANY RESPONSE:** The Company agreed with this finding.
  - b. **CORRECTIVE ACTION:** The Company should maintain its files to ensure policy documentation can be provided for examination.

### **UNDERWRITING MANUAL REVIEW**

Company uses the Swiss Re Online Underwriting Guide to underwrite life insurance applicants. The Swiss Re guide places restrictions on applicants based on national origin and foreign travel, however, the Company does not use applications that capture this information.

## **REINSURANCE AGREEMENTS REVIEW**

The Company did not use reinsurance for its life insurance products during the scope.

## **ANTI-FRAUD PLAN REVIEW**

Torchmark, the parent company providing the Special Investigation Unit (SIU) for the Globe Life and Accident Insurance, made its last anti-fraud filing in February 2009. Since then, the Vice President for Policy Benefits has changed, and United Investors Life Insurance Company was sold to Protective Life.

Rule 69D-2.003(1)(a), Florida Administrative Code, requires an insurer to file the names of all personnel assigned to its SIU. Rule 69D-2.005(2), Florida Administrative Code, charges the Office with assuring that an insurer does not fail to implement or follow the provisions of their anti-fraud plan or SIU description. Since the Company is utilizing personnel not listed in its SIU description it is failing to implement or follow the provisions of its SIU description required under Rule 69D-2.003(1)(a). Therefore, it is recommended that the Company timely update its SIU description and anti-fraud plans with the Division of Insurance Fraud when changes are made.

The Company reported it rescinded 134 policies after receipt of a death claim; none of the claims were reported to its SIU for investigation of possible fraud. The Company's legal department reviews policies prior to rescission and must approve SIU referrals. The policies rescinded due to undisclosed medical conditions were determined by the Company to be misrepresentations that were material to the acceptance of the risk, but did not show intentional fraud, and therefore were not referred to the SIU for investigation.

## **EXAMINATION FINAL REPORT SUBMISSION**

The Office hereby issues this report as the Final Report, which is based upon information from the examiner's draft report, additional research conducted by the Office, and additional information provided by the Company.