



**FLORIDA DEPARTMENT  
OF  
FINANCIAL SERVICES**

**TARGET MARKET CONDUCT REPORT  
OF  
PIONEER LIFE INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2001**

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**OFFICE OF INSURANCE REGULATION**

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## **SCOPE OF EXAMINATION**

The Office of Insurance Regulation (OIR), formerly known as the Florida Department of Insurance, conducted a limited scope market conduct examination of Pioneer Life Insurance Company, hereinafter referred to as the “Company” or “Pioneer Life.” Independent contract examiner, Ann M. McClain, CIE, FLMI, AIRC, AIAA, ARA, ACS, AIS, conducted the examination pursuant to Section 624.3161, Florida Statutes.

This examination covers the period from March 1, 1999 through December 31, 2001 and was conducted at the offices of Pioneer Life Insurance Company located at 11815 North Pennsylvania Street, Carmel, Indiana 46032. The examination commenced on April 17, 2002, and field-work concluded on June 18, 2002.

This Target Market Conduct Examination was performed based on the complaints to premium volume ratio and to determine if the Company’s practices and procedures conformed to the Florida Statutes and the Florida Administrative Code.

The examination assessed compliance and overall procedures used by the Company to administer in-state and out-of-state Life, Major Medical, Medicare Supplement, and Long Term Care/Home Health Care in-force policies sold to Florida residents between March 1, 1999 and December 31, 2001.

The primary areas reviewed were as follows:

- Consumer Complaint Handling;
- Agent Activities;
- Forms and Rates;
- Marketing and Sales; and,
- Cancellations and Premium Refunds.

## DESCRIPTION OF COMPANY

Pioneer Life Insurance Company is a stock company domiciled in Illinois, and is a wholly-owned subsidiary of Conseco Life Insurance Company of Texas. Pioneer Life was incorporated on December 20, 1963 and commenced writing business on January 14, 1964. Manhattan National Life Insurance Company and Conseco Medical Insurance Company are direct subsidiaries of Pioneer Life. On October 1, 2000, Health and Life Insurance Company of America merged with Pioneer Life.

Pioneer Life is licensed in the District of Columbia, Puerto Rico and 46 states. The Company's primary market was Medicare Supplement, Long Term Care/Home Health Care, and Life products. As of January 1, 2001, Pioneer Life ceased writing new business.

### Summary of Market Ranking in Florida

Year	Line Of Business	Florida Premium	% Of Total Florida Premium	Ranking Of Florida Premiums To Total Written Nationally
2000	Life	\$2,659,609	6%	4 <sup>th</sup>
	Annuity Considerations	(\$15,135)	0%	39 <sup>th</sup>
	Accident and Health	\$40,494,668	94%	1 <sup>st</sup>
<b>Total</b>		\$43,139,142	100%	
2001	Life	\$2,275,145	5.8%	4 <sup>th</sup>
	Annuity Considerations	\$37,824	.1%	2 <sup>nd</sup>
	Accident and Health	\$36,761,961	94.1%	1 <sup>st</sup>
<b>Total</b>		\$39,074,930	100%	
1 <sup>st</sup> Quarter 2002	Life	(\$60,232)	0%	48 <sup>th</sup>
	Annuity Considerations	\$9,021	0%	3 <sup>rd</sup>
	Accident and Health	\$9,920,902	100%	1 <sup>st</sup>
<b>Total</b>		\$9,869,691	100%	

## **CERTIFICATE OF AUTHORITY**

The Company is authorized to write the following lines of business in the State of Florida, subject to compliance with all applicable laws and regulations of Florida:

- Life
- Group Life and Annuities
- Credit Life/Health
- Credit Disability
- Accident and Health

Based on complaints received at the Department of Financial Services (DFS), the examination focused on the Life, Medicare Supplement, and Long Term Care/Home Health Care lines of business during the scope of the examination March 1, 1999 through December 31, 2001.

## **COMPLAINT HANDLING**

The Company provided a listing of complaints received during the time frame of the examination. Pioneer Life maintains a complaint register for all complaints received from the various Departments of Insurance. Complaints received by the Company directly from consumers are maintained on separate logs located at the Chicago and Carmel offices. In the Chicago logs, there were missing fields for agent name, product type, inquiry type, policy form number, and four missing policyholder numbers. Thirteen Department of Financial Services complaints were not found on the complaint register, and 10 Company complaint files were not located. Therefore, Pioneer Life is in violation of Section 626.9541(1)(j), Florida Statutes, for failure to maintain complete records of all complaints received, and Section 624.318, Florida Statutes, for failure to provide records.

Pioneer Life has written procedures in place for the handling of Department of Financial Services complaints. The complaints are received by the Consumer Internal Affairs

Department at the Chicago office where they are logged in before being forwarded to specific areas within the Company. All complaints received from Florida are required to be resolved within 10 business days. Of the 48 Company complaints received, 33 or 73% were resolved within the Company's guidelines. Of the 258 DFS complaints received, 87 or 34% were resolved within ten days. The Company should improve complaint-handling procedures in order to perform within its own guidelines.

A time study comparison was performed to determine whether complaints were handled in a timely manner.

**Department of Financial Services Complaint Handling Time Study**

<b>Days Open</b>	<b>Number</b>	<b>Percentage</b>
0 – 10	87	34%
11– 45	156	60%
46 – 60	7	3%
Over 60	8	3%
<b>TOTALS</b>	<b>258</b>	<b>100%</b>

**Company Complaint Handling Time Study**

<b>Days Open</b>	<b>Number</b>	<b>Percentage</b>
0 – 10	33	73%
11 – 45	11	25%
46 – 60	0	0%
Over 60	1	2%
<b>TOTALS</b>	<b>*45</b>	<b>100%</b>

\*Three files failed to indicate date of closure.

The samples selected for DFS and Company complaints included audit-specific complaints received from March 1, 1999 through June 30, 2000, and all complaints received from July 1, 2000 through December 31, 2001. The audit-specific complaints included those related to rates, cancellations/premium refunds, and agent activities. The complaints requested for that period were limited to prevent excessive duplication of complaints reviewed during the prior examination. (The scope of the prior examination period was January 1, 1997 through June 30, 2000.)

The examiner reviewed 183 DFS complaints, and 27 Company complaints. The primary reasons for complaint are:

- Rate increases (43% of all complaints)
- Agent handling and alleged misrepresentation (37% of all complaints)

However, in analyzing the DFS complaints, the examiner determined that the Company had incorrectly listed 12 agent complaints and two rating increase complaints as “service requests.” The percentages shown above reflect the examiner’s reclassification of these “service requests” as complaints.

### **Agent Handling and Alleged Misrepresentation Complaints**

Agents allegedly informed elderly consumers that the benefits of their Medicare Supplement policies had changed and that, in order to retain the same coverage, it was necessary for the insured to change plans and in some cases insurers. When the applicant signed the application documents for the new plan, an application for life insurance coverage that the agent had completed on behalf of, but without the knowledge of the applicant was attached. In cases where the policies were paid for annually, the consumer would not know they purchased life insurance until the renewal premium notice was received. The life insurance product was a guaranteed issue with no medical exam required. The agents would then net the commissions for the life insurance (100%) and the Medicare Supplement policy (15%). Agents knowingly making misrepresentations in order to induce a person to terminate any insurance policy to take out a policy of insurance with another insurer is a violation of Section 626.9541(1)(l), Florida Statutes. Knowingly making a false representation relative to an application for an insurance policy for the purpose of obtaining a fee or commission from an individual is a violation of Section 626.9541(1)(k), Florida Statutes.

Section 626.451(3), Florida Statutes, expressly states that in appointing an agent or managing general agent, the appointing entity shall also certify “...that it is willing to be bound by the acts of the agent, adjuster, service representative, customer representative, or managing general agent, within the scope of his or her appointment.” Pioneer Life, in

response to the number of complaints received, has honored consumer requests for cancellation and refunded premium with interest. It should be noted that the Company did not identify the above violations, but responded after the fact. Based on the Company’s application handling procedures, wherein multiple applications from an applicant, applying for separate types of policies at the same time, are processed as a “companion” set, the possibility of agent misconduct should have been recognized and investigated. The Company has failed to properly and effectively oversee the conduct of its agents. Seventy-four percent (74%) of the agent handling complaints were related to seven agents.

### **Rate Increase Complaints**

The following table provides a brief analysis of the number of complaints received for specific policy forms. All increases applied to individual policy forms were approved by OIR.

#### **Complaint to Rate Increase Comparison**

<b>Policy Form</b>	<b>Description</b>	<b>Number of Complaints</b>	<b>Total 3 Year Rate Increase</b>
IHP-9767	Home Health Care	4	35%
IHP-9656	Home Health Care	36	65%
IMP-9161	Medicare Supplement	1	15.5%
IMP-9500	Medicare Supplement	1	20%
IMP-9548	Medicare Supplement Select	15	47%
GHC-9053	Out of State Catastrophic Hospital	1	54.3%
GHP-9264	Out of State Home Health Care	1	50%
GHP-9311	Out of State Home Health Care	5	50%
GHP-9278	Out of State Long Term Care	2	Unknown
GHP-9192	Out of State Long Term Care	2	Unknown
GHC-9714	Out of State Major Medical Expense	1	54.3%

Medicare Supplement Policy #9548 received rate increase approvals from OIR in the years 2000 and 2001. Seven of the complaints were generated due to a rate book “flaw,” in the 2001 rate book. The flaw incorrectly applied the requested 25% increase to all Florida policies, instead of the approved 10.4% increase. The flaw was found as a result of the complaints. To correct the error, Pioneer Life recalculated all of the premium bills

and sent new notification letters and billing statements to all insureds. There were 6,207 Florida insureds affected. The Company provided a listing of all policyholders and the premium calculations related to this correction.

## **AGENT ACTIVITIES**

The examiner requested that Pioneer Life produce its written procedures manuals for agent recruitment, background investigation, contracting, monitoring of agent activities, and discipline. The Company provided written procedures for background investigation of agent applicants, investigation of agent complaints, and contract procedures. There are no procedures for agent recruitment, monitoring of agent activities and discipline.

Pioneer Life is no longer recruiting or training agents, as the Company is writing no new business.

The examiner reviewed 160 agent files comprised of 30 appointed life agent files, 30 terminated life agent files, 50 appointed health agent files, and 50 terminated health agent files. Of the samples requested, 14 agent files were not found. The Company stated that some of the records requested were for agents appointed by Health and Life Insurance Company of America prior to the merger in October, 2000, and were not available. Failure to produce records during an examination is a violation of Section 624.318, Florida Statutes.

Pioneer Life's contract guidelines require documentation of current license, signed application, appointment, debit information, and commission level. The Company guidelines on criminal and credit checks require use of General Information Services (GIS) to perform these checks on all agent applicants. Of the total agent files reviewed, 72% had credit checks, and 36% had criminal background checks.<sup>1</sup> Failure to perform criminal and credit checks is in violation of Sections 626.451(2) and 626.521(1) and (2),

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<sup>1</sup> The company asserted these numbers in response to the draft report. OIR adopted the Company's sample size of 80 agents (50 appointed health agents and 30 appointed life agents) as opposed to the original sample of 160 agents that included terminated agents.

Florida Statutes. Failure to file the required Department of Financial Services appointment forms is a violation of Section 626.451(1), Florida Statutes.

All companies are required to file documentation with the Department of Financial Services when an agent's appointment has been terminated. Of the seven agents mentioned earlier, two were reported as "terminated for cause." Failure to file Form DI4-39 with the Department is a violation of Sections 626.471(2) and (3), and 626.511, Florida Statutes.

Complaint files were reviewed to determine whether the writing agent was licensed and appointed. Of the 185 complaints reviewed, 19 or 10% of the applications were written by non-appointed agents, and an additional 18 or 10% were written by unlicensed/non-appointed agents. Soliciting insurance without a Florida license and insurer's appointment is a violation of Section 626.112(1)(a), Florida Statutes.

The two supervising general agencies discussed below supervised and monitored production for 59% of all life agents and 76% of all health agents who wrote business in Florida. Supervising general agents are responsible for hiring and recruiting other agents, and supervising and monitoring agent production. As supervising agents they typically do not write personal business, but receive override commissions from the agents below them.

**Florida Insurance Services, Inc.**, is located in Vero Beach and became active January 27, 1997. Rory Dougherty is the supervising general agent or officer. Over the scope period of the examination, the number of writing agents fluctuated from 22 to 37. As of December 31, 2001, 34 agents worked under Florida Insurance Services, Inc.

**Insurance Services Administration Company** is located in Clearwater and became active August 31, 1986. Gary Boesch is the owner and his son, Kenneth Wayne Boesch acts as supervising general agent. Over the scope period of the examination, the number

of writing agents fluctuated from 152 to 639. As of December 31, 2001, 152 agents worked under Insurance Services Administration Company.

Forty-nine or 19% of the Department of Financial Services complaints were related to agent handling and alleged misrepresentation. Eight or 18% of the Company complaints were related to agent handling and alleged misrepresentation. Seventy-six percent (76%) of the alleged misrepresentation involved agents informing senior citizens that their Medicare Supplement or Long Term Care product had to be updated or changed. The agent would then include a filled out application for a life insurance product among the documents the applicant was asked to sign. Applicants paying annual premiums did not know they had purchased life insurance policies until the premium renewals came in the mail. Agents knowingly making misrepresentations in order to induce a person to terminate any insurance policy, and to take out a policy of insurance with another insurer is a violation of Section 626.9541(1)(l), Florida Statutes. Knowingly making a false representation relative to an application for an insurance policy for the purpose of obtaining a fee or commission from an individual is a violation of Section 626.9541(1)(k), Florida Statutes.

Health and life products are maintained on separate databases; however, multiple policy applications submitted for a single applicant are handled as a companion set from the time they are received until the policies are issued. Therefore, the Company should have been aware of the actions of the agents involved. All of the agents involved in the alleged misrepresentations wrote through Insurance Services Administration Company. In some instances, the agent signing the application was not the same as the Company's agent of record. The supervising general agent should have monitored the actions of those agents and investigated these practices. Of the 76% alleged misrepresentation complaints received, 74% were related to agents who are subjects of a Department of Financial Services investigation. Pursuant to Section 626.451(3), Florida Statutes, Pioneer Life as the appointing entity certified "...that it is willing to be bound by the acts of the agent, adjuster, service representative, customer representative, or managing general agent, within the scope of his or her appointment."

The Company issued policies to applicants despite the knowledge that it had terminated the agent prior to the policies being issued. Issuing policies submitted by a non-appointed agent is a violation of Section 626.112 and 626.451(1), Florida Statutes.

The examiner reviewed the commissions earned by all agents writing business for Pioneer Life over the scope of the exam. No anomalies were found.

### **FORM AND RATE FILINGS**

Pioneer Life maintains in-force policies for Individual Major Medical, Medicare Supplement, Long Term Care/Home Health Care, and Out-of-State Association Group Long Term Care/Home Health Care plans. The examiner reviewed form and rate filings to determine compliance with Sections 627.410(6)(a), 627.410(7)(a)(b)(2), 627.410(8)(a), 627.9405, and 627.9406, Florida Statutes.

As requested, the Company provided rate increase chronologies for each of its policy forms providing in-force medical coverage for Florida residents. The Company failed to produce rate filing documentation for nine Long Term Care/Home Health Care products, two Medicare Supplement products, and eight Major Medical products. Failure to produce these records is a violation of Section 624.318, Florida Statutes. Pioneer Life failed to produce proof of certifications/informational filings or annual rate certifications required under Sections 627.410 and 627.9406, Florida Statutes, for 12 Long Term Care/Home Health Care products. The Company failed to produce annual rate filings for two Medicare Supplement products, and annual rate certifications or informational filings for the Major Medical products, which is a violation of Section 627.410(7)(a), Florida Statutes.

The following table provides a breakdown of the policy plans with the current number of policyholders, the annual rate increases, and the cumulative rate increase for each over the scope period of the exam.

### Rate Increase Summary Table

Form Number	Plan	In-Force Policies	1999 Increase	2000 Increase	2001 Increase	Total 3 Year Rate Increase	Cumulative 3 Year Rate Increase
All forms	Life/Annuities	6,453	0%	0%	0%	0%	0%
8676, 8680, 8901, 8917, 8922, 8924, 8933, 8940	Pre-standardized Medicare Supplement	59	7%	0%	8.5%	15.5%	16.1%
IMP7176, IMP9033, IMP9055, IMP9061, IMP9155, IMP9279	Pre-standardized Medicare Supplement	713	7%	0%	8.5%	15.5%	16.1%
IMP9161	Pre-standardized Medicare Supplement	2,037	7%	0%	8.5%	15.5%	16.1%
IMP9500	Standardized Medicare Supplement	802	12%	0%	8%	20%	21%
IMP7500	Standardized Medicare Supplement	71	8%	0%	8%	16%	16.6%
IMP9548	Medicare Select	6207	18.5%	17.8%	10.4%	46.7%	54.1%
8904	Nursing Private Duty	885	Unknown	Unknown	Unknown	Unknown	Unknown
GHC7204, GHC9041, GHC9087, GHC9192, GHC9278	Out-of-State Long Term Care	711	0%	0%	0%	0%	0%
GHC7205, GHC9086, GHC9264	Out-of-State Home Health Care	227	0%	25%	25%	50%	56.3%
GHC9311	Out-of-State Home Health Care	902	0%	25%	25%	50%	56.3%
IHP9409, IHP9696, IHP9700, IHP9865, IHP9895	Long Term Care	565	0%	0%	0%	0%	0%
IHP9670, IHP7408	Home Health Care	9	Unknown	Unknown	Unknown	Unknown	Unknown
IHP9656	Home Health Care	5,058	15%	15%	35%	65%	78.5%
IHP9767	Home Health Care	2,511	0%	0%	35%	35%	35%
8672, 8802, 8905, 8909, 8926	Hospital/Surgical	18	Unknown	Unknown	Unknown	Unknown	Unknown
GHC9085, GHC9110	Out-of-State Hospital/Surgical	17	Unknown	Unknown	Unknown	Unknown	Unknown
GHC9053, GHC9054, GHC9145, GHC9146, GHC9341, GHC9443	Small Group Catastrophic Hospital	0	5%	0%	12.5%	17.5%	18.1%
GHC9053, GHC9054, GHC9145, GHC9146, GHC9341, GHC9443	Out-of-State Group Catastrophic Hospital	14	6.3%	35%	13%	54.3%	62.2%
GHC9654, GHC9714	Small Group Major Medical Expense	0	5%	0%	12.5%	17.5%	18.1%
GHC9654	Out-of-State Group Major Medical Expense	0	36.3%	40%	53%	129.3%	192%
GHC9714	Out-of-State Group Major Medical Expense	46	6.3%	35%	13%	54.3%	62.2%

## **Long Term Care/Home Health Care**

### **Out-of-State Group**

Pioneer Life has nine out-of-state group Long Term Care/Home Health Care plans insuring lives in Florida. In order for an out-of-state group policy to be exempt from filing and approval requirements, the Company must certify that the policies are regulated by a state whose statutes are similar to those of Florida. Documentation supporting the informational filing and certification of three policy forms (GHC-9041, GHC-7205, and GHC-9086) was not found<sup>2</sup>; therefore, the Company is in violation of Sections 627.410 and 627.9406, Florida Statutes. Two out-of-state Home Health Care plans (GHC-9264 and GHC-9311) were filed for approval beginning in 1989 and 1990 respectively; therefore, any rate increases applied to these two forms will require OIR approval.

### **Individual**

The Company has nine individual Long Term Care/Home Health Care products issued in Florida. These forms require annual rate filings or annual rate certifications. Pioneer Life failed to provide filing documentation for policy forms IHP-9409, IHP-9670, and IHP-7408, which is a violation of Section 627.410(6)(a) and (7)(a), Florida Statutes. IHP-9696 was originally approved for use in Florida on November 9, 1995; and, IHP-9895 was approved for use on April 21, 1999. Pioneer Life failed to file annual rate certifications on these policy forms since inception, and is in violation of Section 627.410(7)(a), Florida Statutes.

Home Health Care policy form #IHP-9656 was originally approved for use in Florida on February 10, 1996. Consumer complaints were generated due to the approved 35% increase implemented in July 2001.

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<sup>2</sup> The Company submitted evidence for the filing of GHC-9278, GHC-7204-A, and GHC-9087 subsequent to the draft report being issued. The company has further asserted that GHC-7204-A is the same form as GHC-7204 mentioned in the draft report.

Policy Form #IHP-9767 is an individual Home Health Care product issued in Florida. The product was approved in 1996. No rate filings or annual rate certifications were filed for this form for the years 1997, 1998, 1999, or 2000. Failure to file the required rate filings is in violation of Section 627.410(7)(a), Florida Statutes.

### **Medicare Supplement**

Pioneer Life maintains several pre-standardized Medicare Supplement forms. Of these forms, the Company failed to file forms and rates for policy forms #8676 and #8680, which is a violation of Section 627.410(7)(a), Florida Statutes.

Pioneer Life acquired the forms #IMP-7500 and #IMP 7161 Medicare Supplement blocks of business when it merged with Health and Life Insurance Company of America, effective October 1, 2000. Medicare Supplement policy form #IMP-9500 is Pioneer Life's standardized form.

During the scope of the examination, Pioneer Life offered a Medicare Select product, Form #IMP-9548. In March 2001, this product form was withdrawn from the market in the State of Florida. Policy owners were affected by a "rate book flaw" when the 2001 rate increase was implemented. Premiums were calculated on the requested 25% increase, instead of on the OIR approved 10.4% rate increase. Consumer complaints revealed the error. Six thousand two hundred seven (6,207) policy owners were affected by this error and received incorrect premium increase notices. To correct the error, the Company suspended all policies and reissued them with the correct premium. New billing letters and statements were then sent to all policy owners. The error was found before any miscalculated premiums were collected, so no further action was necessary.

### **Major Medical**

Pioneer Life withdrew from the major medical market in the State of Florida effective September 1, 2002. Policyholders were notified on April 23, 2002. There are 76 Florida residents affected by the withdrawal. However, during the scope period of the examination, a small group plan and an out-of-state group plan were in place.

Pioneer Life failed to produce filing documentation for policy forms #8672, #8802, #8909, #8926, #GHC-9085, and #GHC-9110.<sup>3</sup> Failure to file all forms and rates is a violation of Section 627.410(1), Florida Statutes.

Over a three-year period, the Small Group coverage increased 17.5% for both the Catastrophic Hospital Expense Plan and the Major Medical Expense Plan. The out-of-state group coverage for the Catastrophic Hospital Expense Plan increased 54.3% and the Major Medical Expense Plan increased 129.3% for the same time period.

The examiner tracked the premiums of policyholders for each of the policy forms issued in Florida to which rate increases were applied. The examiner determined the rates were calculated and applied correctly.

## **MARKETING AND SALES**

Pioneer Life stopped marketing any products in Florida as of January 1, 2001. The Company withdrew from the Major Medical market completely effective September 1, 2002. Until January 1, 2001 the Company marketed all lines of business in the state including: Life, Accident and Health, Dread Disease, Medicare Supplement, Long Term Care, and Home Health Care.

Pioneer Life currently maintains 21,604 health policies and 6,453 life and annuity policies in Florida. Seventy-six insureds (total of policyholders plus their dependents) were affected by the withdrawal of Pioneer Life from the Major Medical market. All policyholders were notified on April 23, 2002. The examiner requested and received copies of the Company's correspondence with OIR regarding its withdrawal from the market.

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<sup>3</sup> The Company submitted a DOI letter dated 9/8/1992 referencing filing #8904 subsequent to the issuance of the draft report.

The only policy form currently open in Florida is Medicare Supplement form #9500, which is accepting conversions from Pioneer Life's Medicare Select form #9548. Pioneer Life withdrew the Medicare Select product, which had limited benefits. All other policy forms are closed blocks of business. The examiner requested a copy of the report required pursuant to Section 627.6737, Florida Statutes, relative to reporting the names of policyholders having more than one Medicare Supplement policy or certificate. Pioneer Life reported that there are no Florida policyholders having more than one in-force Medicare Supplement policy.

Since Pioneer Life no longer markets products in Florida, it no longer recruits agents. The Company maintains the appointments of those agents necessary to service the in-force business. During the scope of the examination, the examiner determined that there was minimal oversight of the agents submitting business to the Company. The examiner requested copies of the policies and procedures manual relative to agent recruitment and monitoring of agent activities and discipline. The Company stated that one could not be found.

The two primary supervising general agencies utilized for marketing products in Florida were Florida Insurance Services, Inc. and Insurance Service Administration Company. Thirty-four percent (34%) of the agents writing life policies and 62% of the agents writing health policies were supervised through the Insurance Service Administration Company. The review of policyholder applications identified agents that were neither licensed nor appointed.

Pioneer Life does not track the sale of multiple policies between different lines of business. Health policies are tracked on the LifeComm database and Life policies are tracked on the LifePro database. Therefore, the Company can identify all life and health policies that might be held by a single policyholder by going into each system and running an inquiry on that person's name. However, Pioneer Life cannot initiate a query that will identify all policyholders having both a life and a health policy. The two systems do not communicate with one another. The examiner requested a list of all

policyholders having multiple policies within the Company. The examiner was provided with a list of policyholders having multiple life policies, and a list of policyholders having multiple health policies. None of the names on either list was found on both. Since complaints identified policyholders that had been sold life policies when they purchased their Medicare Supplement or Long Term Care policies, it was determined the capability of recovering the data needed to review Pioneer Life's marketing of multiple policies is not available.

The examiner reviewed procedures for premium collection, policy delivery, and billing to determine statutory compliance. Premium is collected by the agent and submitted with the application. If the agent had netting authority, he retained his commission and forwarded the remainder of the premium to the Company. When the policy was issued it was mailed to the agent for delivery to the policyholder. For policies not on PAC (Pre-authorized check) payment plan, the Company sends billing statements 21 days prior to the due date, a reminder 10 days prior to the due date, and then again 15 days after the due date.

Marketing materials were reviewed for products sold during the scope of the examination. The examiner verified that all advertisements for Medicare Supplements and Long Term Care/Home Health Care were submitted to the OIR for approval prior to use. Home Health Care brochures for policy forms #IHP-9656, #IHP-9767, and #GHC-9311 do not include additional care provided at Assisted Living Facilities among the "Exclusions and Limitations." However, these policies exclude benefits under those conditions, and complaint records indicate claims were denied based on that exclusion. Failure to identify the exclusion in the marketing material is a violation of Section 626.9541(1)(a), Florida Statutes.

The examiner requested specimen policies to determine if out-of-state group certificates were in compliance with Section 627.6515(2)(b), Florida Statutes. Specimen policies were not stamped, "The benefits of the policy providing your coverage are governed

primarily by the laws of a state other than Florida.” Therefore, the Company is in violation of Section 627.6515(2)(b), Florida Statutes.

## **CANCELLATIONS AND PREMIUM REFUNDS**

Pioneer Life provided procedures for the handling of cancellations and premium refunds. Procedures require the policyholder to request cancellation in writing or submission of the appropriate form and copy of certification of death in the case of a death claim. The amount of premium refunded is determined by calculating the amount of premium paid per day based on the payment mode, and then multiplying by the number of days being refunded. Once the refund is calculated, a check approval is sent to disbursements and a check is mailed to the designated person (insured, person with power of attorney, payor). The premium refund is only mailed to the agent for the purpose of delivery, if a previous refund check was not received by the insured.

In the case of lapsed policies, notices are sent to all policyholders regardless of mode of payment or billing method. The examiner requested documentation of notification of lapsed policies, but none was provided. In some cases, where a lapse notice was in the file, the notice was sent after the lapse date. Pursuant to Section 627.4555, Florida Statutes,

“...a contract for life insurance issued or issued for delivery in this state on or after October 1, 1997, covering a natural person 64 years of age or older, which has been in force for at least 1 year, may not be lapsed for nonpayment of premium unless, after expiration of the grace period, and at least 21 days before the effective date of any such lapse, the insurer has mailed a notification of the impending lapse in coverage to the policy owner and to a specified secondary addressee if such addressee has been designated in writing by name and address by the policy owner.”

### **Life**

The examiner reviewed 50 lapsed life policy files out of a population of 689. Of the 50 policies sampled, all received the required the above notification.

Cancellations for other than failure to pay premium included death claims, surrenders, policyholder request, and company declination. The breakdown for life policy cancellations during the scope of the exam is displayed below:

### Life Cancellations Summary

Type Cancellation	Year Cancelled			Total Cancelled
	1999	2000	2001	
Cancelled by Request	202	127	63	392
Death Claim	153	189	219	561
Declined - Medical History	15	23	6	44
Declined - No Reply	4	0	0	4
Declined - Reinstatement	3	1	0	4
Error	13	5	2	20
Expired	13	14	16	43
Incomplete	22	36	19	77
Lapsed	251	216	222	689
Surrendered	189	192	195	576
Withdrawn	21	20	4	45
<b>Totals</b>	<b>886</b>	<b>823</b>	<b>746</b>	<b>2,455</b>

Life policies cancelled or surrendered require payment of benefits and premium refunds within 30 days. A time-study of the 100 policy files sampled was conducted by the examiner and 19 refunds were identified as not processed within 30 days.<sup>4</sup>

### Life Premium Refund Time Study

Days Open	Number	Percentage
0 – 30	40	66%
31– 60	14	23%
Over 60	7	11%
<b>TOTALS</b>	<b>*61</b>	<b>100%</b>

\*39 files had no cancellation request date provided.

Pioneer Life is in violation of Section 627.482, Florida Statutes, for failing to refund unearned premium promptly.

<sup>4</sup> The draft report stated 21 refunds. The Company argued that 2 of these were erroneous and the number was reduced to 19. Without specific knowledge regarding the meaning of the dates in the Company database, OIR can neither prove nor disprove the calculations regarding these two refunds. OIR has accepted the Company's number of 19 refunds not being paid within 30 days.

## **Health**

Pioneer Life identified 13,732 health policies that had lapsed or were cancelled. However, the Company was unable to distinguish between those cancelled due to failure to pay premium and those cancelled for other reasons, as the same numeric code is used in all cases. Therefore, the examiner reviewed a random sample of 100 health policies that were cancelled. The examiner determined that 28 policies had lapsed for non-payment. There was no record of notification sent to the policyholder advising them that their policy was about to lapse. Twenty-five of the policyholders were over the age of 64. This is considered a violation of Section 624.318, Florida Statutes – failure to provide documentation. The Company stated it would provide OIR with a computer run indicating the dates lapse notices were sent to policyholders; however, the data run was not produced prior to the departure of the examiner.

Fifty-one (51) health policies were cancelled due to increased premiums or replacement. Of those, seven have not had the premium refund paid or paid in timely manner. Failure to promptly pay premium refund upon cancellation is a violation of Section 627.6043(2), Florida Statutes.

The examiner requested and received documentation regarding the notification of policyholders whose Major Medical coverage was cancelled due to the Company's withdrawal from the market.

Documentation in the files indicated that Pioneer Life notified insureds at least 45 days in advance of any policy rate increases.

## **CONSUMER RECOVERIES**

Consumer recoveries will be calculated for those premium refunds that were not paid within the required period of days. The Company is also taking under advisement cancellations for which they paid no premium refund, but for which the examiner determined refunds were due based on the information provided.

## FINDINGS AND RECOMMENDATIONS

The following is a summary of the examiners' findings and recommendations

Page 5	Section 626.9541(1)(j), F.S. – Failure to maintain complete records of all complaints received. Pioneer Life should monitor database to ensure all complaints are properly logged, and that all information pertaining to complaints are properly imaged into the policyholder file.
Page 5, 9, 12, 21	Section 624.318, F.S. – Failure to provide records for examination.
Page 7, 11	Section 626.9541(1)(l), F.S. – Knowingly making any misleading representations or incomplete or fraudulent comparisons or omissions for the purpose of inducing any person to change insurers. Pioneer Life needs to develop monitoring and disciplining procedures to ensure agents are not committing fraudulent acts.
Page 7, 11	Section 626.9541(1)(k), F.S. – Knowingly making false representations for the purpose of obtaining a fee or commission. Pioneer Life needs to develop monitoring and disciplining procedures to ensure agents are not committing fraudulent acts.
Page 10	Section 626.521(1) and (2), F.S. – Failure to perform background and credit checks.
Page 10	Section 626.451(2), F.S. – Failure to perform background and credit checks prior to appointing agents. Pioneer Life should properly conduct and document all investigations into agents applying for appointment.
Page 10	Section 626.471(2)(3) and 626.511, F.S. – Failure to file proper notification with the Department of Financial Services upon termination of each agent. Pioneer Life should promptly file required documentation (Form DI-39) upon termination of any agent.
Pages 10, 12	Sections 626.112(1)(a), F.S. – Failure to appoint all agents selling insurer's products. Pioneer Life should promptly file required documentation to appoint its agents.
Pages 10, 12	Section 626.451(1), F.S. – Failure to appoint agents soliciting insurance for the insured. Pioneer Life should promptly appoint all agents maintaining policies in the state of Florida.
Page 12, 14, 15	Section 627.410(7)(a), F.S. – Failure to make required form and rate filings for approval by OIR. Pioneer Life should promptly file all required annual rate filings and/or annual rate certifications.
Page 12, 14	Section 627.9406, F.S. – Failure to file required certification regarding approval of out-of-state Long Term Care group coverage by a state with similar requirements as the state of Florida. Pioneer Life should promptly file all required certifications.
Pages 12, 14	Section 627.410(1), F.S. – Failure to file out-of-state group forms and rates for informational purposes. Pioneer Life should promptly file all required form and rate filings.

Page 14	Section 627.410(6)(a), F.S. – Failure to file all health insurance policy forms and rates with OIR. Pioneer Life should promptly file all required form and rate filings.
Page 18	Section 626.9541(1)(a)1., F.S. – Misrepresenting benefits, advantages, conditions, or terms of the policy. Pioneer Life should improve product material and training provided to agents to ensure full understanding of the products.
Page 19	Section 627.6515(2)(b), F.S. – Failure to include statement as to the benefits of coverage being governed by a state other than Florida. Pioneer Life should inform its certificate holders by amending the certificate.
Page 20	Section 627.482, F.S. – Failure to promptly pay premium refund and cash value upon surrender of policy. The Company should review all of its policy surrenders and determine whether refunds were made within thirty (30) days. Refunds not paid promptly shall include payment of interest. Pioneer Life shall provide the OIR a list of those policy surrenders identified as not paid timely and provide proof of interest paid.
Page 21	Section 627.6043(2), F.S. – Failure promptly return unearned premium upon cancellation. Pioneer Life should properly record the date of requested cancellation and the date of payment. Refunds not made in a timely manner shall include payment of interest. Refunds not paid promptly shall include payment of interest. Pioneer Life shall provide OIR with a list of those policy surrenders identified as not paid timely and provide proof of interest paid.