



THE STATE OF FLORIDA

OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

UNITED AMERICAN INSURANCE COMPANY

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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.

<u>TABLE OF TOTAL VIOLATIONS</u>			
Statute/Rule	Description	Files Reviewed	Number of Violations
626.9541(1)(g)I	Unfair discrimination in rating of a life policy	48	1
626.9891(3) and 69D-2.003(1)(a) & (j)	Failure to submit revised description of its SIU	N/A	1

PURPOSE AND SCOPE OF EXAMINATION

The Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of United American Insurance Company (Company) pursuant to Section 624.3161, Florida Statutes. The examination was performed by Fatzinger Consulting, Inc. The scope period was January 1, 2013 through December 31, 2013. The examination began March 24, 2014 and ended August 18, 2014.

The purpose of this examination was to review compliance with Sections 626.9541(1)(dd), 626.9541(1)(g), 626.9541(1)(x) 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- Administrative and underwriting files for issued policies to determine if the policy was terminated, canceled or rescinded, or had a benefit change based solely on the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

United American Insurance Company, a Torchmark Corporation Company (Torchmark), is a foreign Life and Health insurer licensed to conduct business in the State of Florida on June 1, 1960. The Company provides Life, Accident & Health, and Group Life and Annuity coverage in the State of Florida. The Company's primary business is Medicare supplement insurance.

The Company contracts with general agents to solicit its whole and term life insurance policies. Sales presentations are delivered in meetings with the potential policy holder.

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	\$1,439,137

LIFE APPLICATION REVIEW

The examiners reviewed information contained in the policy underwriting files, which included but was not limited to, the applications, underwriting notes, agent and policyholder communications, medical documentation and other supplemental materials.

The Company's life insurance applications do not include questions relating to foreign travel. The Company's life insurance applications do ask for the applicant's state of birth, and one application asks if the applicant is a non-US Citizen. The Company stated the place of birth is used to respond to Medical Information Bureau (MIB) inquiries. It further stated that an application received from a permanent resident, non-US citizen would be processed.

The Company reported 46 applications submitted for life insurance during the scope period, which included 6 denied, 11 withdrawn, 5 issued with a substandard rating, and 24 issued as applied for by the applicant. All 46 applications were reviewed.

1) In one instance, the Company issued a policy for a lower rating than was applied for, in violation of Section 626.9541 (1)(g)1, Florida Statutes. The application signed by the applicant showed the preferred rate, and the health information supported a preferred rate. The premium difference for this policyholder for the standard rate was almost 40% higher than the preferred; it increased from \$104.50 to \$144 per month.

a) **COMPANY RESPONSE:** The Company stated there were no notes or other indicators that let the Company know the applicant was applying for a preferred rate policy, specifically a note from the agent. Based on the medical information in the file, the Company reissued the policy at the preferred rate after receiving a complaint from the insured.

b) **CORRECTIVE ACTION:** The Company should underwrite life insurance applications based on the applicant's health and its underwriting guidelines to ensure there is not unfair discrimination.

The Company had reported 48 applications received on its Freedom to Travel Survey, two more than reported for the examination. One application was actually signed in 2012; the second was a duplicate submission. These two additional files were requested and reviewed without noting any violations relating to foreign travel or national origin.

LIFE POLICY REVIEW

Benefit Changes

The examiners reviewed policy administrative and underwriting files to determine if policies that had benefit changes were due to travel plans or national origin.

The Company reported that there were no policies with benefit changes during the scope period.

Terminations/Cancellations/Rescissions

The Company provided a list of 442 policies that were terminated, cancelled, or rescinded during the scope period. A sample of 84 was reviewed to assess the reliability of coding and to confirm the terminations were not made for reasons related to travel or national origin. No violations were noted.

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 travel information and states the place birth is used for MIB purposes only.

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 United American Insurance Company, last submitted the description of its SIU in February 2009. Since then, the Vice President for Policy Benefits has changed, and United Investors Life Insurance Company was sold to Protective Life Insurance Company.

1) The Company failed to submit a revised description of its SIU with the Florida Division of Fraud (DIF) to reflect SIU personnel changes and Torchmark company changes, as required by Section 626.9891(1), Florida Statutes, and Rule 69D-2.003(1)(a) and (j), Florida Administrative Code.

- a) **COMPANY RESPONSE:** The Company disagreed with the finding. It stated the personnel change did not affect the accuracy of the filed plan, and that it continues to administer transactions for United Investors Life Insurance Company. The Company stated it would inform the DIF of the personnel change.
- b) **CORRECTIVE ACTION:** The Company should submit a revised description of its SIU. If United Investors remains in the Company's filing, its group code should be corrected to comply with Rule 69D-2.003(1) (j), Florida Administrative Code.

The Company reported there were no referrals to either its SIU or the DIF in 2013.

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.