

**FLORIDA DEPARTMENT
OF
INSURANCE**

TARGET MARKET CONDUCT REPORT

OF

UNITED AMERICAN INSURANCE COMPANY

AS OF

May 31, 2000

**DIVISION OF INSURER SERVICES
BUREAU OF LIFE AND HEALTH
INSURER SOLVENCY AND MARKET CONDUCT
MARKET CONDUCT SECTION**

James E. Derr, CPA, CIE, CFE

Independent Contract Examiner

TABLE OF CONTENTS

Salutation	3
Introduction	4
Scope of Examination	4
Description of Company	5
Certificate of Authority	6
Sales and Advertising	6
Complaints	7
Claim Payments	8
Denied Claims	9
Form Filings	9
Underwriting	9
Free-Look Provision and Unearned Premium	9
Conclusion	10
Findings and Recommendations	11

August 30, 2000

Honorable Bill Nelson
Treasurer and Insurance Commissioner
State of Florida
The Capitol, Plaza Level Eleven
Tallahassee, FL 32390-0300

Dear Commissioner Nelson:

Pursuant to the provisions of Section 624.3161, Florida Statutes, and in accordance with the Agreement for Market Conduct Services dated May 10, 2000, a Target Market Conduct Examination has been performed on:

United American Insurance Company
3700 South Stonebridge Drive
McKinney, Texas 75070

The Report of such examination is herein respectfully submitted.

Sincerely,

James E. Derr, CPA, CIE, CFE
Independent Contract Examiner
Phone Number: (717) 697-1622
E-Mail Address: Derr_family@prodigy.net

INTRODUCTION

United American Insurance Company hereinafter is generally referred to as the “Company” when not otherwise qualified. The Florida Department of Insurance is generally referred to as the “Department” when not otherwise qualified.

This Target Market Conduct Examination was conducted by James E. Derr, CPA, CIE, CFE pursuant to Section 624.3161, Florida Statutes.

The Target Market Conduct Examination commenced on May 8, 2000, and concluded on August 30, 2000.

SCOPE OF EXAMINATION

This examination covers various phases of the Company operations in the State of Florida from January 1, 1997 through May 31, 2000 and subsequent information when required.

The purpose of this Target Market Conduct Examination was to determine if the Company’s practices and procedures conform to the Florida Statutes and the Florida Administrative Code.

Procedures and conduct of the examination were in accordance with the Department’s Field Examination Guidelines and the Market Conduct Examiner’s Handbook produced by the National Association of Insurance Commissioners (NAIC). The handbook

standards of a seven percent (7%) error factor for claim resolution procedures and a ten percent (10%) error factor for other procedures were given consideration and applied where applicable.

The examination included, but was not limited to, the following areas of the Company's operations:

1. Sales Brochures and Advertisements
2. Policy Forms, Rates, and Underwriting
3. Claims and Complaints Handling Procedures
4. Form Filings
5. Free-Look Provision and Unearned Premium

Files were examined on the basis of content at the time of examination. Comments and recommendations were made in those areas in need of correction and improvement.

DESCRIPTION OF COMPANY

United American Insurance Company (Texas) was organized as a limited capital stock Life, Health and Accident insurance company on June 13, 1947. The Company commenced business on August 13, 1947.

Torchmark Corporation, a Delaware corporation, formed NU Life Insurance Company (Delaware). NU Life Insurance Company (Delaware) was incorporated on August 14, 1981. NU Life Insurance Company (Delaware) is a wholly owned subsidiary of another Torchmark subsidiary, Globe Life and Accident Insurance Company (Delaware) with a home office in Oklahoma City, Oklahoma.

Globe Life and Accident Insurance Company (Delaware) purchased all of the outstanding common stock of United American Insurance Company (Texas) on December 31, 1981.

On February 28, 1982, Torchmark merged United American Insurance Company (Texas) and NU Life Insurance Company (Delaware) into NNU Life Insurance Company (Delaware). The name of NNU Life Insurance Company (Delaware) was then changed to United American Insurance Company (Delaware).

On August 31, 1993, Torchmark acquired United American Insurance Company (Delaware) as a direct subsidiary. Globe Life and Accident Insurance Company transferred all of the stock of the Company to Torchmark.

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
Accident and Health

This examination targeted the accident and health line of business only.

SALES AND ADVERTISING

The Company advertises products through the mail, radio, TV, newspaper, and brochures. According to the Torchmark Corporation 1999 Annual Report to stockholders and the Annual 10-K, ninety percent (90%) of the Company's health insurance sales and

premium income came from Medicare Supplement. The examiner sampled forty-two (42) pieces of advertisements utilized by the Company.

Company accident and health brochures do not contain the words “Insurance Policy” after the generic name of the product. This is a violation of Rule 4-150.005(3)(b), Florida Administrative Code.

A Company cancer only advertisement does not contain the provision “THIS IS A CANCER ONLY POLICY.” This is a violation of Rule 4-150.006(1)(h), Florida Administrative Code.

The Company’s supplemental accident and health brochures do not include the provision “THIS IS A LIMITED POLICY.” This is a violation of Rule 4-150.006(1)(h), Florida Administrative Code.

COMPLAINTS

The examiner reviewed nineteen (19) Florida Department files and twenty-two (22) Company complaints. The Company’s complaints were reviewed for the period of January 1, 1997 to May 31, 2000. The population for the Company’s complaints for this period is two hundred seventy-three (273) complaints. The examiner traced all of the Florida Department files to the Company’s complaint log with no exceptions noted.

CLAIM PAYMENTS

The examiner reviewed twenty-seven (27) claim files from a total population of 733,420 claims from June 1999 to May 2000. All claims payments reviewed during this examination were paid within forty-five (45) days.

Claim numbers are not unique for each claim. The examiner found seventeen (17) duplicate claim numbers from a total population of one hundred ninety-six (196) claims for the period June 1999 to May 2000.

The examiner reviewed Medicare Supplement paid claims for the same one-year period. The examiner sampled six hundred (600) claims from a total population of 733,174, and found fifty-five (55) duplicate claim numbers, including three (3) with no claim number. The Company is directed to create different claim numbers for each claim and ensure that all claims are assigned a specific number in order to adequately control and monitor claim processing.

The examiner reviewed fifty (50) Medicare Supplement pending claims for the period and found no duplicate claim numbers.

In addition, one (1) claim shows a “pay date” for several payments in the claim file that is significantly different than the actual dates on the checks. The Company is directed to ensure that the claim files reflect the proper check amount and pay date recorded in its claim files to assure accurate record keeping.

DENIED CLAIMS

The examiner reviewed twenty (20) claims denied from a population of 41,162 for the period June 1999 to May 2000. No violations were noted.

FORM FILINGS

The examiner received application and policy form filings with the proper approval stamp of the Florida Department of Insurance. The examiner found no forms being used by the Company that were not approved.

UNDERWRITING

The examiner has received and reviewed the approved rates for all health insurance forms. A rating analysis was performed on fifty-one (51) accident and health policies from a population of one hundred fifty-seven (157) for the period April 2000 to June 2000. No exceptions were noted.

FREE-LOOK PROVISIONS AND UNEARNED PREMIUM

The examiner reviewed twenty-four (24) policies issued and subsequently canceled from a total population of eighty-one (81) cancellations from April 2000 to June 2000. The examiner looked at the free-look provision and how the provision was handled. The examiner also reviewed the unearned premiums that were refunded by the Company. The Company properly handled these policies in accordance with the policy provisions, the Florida Statutes, and the Florida Administrative Code.

CONCLUSION

The customary practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC) were followed in performance of this Target Market Conduct Examination of United American Insurance Company, as of May 31, 2000, with due regard to the Florida Statutes and Florida Administrative Code.

Respectfully submitted,

James E. Derr, CPA, CIE, CFE
Independent Contract Examiner

FINDINGS AND RECOMMENDATIONS

The following findings were made in the preceding pages of this report. The Company is directed to:

- Page 7 Comply with Rule 4-150.005(3)(b), Florida Administrative Code –
Requires that advertisements include the words “Insurance Policy” after the generic name of the product being advertised.
- Page 7 Comply with Rule 4-150.006(1)(h), Florida Administrative Code –
Requires that the advertisement include the phrase “THIS IS A CANCER ONLY POLICY.”
- Page 7 Comply with Rule 4-150.006(1)(h), Florida Administrative Code –
Requires that the advertisement include the phrase “THIS IS A LIMITED POLICY.”
- Page 8 Eliminate duplicate claim numbers and establish a verification process.
- Page 8 Ensure that all claims are assigned a specific number in order to adequately control and monitor claim processing.
- Page 8 Ensure that the claim files reflect the proper check amount and pay date recorded in the claim files to assure accurate record keeping.