

**FLORIDA DEPARTMENT  
OF  
INSURANCE**

**MARKET CONDUCT  
REPORT OF EXAMINATION**

**OF**

**CONSECO LIFE INSURANCE COMPANY**

Lamar Life Insurance Company merged with Conseco in 1998

*AS OF*

December 31, 1998

**DIVISION OF INSURER SERVICES**

**BUREAU OF LIFE AND HEALTH  
INSURER SOLVENCY & MARKET CONDUCT**

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INTRODUCTION.....1

SCOPE OF EXAMINATION.....1

DESCRIPTION OF COMPANY.....2  
    History.....2  
    Certificate of Authority.....2  
    Organizational Charts.....4  
    Territory and Plan of Operation.....5

SALES AND ADVERTISEMENTS.....6

AGENT APPOINTMENT, RENEWAL AND TERMINATION.....6

POLICY FORM AND RATE FILINGS.....6

UNDERWRITING AND RATE SURVEY.....7

APPLICATION REVIEW.....7

INSURED'S RIGHT TO RETURN POLICY.....8

REPLACEMENT OF INSURANCE.....8

NON-FORFEITURE OPTIONS AND AUTOMATIC PREMIUM LOAN.....9

CANCELLATIONS AND NONRENEWALS.....10

CLAIMS ADMINISTRATION.....10

TIME STUDY FOR PAID AND DENIED CLAIMS.....11  
    Individual Life Claims - Paid.....11  
    Group Health Claims - Paid.....11  
    Group Health Claims - Denied.....12

CALENDAR DAYS/PERCENTAGE OF CLAIMS.....12  
    Individual Life Claims - Paid.....12  
    Group Health Claims Paid.....13  
    Group Health Claims-Denied.....13

ANALYSIS OF THE CLAIM STUDY.....14

COMPLAINTS.....16

CONCLUSION.....17

FINDING(S) AND RECOMMENDATION(S).....18

March 28,2000

Honorable Bill Nelson  
Treasurer and Insurance Commissioner  
State of Florida  
The Capitol, Plaza Level Eleven  
Tallahassee, Florida 32399-0300

Dear Commissioner Nelson:

Pursuant to the provisions of Section 624.3161, Florida Statutes, and in accordance with your Letter of Authority and the resolutions adopted by the National Association of Insurance Commissioners (NAIC), a Market Conduct Examination has been performed on:

**Conseco Life Insurance Company**  
11815 N. Pennsylvania Street  
Carmel, Indiana 46082-1911

The report of such examination is herein respectfully submitted.

## ***INTRODUCTION***

Conseco Life Insurance Company known as Lamar Life hereinafter is generally referred to as "the Company" when not otherwise qualified.

This is the first Market Conduct Examination of the Company conducted by the Florida Department of Insurance, hereinafter generally referred to as "the Department".

This Market Conduct Examination commenced on November 8, 1999 and concluded on March 28, 2000.

## ***SCOPE OF EXAMINATION***

This examination focuses on Lamar Life business in the State of Florida from January 1, 1996; through December 31, 1998; and where considered appropriate, transactions and affairs subsequent to the examination period.

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

Statistical information is included in this examination report. The National Association of Insurance Commissioners' Examination Handbook standards of 7% error ratio for claim resolution procedures and 10% error ratio for other procedures are applied. Any error appearing to be a pattern or a general business practice has been included in this examination report.

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

1. Sales Brochures and Advertisements

2. Appointment and Termination of Agents
3. Policy Forms, Rates and Underwriting
4. Claims and Complaint Handling Procedures

The Department examined these files on the basis of file content at the time of examination. Comments and recommendations were made in those areas in need of correction or improvement.

## ***DESCRIPTION OF COMPANY***

### ***History***

Lamar Life Insurance Company was a corporation duly organized and existing under the laws of the State of Mississippi, having been originally incorporated on February 24, 1906. As of December 31, 1998 the company merged with Conseco Life Insurance Company. The Conseco Life Insurance Company was licensed to transact insurance business in the State of Florida on April 11, 1958.

### ***Certificate of Authority***

Conseco Life Insurance Company was authorized to write the following lines of business in the State of Florida, subject to compliance with all applicable laws and regulations of Florida:

- Code 400-Life
- Code 410-Group Life and Annuities
- Code 420-Variable Life
- Code 450-Accident and Health

## ***Organizational Chart(s)***

The Company's organizational chart is shown on the following page.

*Insert organizational chart.*

## ***Territory and Plan of Operation***

Lamar Life Insurance Company was authorized to transact insurance business in all states except Arizona, Maine, New Hampshire and New York.

During the period under review, the lines written were:

1. Life
2. Group Life and Annuities
3. Variable Life
4. Accident and Health

The Company has developed and implemented a business plan to address potential computer system problems associated with the Year 2000. The Company's Year 2000 Preparedness plan incorporates safeguards for business partners for whom the Company and its insureds rely. The Company has responded to Year 2000 regulatory inquiries and surveys from the Securities & Exchange Commission, the Arizona Insurance Department, and the Tennessee Insurance Department.

## ***SALES AND ADVERTISEMENTS***

Marketing materials provided to the examiner representing all advertisements utilized by Lamar Life Insurance Company were examined to determine conformity with Rule 4-150, Florida Administrative Code. No discrepancies were noted.

### ***AGENT APPOINTMENT, RENEWAL AND TERMINATION***

Lamar Life agent appointment and renewal practices were reviewed. No discrepancies were noted. Twenty-five (25) terminated agents' personnel files were examined to determine proper reporting by the Company. None of the 25 agents were terminated for cause. Additional appointments were made as required by Section 626.341, Florida Statutes, when business was accepted from a licensed agent who was not previously appointed by the Company.

### ***POLICY FORM AND RATE FILINGS***

Lamar Life maintains a file containing copies of policies, rates, riders, endorsements and correspondence appropriate for all forms filed and approved by the Department. Lamar filings for 1996, 1997 and 1998, were reviewed to determine if policy forms being used by the Company had been stamped "filed" or "approved" by the Department as required by Section 627.410, Florida Statutes. No discrepancies were noted.

## ***UNDERWRITING AND RATE SURVEY***

The underwriting and rate survey included an analysis of the following Company procedures:

1. Basic underwriting guidelines
2. Proper issuance of forms, riders and endorsements
3. Proper use of rates
4. Correspondence during the policy issue process
5. Unfair discrimination

## ***APPLICATION REVIEW***

Applications for individual life and group health insurance were surveyed. A random sample of one hundred fifty (150) files, from a total population of seven thousand nine hundred ninety two (7,992) for 1996, 1997 and 1998, was reviewed. The files reviewed revealed the agents were appointed as required by Section 626.112, Florida Statutes.

Applications and related forms used were those filed and approved by the Department as required by Section 627.410, Florida Statutes. Applications reviewed contained the insurer's name agent's name, and license number on the first page of the form as required by Section 627.4085, Florida Statutes.

### ***INSURED'S RIGHT TO RETURN POLICY***

There were no Lamar Life Insurance Company individual life policies in the state of Florida during the period of January 1996 through December 31, 1998 that were returned under the 10-day free look period.

### ***REPLACEMENT OF INSURANCE***

Lamar Life maintains a replacement register as required by Rule 4-151.007 (3) (e), Florida Administrative Code. Copies of "Notice to Applicant" regarding replacement of life or health insurance, comparative information form and proposed insurance and all sales proposals were maintained as required by Rules 4-151.007 (3) (e), and 4-151.008 (2) Florida Administrative Code. Copies of "Notice to Applicant" were sent to existing insurers whose policies were replaced within the specified time required by Rule 4.151.007 (3), Florida Administrative Code. There was only one (1) replacement for Individual Life from 1996 through 1998. There were no replacements for Individual Accident and Health for the years of 1996, 1997 and 1998.

## ***NON-FORFEITURE OPTIONS AND AUTOMATIC PREMIUM LOAN***

A random sample of one hundred fifteen (115) non-forfeiture options, from a total population of 1,708 was reviewed.

Policy Loan Benefits were reviewed to determine if the interest charged was appropriate and within the statutory limits established by Sections 627.458 and 627.4585, Florida Statutes.

A random sample of twenty-five (25) Policy Loan files were reviewed from a total population of seven hundred thirty six (736). No discrepancies were noted.

Cash surrenders of life or annuity policies were reviewed to determine if interest was paid after 30 days in compliance with Section 627.482, Florida Statutes. A random sample of twenty-nine (29), cash surrender files from a total population of one hundred seventy nine (179) were reviewed. Thirteen files (45%) were found to be in error. In all 13 files that were not paid within 30 days, interest due was not included, and therefore not in compliance with Section 627.482, Florida Statutes.

In the event of non-payment of premium where there is no Automatic Premium Loan election on the application, the company automatically initiates a premium loan from the insured's cash value. The Automatic Premium Loan takes place on the sixty-fifth (65<sup>th</sup>) day following the premium due date. These procedures comply with the requirements of Section 627.476, Florida Statutes standard Non-Forfeiture Law for Life Insurance.

### ***CANCELLATIONS AND NONRENEWALS***

A total of eighty-five (85) cancellation and nonrenewal files from a total population of eighty-five (85) group health files were reviewed covering the period 1996, 1997 and 1998. Policyholders were given at least 45 days advance written notice of cancellation, non-renewal or change in rates as required by Section 627.6645(1), Florida Statutes.

### ***CLAIMS ADMINISTRATION***

The Company has established claims settlement procedures that maintain control of all claims from the time of receipt to the time of final payment. Claims are reported to and handled in the Home Office of the Company.

The Claims Managers have certified that they have read and understand Section 626.9541 (1)(i), Florida Statutes, relating to unfair claim settlement practices.

## ***TIME STUDY FOR PAID AND DENIED CLAIMS***

Claims were randomly selected and reviewed for compliance with:

1. Contract provisions
2. Timeliness and accuracy of payments
3. Supporting documentation
4. Unfair claim settlement practices

A time study for paid and denied claims was conducted to determine the "calendar days" required to process a claim after receiving proper proof of loss.

The term "calendar days" included Saturday, Sunday and holidays. Cycle time used in the analysis was for the following groups of days: 1-45, 46-120, 121 and over.

The population of processed paid and denied claims for the examination period reviewed is as follows:

### ***Individual Life Claims - Paid***

1996	57 Claims for	\$2,773,851
1997	67 Claims for	\$2,427,828
1998	<u>53</u> Claims for	<u>\$2,926,591</u>
Total	177 Claims for	\$8,128,270

No Life claims were denied during the period examined.

### ***Group Health Claims - Paid***

1996	2,184	Claims for	\$709,492
1997	2,489	Claims for	\$966,689
1998	<u>2,421</u>	Claims for	<u>\$834,705</u>
Total	7,094	Claims for	\$2,510,888

***Group Health Claims - Denied***

1996	1,175	Claims
1997	1,339	Claims
1998	<u>1,304</u>	Claims
Total	3,818	Claims

Three hundred twenty (320) claim files from the above-listed population were reviewed. The results of the review are as follows:

***CALENDAR DAYS/PERCENTAGE OF CLAIMS***

***Individual Life Claims - Paid***

<u>Calendar Days</u>	<u>Number of Claims</u>	<u>Percentage</u>
1-45	104	87%
46 & over	<u>16</u>	<u>13%</u>
Total	120	100%

The average time required to process a claim was fifteen (15) days.

***Group Health Claims Paid***

<u>Calendar Days</u>	<u>Number of Claims</u>	<u>Percentage</u>
1-45	100	100%
Total	100	100%

The average time required to process a claim was five (5) days.

***Group Health Claims-Denied***

<u>Calendar Days</u>	<u>Number of Claims</u>	<u>Percentage</u>
1-45	100	100%
Total	100	100%

The average time required to process a denied claim was seven (7) days.

## ANALYSIS OF THE CLAIM STUDY

1. A random sample of two hundred twenty (220) paid claim files from a total population of seven thousand two hundred seventy-one (7,271) was reviewed to determine if benefits were being allowed according to the policy contract. No discrepancies were noted.
2. A random sample of two hundred (200) health claim files from a total population of seven thousand ninety four (7,094) was reviewed to determine if claims had been processed as required by Section 627.657(2), Florida Statutes. No discrepancies were noted.
3. A random sample of one-hundred twenty (120) life claims from a total population of one hundred-seventy seven (177) was reviewed to determine if an annual rate equal to or greater than the Moody's Corporate Bond Yield Average-Monthly Average Corporate as of the day the claim was received and not less than 8% on claims after January 1, 1993 was paid in accordance with Section 627.4615, Florida Statutes. Sixty-four (64) discrepancies were noted.
4. A random sample of three-hundred twenty (320) claim files from a total population of seven-thousand two hundred seventy one (7,271) was reviewed to determine if the required Fraud Statement was included on the claim forms as required by Section 817.234 (1)(b), Florida Statutes.

With respect to the Life Claim Form used during the period under review 1997 and 1998, the "Fraud Statement" wording was printed in substance to comply with Section 817.234(1)(b), Florida Statutes; however, the form failed to explicitly state "third degree felony".

During the time study review of Individual Life/Annuities claims, it was found that a total of thirty-two (32), [twenty-five (25)

Individual Annuities and seven (7) Individual Life] of the initial 120 claim files selected failed to pay interest at an annual rate equal to or greater than the Moody's Corporate Bond Yield Average-Monthly Average Corporate as to the day the claims were received and not less than 8% on claims after January 1, 1993 was not paid which is a violation of Section 627.4615, Florida Statutes.

## *Complaints*

The Company maintains complaint-handling procedures as required by Section 626.9541 (1) (j), Florida Statutes.

The Company maintained a record of complaints received during the period under review as required by Section 626.9541 (1) (j), Florida Statutes.

Eighty-two (82) complaints for the years 1996, 1997, 1998 and 1999 were reviewed to determine the number of calendar days taken to resolve a complaint from the time of receipt to the final disposition. Calendar days included workdays, weekends and holidays.

The results of the review are as follows:

<u>Calendar Days</u>	<u>Number of Complaints</u>	<u>Percentage</u>
1-15	47	60%
16-30	16	21%
31 and over	12	15%
Unable to determine	<u>3</u>	<u>4%</u>
Total	78	100%

The average number of days to handle a complaint for the entire review period was 15 days.

The Company was unable to provide three (3) complaint file records for our review.

## ***CONCLUSION***

The customary practices and procedures promulgated by the National Association of Insurance Commissioners were followed in performing the Market Conduct Examination of Lamar Life Insurance Company as of December 31, 1998, with due regard to the Insurance Laws of the State of Florida.

Respectfully submitted,

---

Jorge Rodriguez  
Independent Contractor Examiner

### ***FINDINGS AND RECOMMENDATIONS***

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

Page 9 Comply with Section 627.482(1), Florida Statutes regarding "Interest due" on surrender values if payment is not made after 30 days.

Page 15 Comply with Section 627.4615, Florida Statutes, regarding 8% interest on death claims after proof of loss is received.

Page 16 Comply with Section 626.9541 (1) (j), Florida Statutes regarding failure to maintain complete consumer complaint records.