FLORIDA DEPARTMENT OF INSURANCE

MARKET CONDUCT REPORT OF EXAMINATION

OF
CONSECO SENIOR HEALTH INSURANCE COMPANY
f/k/a American Travellers Life Insurance Company
AS OF
DECEMBER 31, 1998

DIVISION OF INSURER SERVICES

BUREAU OF LIFE AND HEALTH
INSURER SOLVENCY & MARKET CONDUCT

MARKET CONDUCT SECTION

TABLE OF CONTENTS

April 3, 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 Senior Health Insurance Company f/k/a
American Travellers Life Insurance Company
11815 Pennsylvania Avenue
Carmel, Indiana 46032

The report of such examination is herein respectfully submitted.

INTRODUCTION

Conseco Senior Health Insurance Company, f/k/a American Travellers Life Insurance Company, hereinafter is generally referred to as "the Company" when not otherwise qualified.

This Market Conduct Examination commenced on November 3, 1999, and concluded on April 3, 2000.

SCOPE OF EXAMINATION

This examination covers the period of the Company's operation in the State of Florida, from January 1, 1996, through December 31, 1998. Where considered appropriate, transactions and affairs subsequent to the examination period following the name change to the Company were also reviewed.

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

Files were examined 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

Conseco Senior Health Insurance Company is domiciled in the State of Pennsylvania and is a stock life insurance company that is a wholly owned subsidiary of Jefferson National Life Insurance Company of Texas. The Company was licensed to transact insurance business in the State of Florida on December 9, 1988. Transport Life Insurance Company was merged with the Company on November 10, 1997. The Company changed its name from American Travellers Life Insurance Company on November 2, 1998. United General Life Insurance Company was merged with the Company effective September 30, 1999.

Certificate of Authority

The 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 450-Accident and Health

Organizational Chart

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

TERRITORY AND PLAN OF OPERATION

The Company was authorized to transact insurance business in the District of Columbia and all states except Connecticut, New York, Rhode Island and Vermont.

The Company markets and services their products through the use of a sales force in excess of 30,000 independent agents, focusing mainly on the long-term care business.

During the period under review, the lines written were:

1. Individual Life
2. Individual Health
3. Long- Term Care
4. Medicare Supplement
5. Group Health

Due to the small percentage of group accident and health business, it was deemed immaterial and therefore not examined.

During the period under review, the Company did not write any lines of insurance business for which they were not authorized on their Certificate of Authority, as required by Section 624.401 (2), Florida Statutes.

The Company developed and implemented a business plan to address potential computer system problems associated with the Year 2000. The Year 2000 Preparedness plan incorporated safeguards for business partners for whom the Company and its insureds rely. The Company responded to Year 2000 regulatory inquiries and surveys from Standard and Poor's, Arizona, Texas, California and Pennsylvania.

SALES AND ADVERTISEMENTS

The Company maintains an advertising file in accordance with Rules 4-150.018 (1) and 4-150.119 (1), Florida Administrative Code.

Marketing materials provided to the examiner representing all advertisements utilized by the Company were examined to determine conformity with Rule 4-150, and Rule 4-157, Florida Administrative Code. Four discrepancies were noted for health advertising; no discrepancies were noted for life advertising.

Statistical data used in the advertisements reviewed identified the source in compliance with Rule 4-150.009, Florida Administrative Code, with one discrepancy noted.

Representations of a commercial rating system concerning the Company did not clearly indicate the purpose of the recommendation and the limitations of the scope and extent of the recommendation as outlined in Rule 4-150.016, Florida Administrative Code. Two discrepancies were noted. In addition, one advertisement was noted wherein the Company used the term "unlimited" to describe benefits in violation of Rule 4-150.006 Florida Administrative Code. These advertisements are no longer being utilized.

AGENT APPOINTMENT, RENEWAL AND TERMINATION

The Company’s agent appointment and license renewal practices were reviewed for compliance with Sections 626.341, 626.361, 626.371, 626.381 and 626.451, Florida Statutes, and instructions from the Bureau of Agent and Agency Licensing. No discrepancies were noted.

Twenty-five (25) terminated agents' personnel files were reviewed for compliance with Sections 626.471 and 626.511(1)&(2), Florida Statutes. No discrepancies were noted.

EXCESS OR REJECTED INSURANCE

The Company did not accept excess or rejected life and health insurance business from non-contracted agents, as defined by Sections 626.793 and 626.837, Florida Statutes.

POLICY FORM AND RATE FILINGS

The Company maintains a file containing copies of policies, rates, riders, endorsements and correspondence appropriate for all forms filed and approved by the Department.

Policy forms being used by the Company during the examination period were reviewed for compliance with Section 627.410, Florida Statutes.

One discrepancy was noted with the claim form in use by the administrative office in Chicago. The use was infrequent due to the acceptance of a death certificate, surrender of policy, and letter from the beneficiary considered adequate to pay a claim.

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 long-term care, individual life and individual health insurance were surveyed.

A random sample of 321 files, from a total population of 4,743 for 1996, 1997 and 1998, was reviewed.

The files reviewed revealed the agents were appointed as required by Sections 626.112 Florida Statutes. Applications and related forms used were those filed and approved by the Department.

Applications reviewed contained the insurer's name on the first page of the form and the agent's name as required by Section 627.4085, Florida Statutes. No discrepancies were noted.

Five out of three hundred twenty-one (321) applications reviewed did not contain the agent license identification number as required by Section 627.4085, Florida Statutes, within the acceptable error ratio.

INSURED'S RIGHT TO RETURN POLICY

A random sample of 64 files, from a total population of 1,504, for 1996, 1997 and 1998, was reviewed for compliance with Rules 4-154.003 and 4-157.018, Florida Administrative Code, and Sections 626.99(4)(a), and 627.9407(8), Florida Statutes. No discrepancies were noted.

REPLACEMENT OF INSURANCE

The Company 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 reviewed for compliance with Rules 4-151.007 (3) (e), 4-151.008 (2) (a) and (b), 4-151.105 (1), and 4-157.016 (2), Florida Administrative Code.

Files were reviewed to determine if the "Notice to Applicant" was being sent within the specified time period to existing insurers whose policies were being replaced as required by Rules 4-151.007 (3)(c), 4-151.105(3) and 4-157.016(4), Florida Administrative Code.

The entire population of 32 individual life insurance files for the years 1996, 1997 and 1998 were reviewed. Four discrepancies were noted where a copy of the "Notice to Applicant" was not retained; one discrepancy was noted where the replacement did not appear on the register and the notice was apparently not sent.

The entire population of 5 individual health insurance files for the years 1996, 1997 and 1998 were reviewed. Two discrepancies were noted where a copy of the "Notice to Applicant" was not

retained; one discrepancy was noted where the replacement did not appear on the register and the notice was apparently not sent.

Fifty files, from a total population of five hundred ninety-five (595) for long-term care insurance for the years 1996, 1997 and 1998 were reviewed. Two discrepancies were noted where the "Notice to Applicant" was not sent to the existing insurer within the specified time period.

NONFORFEITURE OPTIONS AND AUTOMATIC PREMIUM LOANS

Nonforfeiture option files were reviewed to determine if the values and terms were correctly calculated, and were processed in a timely manner. No discrepancies were noted.

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. Eight files from a total population of eleven were reviewed. No discrepancies were noted.

Cash surrenders of life policies were reviewed to determine if interest was paid after 30 days in compliance with Section 627.482, Florida Statutes. None of the entire population of 35 files reviewed required more than 30 days.

In the event of non-payment of premium, the Company does not automatically initiate an automatic premium loan once the policy is in default.

These procedures comply with the requirements of Section 627.476, Florida Statues, Standard Non-Forfeiture Law for Life Insurance.

CANCELLATIONS AND NONRENEWALS

A random sample of 31 individual health and Medicare Supplement cancellations and nonrenewals from a total population of 212, was reviewed. Policyholder files were reviewed for compliance with Sections 627.6043(1), and 627.6741(2)(a), Florida Statutes. No discrepancies were noted.

In the event of cancellation, all policyholder files reviewed were promptly returned the unearned portion of any premium paid as required by Sections 627.6043 (2), and 627.6741 (4), Florida Statutes.

Twenty-five long-term care files, from a total population of 2,538, were reviewed for compliance with Section 627.9407 (3)(a), Florida Statutes. No discrepancies were noted.

CLAIMS ADMINISTRATION

The Company established claim settlement procedures that maintained control of all claims from the time of receipt to the time of final payment. Claims were reported to and handled in administrative offices of the Company in Chicago. The Company did not calculate the interest due the beneficiary on most individual life claims from the date of death as noted in the policy. Additional sampling for 1999 and 2000 indicated the Company continued to follow the same procedure.

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

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	29	Claims for	$167,760
1997	50	Claims for	$476,304
1998	53	Claims for	$363,090
Total	132	Claims for	$1,007,154

There were no individual life claims denied during the examination period.

Individual Health Claims - Paid

1996	8,874	Claims for	$698,622
1997	7,939	Claims for	$271,684
1998	7,490	Claims for	$568,421
Total	24,303	Claims for	$1,538,727

Individual Health Claims - Denied

1996	913	Claims
1997	1,314	Claims
1998	1,033	Claims
Total	3,260	Claims

Medicare Supplement Claims-Paid

1996	14,520	Claims for	$2,143,560

1997	14,630	Claims for	$2,118,049
1998	11,883	Claims for	$1,915,166
Total	41,033	Claims for	$6,176,775

Medicare Supplement Claims-Denied

1996	101	Claims
1997	454	Claims
1998	459	Claims
Total	1,014	Claims

Long-Term Care Claims-Paid

1996	11,561	Claims for	$27,023,829
1997	20,673	Claims for	$35,814,268
1998	60,163	Claims for	$55,987,451
Total	92,397	Claims for	$118,825,548

Long-Term Care Claims-Denied

1996	1,611	Claims
1997	1,502	Claims
1998	1,677	Claims
Total	4,790	Claims

Five hundred (500) 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

Calendar Days	Number of Claims	Percentage
1-45	95	95%

46-120	4	4%
121 and over	1	1%
Total	100	100%

The average time required to process a claim was 17.7 days.

Individual Health Claims-Paid

Calendar Days	Number of Claims	Percentage
1-45	100	100%
46-120	0	0%
121 and over	0	0%
Total	100	100%

The average time required to process a paid claim was 13.6 days.

Individual Health Claims-Denied

Calendar Days	Number of Claims	Percentage
1-45	100	100%
46-120	0	0%
121 and over	0	0%
Total	100	100%

The average time required to process a denied claim was 13.5 days.

Medicare Supplement Claims-Paid

Calendar Days	Number of Claims	Percentage
1-45	50	100%
46-120	0	0%

121 and over	0	0%
Total	50	100%

The average time required to process a claim was 9.5 days.

Medicare Supplement Claims-Denied

Calendar Days	Number of Claims	Percentage
1-45	50	100%
46-120	0	0%
121 and over	0	0%
Total	50	100%

The average time required to process a denied claim was 11.7 days.

Long-Term Care Claims-Paid

Calendar Days	Number of Claims	Percentage
1-45	50	100%
46-120	0	0%
121 and over	0	0%
Total	50	100%

The average time required to process a claim was 11.5 days.

Long-Term Care Claims-Denied

Calendar Days	Number of Claims	Percentage
1-45	50	100%
46-120	0	0%
121 and over	0	0%
Total	50	100%

The average time required to process a denied claim was 11.7 days.

An analysis of the claim study revealed the following:

1. A random sample of 300 paid claim files from a total population of 157,865 was reviewed to determine if benefits were being allowed according to the policy contract. Eighty (80) discrepancies were noted where the Company did not pay interest from the date of death as noted in the policy.

2. A random sample of 500 claim files from a total population of 166,956 was reviewed to determine if claims had been processed in a timely manner as required by Section 627.613, Florida Statutes. One discrepancy was noted.

3. A random sample of 100 paid life claims from a total population of 132 was reviewed to determine if interest was paid in accordance with Section 627.4615, Florida Statutes. Thirteen (13) discrepancies were noted where interest paid was less than the minimum 8% as required.

4. A random sample of 100 individual health claim files from a total population of 24,303 was reviewed to determine if the 10% interest due on claims was paid as required by Section 627.613(6), Florida Statutes. No claims reviewed were due interest.

COMPLAINTS

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

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

One hundred fourteen (114) complaints (28%), from a total population of four hundred three (403), for 1996, 1997, 1998 and 1999 were reviewed to determine the number of calendar days to resolve a complaint from the time of receipt to final disposition. Calendar days included workdays, weekends and holidays.

The results of the review are as follows:

Calendar Days	Number of Complaints	Percentage
1-15	88	77%
16-30	22	19%
31 and over	4	4%
Total	114	100%

The average number of days to handle a complaint for the entire review period was 13. A premium rate increase approved for the Company resulted in 25 of the 114 complaints (22%) reviewed...the largest single reason for complaints.

CONCLUSION

The customary practices and procedures promulgated by the National Association of Insurance Commissioners were followed in performing the Market Conduct Examination of Conseco Senior Health Insurance Company, f/k/a American Travellers Life Insurance Company, as of December 31, 1998, with due regard to the Insurance Laws of the State of Florida.

Respectfully submitted,

David E. Doxsee
Market Conduct Examiner
Independent Contractor

FINDINGS AND RECOMMENDATIONS

The following findings were made in the preceding pages of this report.

The Company is directed to:

Page 6	Comply with advertising Rule 4-150, Florida Administrative Code regarding statistical data used in advertisements, representations of a commercial rating system, and the use of the word "unlimited" to describe benefits. The company has stated that these issues have been addressed.
Page 9	Comply with Section 627.4085, Florida Statutes, to ensure that the application contains the agent license identification number.
Page 10,11	Comply with replacement Rules 4-151.007(3)(c)&(e) and 4-157.016(4) by retaining copies of "Notice to Applicant" and timely furnishing a copy of such notice to the existing insurer.
Page 14, 20	Comply with the contract provisions and pay interest on individual life claims from the date of death, 626.9541(i)(2), Florida Statutes.
Page 20	Comply with Section 627.4615 Florida Statutes by paying interest on individual life claims as required.