

REPORT OF MARKET CONDUCT EXAMINATION OF

TIME INSURANCE COMPANY
Milwaukee, Wisconsin

**AS OF
April 27, 2010**

COMMONWEALTH OF PENNSYLVANIA



**INSURANCE DEPARTMENT
MARKET CONDUCT DIVISION**

Issued: July 6, 2010

TIME INSURANCE COMPANY

TABLE OF CONTENTS

Order

I.	Introduction	2
II.	Scope of Examination	5
III.	Company History and Licensing	6
IV.	Advertising	8
V.	Forms	9
VI.	Producer Licensing	11
VII.	Consumer Complaints	14
VIII.	Underwriting	15
	A. Underwriting Guidelines	15
	B. Group Policies Issued	16
	C. Group Certificates Issued	17
	D. Group Policies Not-Taken	17
	E. Short Term Medical Certificates Issued	17
	F. Medical Insurance Certificates Issued	18
	G. Medical Policies Issued as Replacements	18
	H. Medical Insurance Certificates Issued as Replacements	19
	I. Medical Conversions	20
	J. Life Conversions	20
	K. Medical Rescissions	20
	L. Short Term Medical Rescissions	21
IX.	Internal Audit & Compliance Procedures	22
X.	Claims	23
	A. Medical Claims	24
XI.	Recommendations	25
XII.	Company Response	26

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE: The Act of April 9, 1929, P.L. 177, No. 175, known as The
Administrative Code of 1929

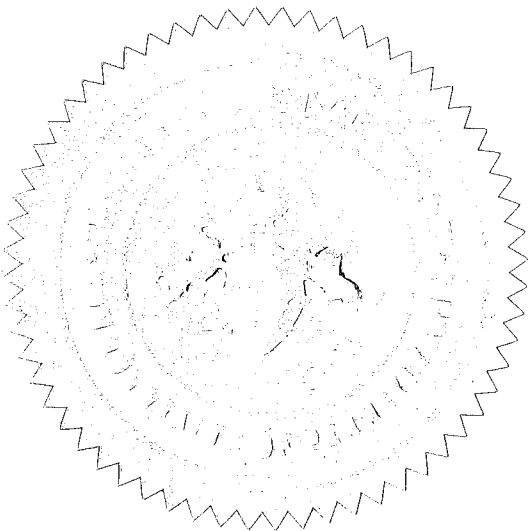
AND NOW, this 22ND day of July, 2008, Ronald A.

Gallagher, Deputy Insurance Commissioner, is hereby designated as the Commissioner's
duly authorized representative for purposes of entering in and executing Consent Orders.

This delegation of authority shall continue in effect until otherwise terminated by a later
Order of the Insurance Commissioner.



Joel S. Ario
Insurance Commissioner



BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE:	:	VIOLATIONS:
	:	
TIME INSURANCE COMPANY	:	Sections 641.1-A and 671-A of Act
501 West Michigan	:	147 of 2002 (40 P.S. §§ 310.41 and
Milwaukee, WI 53201-3050	:	310.71)
	:	
	:	Section 633 of the Insurance Company
	:	Law, Act of May 17, 1921, P.L. 682,
	:	No. 284 (40 P.S. § 764d)
	:	
	:	Title 31, Pennsylvania Code, Section
	:	88.102
	:	
Respondent.	:	Docket No. MC10-05-008

CONSENT ORDER

AND NOW, this 6 day of July, 2010, this Order is hereby issued by the Insurance Department of the Commonwealth of Pennsylvania pursuant to the statutes cited above and in disposition of the matter captioned above.

1. Respondent hereby admits and acknowledges that it has received proper notice of its rights to a formal administrative hearing pursuant to the Administrative Agency Law, 2 Pa.C.S. § 101, et seq., or other applicable law.

2. Respondent hereby waives all rights to a formal administrative hearing in this matter, and agrees that this Consent Order shall have the full force and effect of an

order duly entered in accordance with the adjudicatory procedures set forth in the Administrative Agency Law, supra, or other applicable law.

FINDINGS OF FACT

3. The Insurance Department finds true and correct each of the following Findings of Fact:

- (a) Respondent is Time Insurance Company, and maintains its address at 501 West Michigan, Milwaukee, WI 53201-3050.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from July 1, 2008 to June 30, 2009.
- (c) On April 27, 2010, the Insurance Department issued a Market Conduct Examination Report to Respondent.
- (d) A response to the Examination Report was provided by Respondent on May 26, 2010.
- (e) The Examination Report notes violations of the following:
 - (i) Section 641.1-A of Act 147 of 2002 prohibits any entity or the appointed agent of any entity from transacting the business of insurance through

anyone acting without an insurance producer license (40 P.S. § 310.41a);

- (ii) Section 671-A of Act 147 of 2002 (40 P.S. § 310.71), which prohibits producers from transacting business within this Commonwealth without written appointment as required by the Act;
- (iii) Section 633 of the Insurance Company Law (40 P.S. § 764d), which states:
 - (a) (1) No health insurance policy delivered, issued, executed or renewed in this Commonwealth on or after the effective date of this section shall require outpatient care following a mastectomy performed in a health care facility.
 - (2) Policies described in clause (1) of this subsection shall provide for inpatient care following a mastectomy for the length of stay that the treating physician determines is necessary to meet generally accepted criteria for safe discharge.
 - (3) Such policies shall also provide coverage for a home health care visit that the treating physician determines is necessary within forty-eight hours after discharge, when the discharge occur within forty-eight hours following admission for the mastectomy.
 - (4) Coverage under this section shall, however, remain subject to any co-payment, coinsurance or deductible amounts set forth in the policy.

- (b) (1) Every health care policy which is delivered, issued for delivery, renewed, extended or modified in this Commonwealth by a health care insurer which provides coverage for mastectomy shall also include coverage for prosthetic devices and reconstructive surgery incident to any mastectomy; and
- (iv) Title 31, Pennsylvania Code, Section 88.102, which states upon determining that a sale will involve replacement, an insurer, other than a direct response insurer or its agent, shall furnish the applicant at the time of completing the application, the notice described in §88.103 of this title (relating to notice form). One copy of such notice shall be furnished to the applicant and an additional copy signed by the applicant shall be retained by the insurer.

CONCLUSIONS OF LAW

4. In accord with the above Findings of Fact and applicable provisions of law, the Insurance Department makes the following Conclusions of Law:

- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.

(b) Respondent's violations of Sections 641.1-A and 671-A of Act 147 of 2002 are punishable by the following, under Section 691-A of Act 147 of 2002 (40 P.S. § 310.91):

- (i) suspension, revocation or refusal to issue the certificate of qualification or license;
- (ii) imposition of a civil penalty not to exceed five thousand dollars (\$5,000.00) for every violation of the Act;
- (iii) an order to cease and desist; and
- (iv) any other conditions as the Commissioner deems appropriate.

(c) Respondent's violations of Section 633 of the Insurance Company Law (40 P.S. § 764) is punishable under 40 P.S. Section 763, which provides any company or other insurer, or any officer or agent thereof, which or who issues or delivers to any person in this Commonwealth any policy, or alters any written application for insurance, in violation of the provisions of subdivision (b) of this article, shall be guilty of a misdemeanor, and upon conviction thereof, shall be sentenced to pay a fine or not more than three hundred dollars for each offense. The Insurance Commissioner may take against the offending party, any one or more of the following courses of action: (1) revoke the license of any company, corporation, association or other insurer of another state or country, or the agent thereof, which or who violates any of the said provisions; (2) impose a penalty of not more than one thousand dollars for each act of

violation of any of the provisions of said subdivision (b) of this article. Before the Insurance Commissioner shall take any action as above set forth, the Commissioner shall give written notice to the person, company, association or exchange, accused of violating the law, stating specifically the nature of such alleged violation, and fixing a time and place at least 10 days thereafter, when a hearing shall be held. After the hearing or upon failure of the accused to appear at the hearing, the Commissioner shall impose such of the above penalties as deemed advisable.

ORDER

5. In accord with the above Findings of Fact and Conclusions of Law, the Insurance Department orders and Respondent consents to the following:

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) Respondent shall file an affidavit stating under oath that it will provide each of its directors, at the next scheduled directors meeting, a copy of the adopted Report and related Orders. Such affidavit shall be submitted within thirty (30) days of the date of this Order.

- (c) Respondent shall pay Five Thousand Dollars (\$5,000.00) to the Commonwealth of Pennsylvania in settlement of all violations contained in the Report.
- (d) Payment of this matter shall be made by check payable to the Commonwealth of Pennsylvania. Payment should be directed to Sharon L. Fraser, Manager, Bureau of Market Actions, 1227 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.

6. In the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, based upon the Findings of Fact and Conclusions of Law contained herein may pursue any and all legal remedies available, including but not limited to the following: The Insurance Department may enforce the provisions of this Order in the Commonwealth Court of Pennsylvania or in any other court of law or equity having jurisdiction; or the Department may enforce the provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

7. Alternatively, in the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, the Department may declare this Order to

be null and void and, thereupon, reopen the entire matter for appropriate action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

8. In any such enforcement proceeding, Respondent may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact and Conclusions of Law contained herein.

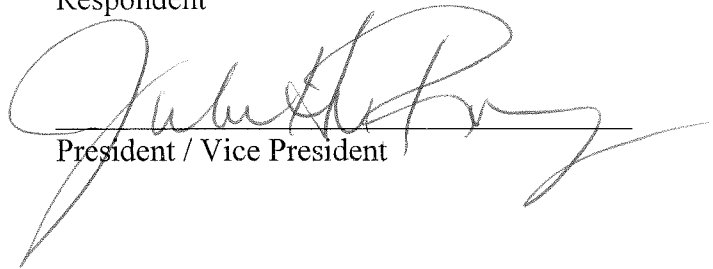
9. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

11. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegate is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law


contained herein, and this Consent Order is not effective until executed by the Insurance Commissioner or a duly authorized delegee.

BY: TIME INSURANCE COMPANY,
Respondent



President / Vice President

Secretary / Treasurer



COMMONWEALTH OF PENNSYLVANIA
By: Ronald A. Gallagher, Jr.
Deputy Insurance Commissioner

I. INTRODUCTION

The Market Conduct Examination was conducted on Time Insurance Company; hereafter referred to as “Company,” at the Company’s office located in Milwaukee, Wisconsin, October 27, 2009, through January 8, 2010. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

Pennsylvania Market Conduct Examination Reports generally note only those items, to which the Department, after review, takes exception. A violation is any instance of Company activity that does not comply with an insurance statute or regulation. Violations contained in the Report may result in imposition of penalties. Generally, practices, procedures, or files that were reviewed by Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review these areas of concern in order to determine the potential impact upon Company operations or future compliance.

Throughout the course of the examination, Company officials were provided status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials to discuss the various types of violations identified during the examination and review written summaries provided on the violations found.

The courtesy and cooperation extended by the Officers and Employees of the Company during the course of the examination is acknowledged.

The following examiners participated in the Examination and in the preparation of this Report.

Daniel Stemcosky, AIE, FLMI, MCM
Market Conduct Division Chief

Frank W. Kyazze, AIE, FLMI, ALHC, MCM
Market Conduct Examiner

Lonnie L. Suggs
Market Conduct Examiner

Verification

Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).

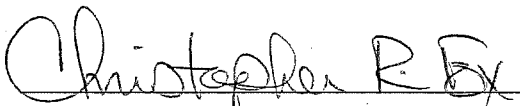


Frank W. Kyazze, MCM, AIE, ALHC, FLMI

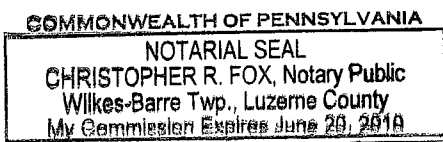
[Examiner in Charge]

Sworn to and Subscribed Before me

This 7th Day of APRIL, 2010



Notary Public



Verification

Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).

Frank W. Kyazze, Examiner in Charge

Sworn to and Subscribed Before me

This Day of , 2010

Notary Public

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the experience period of July 1, 2008, through June 30, 2009, unless otherwise noted. The purpose of the examination was to ensure compliance with Pennsylvania insurance laws and regulations.

The examination focused on the Company's operation in areas such as: Advertising, Producer Licensing, Consumer Complaints, Forms, Underwriting Practices and Procedures, Rating and Claim Handling Practices and Procedures.

The Company was requested to identify the universe of files for each segment of the review. Based on the universe sizes identified, random sampling was utilized to select the files reviewed for this examination.

During the course of the examination, for control purposes, some of the review segments identified in this Report may have been broken down into various sub-categories by line of insurance or Company administration. These specific sub-categories, if not reflected individually in the Report, would be included and grouped within the respective general categories of the Examination Report.

III. COMPANY HISTORY AND LICENSING

Time Insurance Company has its Statutory and Administrative Home Office at 501 West Michigan Street, Wisconsin, 53203.

The Company first organized in LaCrosse, Wisconsin in 1892, as the LaCrosse Mutual Aid Association. The Company then moved to Milwaukee in 1900, and by 1905, took the name Time Indemnity. On February 11, 1910, the Company incorporated and changed its name to Time Insurance Company. Time Insurance Company commenced business on March 6, 1910.

In April, 1969, Time Holdings, Inc. was formed to become the parent Company of Time Insurance Company. During January 1978, control of Time Holdings, Inc. was acquired by N.V. AMEV, a Dutch financial services company located in Utrecht, The Netherlands. During 1994, N.V. AMEV became Fortis AMEV. Effective April 1, 1998, Time Insurance Company changed its name to Fortis Insurance Company. Fortis Insurance Company's direct parent is Interfinancial, Inc., which in turn, is controlled by Fortis, Inc., in New York, New York. The ultimate controlling entities are Fortis AG, located in Belgium, and Fortis AMEV. Effective January 1, 1999, Fortis, Fortis AG was renamed Fortis (B) and Fortis AMEV was renamed Fortis (NL) N.V. On September 27, 2001, Fortis (B) was replaced by Fortis SA/NV, a Belgian company and Fortis (NL) N.V. was replaced by Fortis N.V., a Netherlands Company. The U.S. operations were known as Fortis, Inc., which was renamed Assurant, Inc. when it became a publicly traded Company on the New York Stock Exchange through an Initial Public Offering (IPO) on February 5, 2004. Effective September 6, 2005, Fortis Insurance Company changed its name to Time Insurance Company.

Assurant Health is a business unit of Assurant, Inc. and markets products underwritten by Time Insurance Company, John Alden Life Insurance Company and Union Security Insurance Company. Assurant, Inc. became a publicly traded company on the New York Stock Exchange in February 2004, and uses AIZ as their stock symbol. Time Insurance Company is licensed in 49 states and the District of Columbia.

The Company primarily sells a portfolio of medical, supplemental disability and life products in the individual and small group markets.

The Company distributes its individual products nationally, through a general agency field force of career agents, direct sales unit, as well as a network of brokers. In group markets, the Company sells its products through its regional sales force and through brokers, primarily targeting the small-case market.

As of the Company's December 31, 2008, annual statement for Pennsylvania, Time Insurance Company reported direct premiums for life insurance considerations in the amount of \$2,936,484 and direct premiums for accident and health insurance in the amount of \$43,687,882.

IV. ADVERTISING

The Company was requested to provide a copy of the Advertising Certificate of Compliance submitted to the Department for the experience period. The certification was requested to ensure compliance with Title 31, Pennsylvania Code, Section 51.5. Section 51.5 provides that “A company required to file an annual statement which is now or which hereafter becomes subject to this chapter shall file with the Department with its Annual Statement a Certificate of Compliance executed by an authorized officer of the company wherein it is stated that to the best of his knowledge, information and belief the advertisements which were disseminated by the company during the preceding statement year complied or were made to comply in all respects with the provisions of the insurance laws and regulations of this Commonwealth.” No violations were noted.

V. FORMS

The Company was requested to provide a list and copies of all individual and group policy/certificate forms, conversion contracts, applications, riders, amendments and endorsements used during the experience period of July 1, 2008 to June 30, 2009. The forms provided in various underwriting sections of the exam were reviewed to ensure compliance with requirements of Title 18, Pennsylvania Consolidated Statutes, Section 4117(k), Fraud Warning Notice. The forms were also reviewed to ensure compliance with the Accident and Health Reform Filing Act, No. 159 (40 P.S. §3803) and Insurance Company Law, Section 354 (40 P.S. §477b). In addition, contracts were reviewed for inclusion of the following state mandated coverage:

- Alcohol/Substance Abuse
- Conversion
- Chemotherapy/Cancer Hormone Treatment
- Childhood Immunizations
- Dependent Children
- Diabetic Supplies and Education
- Emergency Reimbursement
- Gynecological Examination/Pap Smear
- Mammography Screenings
- Mastectomy/Reconstructive Surgery
- Maternity
- Medical/Nutritional Foods
- New Born Children
- Physically Handicapped/Mental Retarded Child
- Coverage For Serious Mental Illness

The following violation was noted:

1 Violation - Insurance Company Law, Section 633 (40 P.S. §764d)

Mastectomy/Reconstructive Surgery

(a) (1) No health insurance policy delivered, issued, executed or renewed in this Commonwealth on or after the effective date of this section shall require outpatient care following a mastectomy performed in a health care facility.

(2) Policies described in clause (1) of this subsection shall provide for inpatient care following a mastectomy for the length of stay that the treating physician determines is necessary to meet generally accepted criteria for safe discharge.

(3) Such policies shall also provide coverage for a home health care visit that the treating physician determines is necessary within forty-eight hours after discharge, when the discharge occurs within forty-eight hours following admission for the mastectomy.

(4) Coverage under this section shall, however, remain subject to any co-payment, coinsurance or deductible amounts set forth in the policy.

(b) (1) Every health care policy which is delivered, issued for delivery, renewed, extended or modified in this Commonwealth by a health care insurer which provides coverage for mastectomy shall also include coverage for prosthetic devices and reconstructive surgery incident to any mastectomy.

The form noted did not contain provisions for compliance with Mastectomy/Reconstructive Surgery, Section 633.

Form #	Form Description
553-PA	Student Major Medical Policy

VI. PRODUCER LICENSING

The Company was requested to provide a list of all producers active and terminated during the experience period. Section 671-A (40 P.S. §310.71) of the Insurance Department Act prohibits producers from doing business on behalf of or as a representative of any entity without a written appointment from that entity. Section 641.1-A (40 P.S. §310.41a) of the Insurance Department Act prohibits a company from accepting insurance applications or securing any insurance business through anyone acting without a license. Section 671.1-A (40 P.S. §310.71a) of the Insurance Department Act requires the Company to report all producer terminations to the Department.

The Company provided a list of 6,714 producers. A random sample of 75 producers was compared to departmental records of producers to verify appointments, terminations and licensing. In addition, a comparison was made on the individuals identified as producers on applications reviewed in the policy issued sections of the exam.

The following violations were noted:

7 Violations - Insurance Department Act, No. 147, Section 671-A (40 P.S. §310.71)

(a) Representative of the insurer. – An insurance producer shall not act on behalf of or as a representative of the insurer unless the insurance producer is appointed by the insurer. An insurance producer not acting as a representative of an insurer is not required to be appointed.

(b) Representative of the consumer. – An insurance producer acting on behalf of or representing an insurance consumer shall execute a written agreement with the insurance consumer prior to representing or acting on their behalf that:

(1) Delineates the services to be provided; and

(2) Provides full and complete disclosure of the fee to be paid to the insurance producer by the insurance consumer.

(c) Notification to department. – An insurer that appoints an insurance producer shall file with the department a notice of appointment. The notice shall state for which companies within the insurer’s holding company system or group the appointment is made.

(d) Termination of appointment. – Once appointed, an insurance producer shall remain appointed by an insurer until such time as the insurer terminates the appointment in writing to the insurance producer or until the insurance producer’s license is suspended, revoked or otherwise terminated.

(e) Appointment fee. – An appointment fee of \$12.50 will be billed annually to the insurer for each producer appointed by the insurer during the preceding calendar year regardless of the length of time the producer held the appointment with the insurer. The appointment fee may be modified by regulation.

(f) Reporting. – An insurer shall, upon request, certify to the department the names of all licensees appointed by the insurer.

The following 4 individuals were listed as producers on 7 applications reviewed in the policy issued sections of the exam. Department records do not identify these individuals as being appointed by the company.

Producer
George E. McDonald
Paul Jonely
Andrea Miller
Douglas Felts

1 Violation - Insurance Department Act, No. 147, Section 641.1-A (40 P.S. §310.41a)

(a) Any insurance entity or licensee accepting applications or orders for insurance or securing any insurance business that was sold, solicited or negotiated by any person acting without an insurance producer license shall be subject to civil penalty of no more than \$5000 per violation in accordance with this act. This section shall not prohibit an insurer from accepting an insurance application directly from a consumer or prohibit the payment or receipt of referral fees in accordance with this act.

(b) A person that violates this section commits a misdemeanor of the third degree.

The following individual was listed as a producer for the Company; however, Departmental records did not identify the individual as holding a Pennsylvania insurance license.

Producer
Douglas Felts

VII. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of consumer complaint logs for 2005, 2006, 2007 and 2008. The Company identified 27 Department complaints, 3 health management complaints and 145 grievance complaints received during the experience period. Of the 175 complaints reported, 55 complaint files were requested, received and reviewed. The Company provided complaint logs as requested. The Department's list of written consumer complaints that were forwarded to the Company during the experience period was compared to the Company's complaint log.

The complaint files and the 4 years of complaint logs were reviewed for compliance with the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171). Section 5(a)(11) of the Act requires maintenance of a complete record of all complaints received during the preceding four (4) years. The record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of the complaint and the time it took to process each complaint. Written complaint files involving claims were also reviewed for compliance with Title 31, Pennsylvania Code, Section 146.5(b) and 146.5(c), Unfair Claims Settlement Practices. No violations were noted.

VIII. UNDERWRITING

The Underwriting review was sorted and conducted in 12 general segments.

- A. Underwriting Guidelines
- B. Group Policies Issued
- C. Group Certificates Issued
- D. Group Policies Not-Taken
- E. Short Term Medical Certificates Issued
- F. Medical Insurance Certificates Issued
- G. Medical Policies Issued as Replacements
- H. Medical Insurance Certificates Issued as Replacements
- I. Medical Conversions
- J. Life Conversions
- K. Medical Rescissions
- L. Short Term Medical Rescissions

Each segment was reviewed for compliance with underwriting practices and included forms identification and producer identification. Issues relating to forms or licensing appear in those respective sections of the Report and are not duplicated in the Underwriting portion of the Report.

A. Underwriting Guidelines

The Company was requested to provide all underwriting guidelines and manuals utilized during the experience period. The documentation provided was reviewed to ensure underwriting guidelines were in place and being followed in a uniform and

consistent manner and that no underwriting practices or procedures were in place that could be considered discriminatory in nature, or specifically prohibited by statute or regulation. No violations were noted.

The following guidelines were reviewed:

- A. STM and SS Reform/Rescission Index
- B. Agent Guidelines
- C. Underwriting Processing Manual
- E. Miscellaneous Underwriting Guidelines
- F. Pennsylvania - State Mandates Health Access Plans
- G. Declination Procedures
- H. Eligibility – Clinical Risk Manuals
- I. Underwriting Conditions Manuals
- J. Filed Guides
- K. Rx Declinations
- L. Group Underwriting Non-Medical Guidelines
- M. Group Markets Underwriting Documentation
- N. Underwriting and Administrative Guidelines
- O. Bulletins/News

B. Group Policies Issued

The Company was requested to provide a list of all group policies issued during the experience period of July 1, 2008 through June 30, 2009. The company identified a

universe of 22 group policies issued. A random sample of 10 group policy files was requested, received and reviewed. The policy files were reviewed to determine compliance to issuance statutes and regulations. No violations were noted.

C. Group Certificates Issued

The Company was requested to provide a list of all Pennsylvania residents holding a certificate of coverage during the experience period of July 1, 2008 through June 30, 2009, for life, accident & health and disability coverage. The Company provided a universe of 68 group certificate holders. A random sample of 10 certificate files was requested, received and reviewed. The files were reviewed to ensure compliance with Title 18, Pennsylvania Consolidated Statutes, Section 4117(k). No violations were noted.

D. Group Policies Not Taken

The Company was requested to provide a list of all group policies not taken during the experience period of July 1, 2008 through June 30, 2009. The Company identified a universe of 9 group policies not taken. All 9 policy files were requested, received and reviewed. The files were reviewed to determine compliance to issuance statutes and regulations. No violations were noted.

E. Short Term Medical Certificates Issued

The Company was requested to provide a list of all individual coverage issued during the experience period of July 1, 2008 through June 30, 2009. The Company identified a universe of 13,123 group short term medical policies issued. A random sample of 50 certificate files was requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. No violations were noted.

F. Medical Insurance Certificates Issued

The Company was requested to provide a list of all individual coverage issued during the experience period of July 1, 2008 through June 30, 2009. The Company identified a universe of 130 medical insurance certificates issued. A random sample of 25 certificate files was requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. No violations were noted.

G. Medical Policies Issued as Replacements

The Company was requested to provide a list of all policies issued as replacements during the experience period of July 1, 2008 through June 30, 2009. The Company identified a universe of 2,074 medical insurance certificates issued as replacements. A random sample of 50 certificate files was requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted:

3 Violations - Title 31, Pennsylvania Code, Section 88.102

Upon determining that a sale will involve replacement, an insurer, other than a direct response insurer or its agent, shall furnish the applicant at the time of completing the application, the notice described in § 88.103 of this title (relating to notice form). One copy of such notice shall be furnished to the applicant and an additional copy signed by the applicant shall be retained by the insurer.

The replacement form was dated after the application form date in the 3 files noted.

H. Medical Insurance Certificates Issued as Replacements

The Company was requested to provide a list of all policies issued as replacements during the experience period of July 1, 2008 through June 30, 2009. The Company identified a universe of 152 medical insurance certificates issued as replacements. A random sample of 25 certificate files was requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted:

3 Violations - Title 31, Pennsylvania Code, Section 88.102

Upon determining that a sale will involve replacement, an insurer, other than a direct response insurer or its agent, shall furnish the applicant at the time of completing the application, the notice described in §88.103 of this title (relating to notice form). One copy of such notice shall be furnished to the applicant and an additional copy signed by the applicant shall be retained by the insurer.

The replacement form was dated after the application form date in the 3 files noted.

I. Medical Conversions

The Company identified a universe of 5 medical insurance conversion certificates issued during the experience period of July 1, 2008 through June 30, 2009. All 5 conversion files were requested, received and reviewed. The files were reviewed to determine compliance to issuance and underwriting statutes and regulations. No violations were noted.

J. Life Conversions

The Company identified a universe of 1 life conversion policy issued during the experience period of July 1, 2008 through June 30, 2009. The life conversion file was requested, received and reviewed. The file was reviewed to determine compliance to issuance and underwriting statutes and regulations. No violations were noted.

K. Medical Rescissions

The Company was requested to provide a list of all policies rescinded during the experience period of July 1, 2008 through June 30, 2009. The Company identified a universe of 29 medical insurance certificates rescinded. All 29 files were requested, received and reviewed. The files were reviewed to ensure compliance with contract provisions, termination laws and regulations, proper return of premium and a valid reason for rescission. No violations were noted.

L. Short Term Medical Rescissions

The Company was requested to provide a list of all policies rescinded during the experience period of July 1, 2008 through June 30, 2009. The Company identified a universe of 11 short term medical certificates rescinded. All 11 files were requested, received and reviewed. The files were reviewed to ensure compliance with contract provisions, termination laws and regulations, proper return of premium and a valid reason for rescission. No violations were noted.

IX. INTERNAL AUDIT & COMPLIANCE PROCEDURES

The Company was requested to provide copies of their internal audit and compliance procedures. The audits and procedures were reviewed to ensure compliance with Insurance Company Law, Section 405-A (40 P.S. §625-5). Section 405-A provides for the establishment and maintenance of internal audit and compliance procedures which provides for the evaluation of compliance with all statutes and regulations dealing with sales methods, advertising, and filing and approval requirements for life insurance and annuities. The procedures shall also provide for the following:

- (1) Periodic reviews of consumer complaints in order to determine patterns of improper practices.
- (2) Regular reporting to senior officers and the board of directors or an appropriate committee thereof with respect to any significant findings.
- (3) The establishment of lines of communication, control and responsibility over the dissemination of advertising and promotional materials, including illustrations and illustration explanations, with the requirement that such materials shall not be used without the approval by company employees whose compensation, other than generally applicable company bonus or incentive plans, is not directly linked to marketing or sales.
- (4) The laws requires that each insurer shall make available for the Department's inspection upon request its internal audit and compliance procedures which are instituted as required by this section.

No violations were noted.

X. CLAIMS

The claims review consisted of a review of the Company's claim manuals and a review of the claim files. The Company was requested to provide copies of all procedural guidelines including all manuals, memorandums, directives and any correspondence or instructions used for processing claims during the experience period. The Company provided the following claim manuals:

- A. ACES Manual (July 1, 2008 to June 30, 2009)
- B. BEST Claims Manual Instructions
- C. Accident Unit & Coordination of Benefits Manual (July 1, 2008 to June 30, 2009)
- D. Data Integrity Unit (DIU) Manual July 1, 2008 to June 30, 2009
- E. Pennsylvania Prompt Pay Guidelines (July 1, 2008 to June 30, 2009)
- F. Claims Re-pricing Manual (July 1, 2008 to June 30, 2009)
- G. Life & Disability Claims Manual (July 1, 2008 to June 30, 2009)
- H. Provider Data Unit (PDU) Manual (July 1, 2008 to June 30, 2009)
- I. Special Investigation Unit (SIU) Manual (July 1, 2008 to June 30, 2009)
- J. New Policy Benefit Review (NPBR) Manual (July 1, 2009 to June 30, 2009)
- K. Correspondence Manual (July 1, 2008 to June 30, 2009)
- L. Code Review Manual (July 1, 2008 to June 30, 2009)
- M. John Alden Claims, Corr & Cost Containment Manual (July 1, 2008 to Dec 31, 2008)

The claim manuals and procedures were reviewed for any inconsistencies, which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature. No violations were noted.

The claim file review consisted of 1 area:

A. Medical Claims

All claim files sampled were reviewed for compliance with requirements of the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171) and Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices.

A. Medical Claims

The Company was requested to provide a list of claims received during the experience period of July 1, 2008 to June 30, 2009. The Company identified a universe of 131,655 medical claims. A random sample of 100 claim files was requested, received and reviewed. The provider submitted claim files were reviewed for compliance with Insurance Company Law of 1921, Section 2166 (40 P.S. §991.2166), Prompt Payment of Claims and the insured submitted claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. No violations were noted.

XI. RECOMMENDATIONS

The recommendations made below identify corrective measures the Department finds necessary as a result of the number of some violations, or the nature and severity of other violations, noted in the Report.

1. The Company must review internal control procedures to ensure compliance with replacement requirements of Title 31, Pennsylvania Code, Chapter 88.
2. The Company must review and revise Licensing procedures to ensure compliance with Sections 641.1-A and Section 671-A of the Insurance Department Act of 1921 (40 P.S. §§310.41a and 310.71).
3. The Company must review and implement procedures to ensure that the required mandated benefits are included in applicable certificates of coverage and policy contracts as provided by Section 633 of the Insurance Company Law of 1921 (40 P.S. §764d) Mastectomy/Reconstructive Surgery.

XII. COMPANY RESPONSE



501 West Michigan
P.O. Box 3050
Milwaukee, WI
53201-3050
800-800-1212

May 26, 2010

Mr. Christopher R. Monahan, Director
Bureau of Market Actions
Pennsylvania Insurance Department
1227 Strawberry Square
Harrisburg, PA 17120

Company: **Time Insurance Company**
Examination Warrant Number: 09-M25-001

Dear Mr. Monahan:

The following is in response to the Department's findings and recommendations as noted in the Report of Examination of Time Insurance Company as of April 27, 2010 covering the period of July 1, 2008 through June 30, 2009.

1. Forms – pages 9-10:

1 Violation – Insurance Company Law, Section 633 (40 P.S. §764d): The form noted, 553-PA, did not contain provisions for compliance with Mastectomy/Reconstructive Surgery, Section 633.

Recommendation: The Company must review and implement procedures to ensure that the required mandated benefits are included in applicable certificates of coverage and policy contracts as provided by Section 633 of the Insurance Company Law of 1921 (40 P.S. §764d) Mastectomy/Reconstructive Surgery.

Company Response: With regard to provisions for compliance with Mastectomy/Reconstructive Surgery, Section 633, please be advised that the Company will file the appropriate amendment(s) required. The Company will also communicate this change to the appropriate business areas in order to reinforce the requirements of Section 633 (40 P.S. §764d) and ensure compliance.

2. Producer Licensing – pages 11-13:

7 Violations – Insurance Department Act, No. 147, Section 671-A (40 P.S. §310.71): The following 4 individuals were listed as producers on 7 applications reviewed in the policy issued sections of the exam. Department records do not identify these individuals as being appointed by the company.

- George E. McDonald
- Paul Jonely
- Andrea Miller

- Douglas Felts

1 Violation – Insurance Department Act, No. 147, Section 641.1-A (40 P.S. §310.41a): The following individual was listed as a producer for the Company; however, Departmental records did not identify the individual as holding a Pennsylvania insurance license.

- Douglas Felts

Recommendation: The Company must review and revise Licensing procedures to ensure compliance with Sections 641.1-A and Section 671-A of the Insurance Department Act of 1921 (40 P.S. §310.41a and §310.71).

Company Response: With regard to Licensing procedures, please be advised that the Company has updated the producer licensing procedures to incorporate periodic reviews of the agent database for accuracy of information. In addition, we will address the requirements of Section 641.1-A and Section 671-A of the Insurance Department Act of 1921 (40 P.S. §310.41a and §310.71) with our Agent Licensing Department in order to ensure compliance.

3. Medical Policies Issued as Replacements – pages 18-19:

3 Violations – Title 31, Pennsylvania Code, Section 88.102: The replacement form was dated after the application form date in the 3 files noted.

Recommendation: The Company must review internal control procedures to ensure compliance with replacement requirements of Title 31, Pennsylvania Code, Chapter 88.

Company Response: The Company respectfully maintains compliance with Section 88.102, as the Company's standard process is to require a replacement form to be completed at the time of application if a sale involves replacement and coverage is not issued until the replacement form is received. However, we understand the Department's position regarding the 3 files noted which were isolated incidences and not reflective of our current practice and procedures. We will address this issue with the appropriate business areas to ensure compliance with Title 31, Pennsylvania Code, Chapter 88.

4. Medical Certificates Issued as Replacements – page 19:

3 Violations – Title 31, Pennsylvania Code, Section 88.102: The replacement form was dated after the application form date in the 3 files noted.

Recommendation: The Company must review internal control procedures to ensure compliance with replacement requirements of Title 31, Pennsylvania Code, Chapter 88.

Company Response: The Company respectfully maintains compliance with Section 88.102, as the Company's standard process is to require a replacement form to be completed at the time of application if a sale involves replacement and coverage is not issued until the replacement form is received. However, we understand the Department's position regarding the 3 files noted which were isolated incidences and not

reflective of our current practice and procedures. We will address this issue with the appropriate business areas to ensure compliance with Title 31, Pennsylvania Code, Chapter 88.

Thank you for the opportunity to respond to the Department's Report of Examination of Time Insurance Company. If you have any questions, please contact me at (800) 800-1212, extension 1084.

Sincerely,

A handwritten signature in cursive script that reads "Dawn M. Sino".

Dawn M. Sino
Market Conduct Analyst