REPORT OF
MARKET CONDUCT EXAMINATION
OF

UNITED INSURANCE COMPANY
OF AMERICA
St. Louis, MI

AS OF
December 10, 2010

COMMONWEALTH OF PENNSYLVANIA

INSURANCE DEPARTMENT
MARKET CONDUCT DIVISION

Issued: January 27, 2011

UNITED INSURANCE COMPANY of AMERICA

TABLE OF CONTENTS

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 24 day of January, 2011, in accordance with Section 905(c) of the Pennsylvania Insurance Department Act, Act of May 17, 1921, P.L. 789, as amended, P.S. § 323.5, I hereby designate Ronald A. Gallagher, Deputy Insurance Commissioner, to consider and review all documents relating to the market conduct examination of any company and person who is the subject of a market conduct examination and to have all powers set forth in said statute including the power to enter an Order based on the review of said documents. This designation of authority shall continue in effect until otherwise terminated by a later Order of the Insurance Commissioner.

Michael F. Consedine
Acting Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE:	:	VIOLATIONS:
	:	
UNITED INSURANCE COMPANY	:	Sections 5(a)(10)(ii), (iii), (iv), (v) and (vi)
OF AMERICA	:	of the Unfair Insurance Practices Act, Act
12115 Lackland Road	:	of July 22, 1974, P.L. 589, No. 205
St. Louis, MI 63146-4003	:	(40 P.S. §§ 1171.5(a)(10))
	:	
	:	Title 31, Pennsylvania Code, Sections
	:	146.5(a), 146.6 and 146.7
	:	
	:	
Respondent.	:	Docket No. MC11-01- 012

CONSENT ORDER

AND NOW, this 27th day of January, 2011, 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 United Insurance Company of America, and maintains its address at 12115 Lackland Road, St. Louis, MO 63146-4003.

(b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from January 1, 2009 to December 31, 2009.

(c) On December 10, 2010, the Insurance Department issued a Market Conduct Examination Report to Respondent.

(d) A response to the Examination Report was provided by Respondent on January 5, 2011.

(e) The Examination Report notes violations of the following:

(i) Sections 5(a)(10)(ii) and (iii) of Act 205 (40 P.S. §§1171.5(a)(10)), Unfair Methods of Competition and Unfair or Deceptive Acts or Practices in the business of insurance means any of the following acts, if committed or performed with such frequency as to indicate a business practice, shall constitute unfair claim settlement or compromise practices: Failing to acknowledge and act promptly upon written or oral communications with respect to claims arising under insurance policies and failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies;

(ii) Section 5(a)(10)(iv) of Act 205 (40 P.S. § 1171.5(a)(10)), which states any of the following acts, if committed with such frequency as to indicate a business practice, shall constitute unfair claim settlement or compromise practices: refusing to pay claims without conducting a reasonable investigation based upon all available information;

(iii) Sections 5(a)(10)(v) and (vi) of Act 205 (40 P.S. §§ 1171.5(a)(10)), which states any of the following acts, if committed with such frequency as to indicate a business practice, shall constitute unfair claim settlement or compromise practices: Failure to affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed and communicated to the company or its representative; Not attempting in good

faith to effectuate prompt, fair and equitable settlements of claims in which the company's liability under the policy has become reasonably clear;

(iv) Title 31, Pennsylvania Code, Section 146.5(a), which states every insurer, upon receiving notification of a claim, shall within ten working days, acknowledge the receipt of such notice, unless payment is made within such period. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated;

(v) Title 31, Pennsylvania Code, Section 146.6 states that if an investigation cannot be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected; and

(vi) Title 31, Pennsylvania Code, Section 146.7, which requires within 15 working days after receipt by the insurer of properly executed proof of loss, the first party claimant shall be advised of the acceptance or denial of the claim 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 5(a)(10)(ii), (iii), (iv), (v) and (vi) of the Unfair Insurance Practices Act, No. 205 (40 P.S. §§ 1171.5(a)(10)) are punishable by the following, under Section 9 of the Unfair Insurance Practices Act (40 P.S. § 1171.9):

(i) cease and desist from engaging in the prohibited activity;

(ii) suspension or revocation of the license(s) of Respondent.

(c) In addition to any penalties imposed by the Commissioner for Respondent's violations of the Unfair Insurance Practices Act (40 P.S. §§ 1171.1 – 1171.5), the Commissioner may, under Sections 10 and 11 of the Unfair Insurance Practices Act (40 P.S. §§ 1171.10, 1171.11) file an action in which the Commonwealth Court may impose the following civil penalties:

(i) for each method of competition, act or practice which the company knew or should have known was in violation of the law, a penalty of not more than five thousand dollars ($5,000.00);

(ii) for each method of competition, act or practice which the company did not know nor reasonably should have known was in violation of the law, a penalty of not more than one thousand dollars ($1,000.00).

(d) Respondent's violations of Title 31, Pennsylvania Code, Sections 146.5(a), 146.6 and 146.7 are punishable under Sections 9, 10 and 11 of the Unfair Insurance Practices Act (40 P.S. §§ 1171.9, 1171.10 and 1171.11), as stated above.

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 Twenty Thousand Dollars ($20,000.00) 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, 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 delegee 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: UNITED INSURANCE COMPANY OF AMERICA, 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 United Insurance Company of America; hereafter referred to as "Company," at the Company's office located in Saint Louis, Missouri, March 1, 2010, through April 15, 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.

Yonise Roberts Paige
Market Conduct Division Chief

Michael A. Jones
Market Conduct Examiner

Gary L. Boose, LUTC, MCM
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).

Michael A. Jones, Examiner in Charge

Sworn to and Subscribed Before me

This 27 Day of January , 2011

Notary Public

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
LINDY McMILLEN, Notary Public
City of Harrisburg, Dauphin County
My Commission Expires March 23, 2014

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 January 1, 2009, through December 31, 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

United Insurance Company of America was originally incorporated in 1919 as the United States Assurance and Accident Company as an Illinois corporation. In 1923, the name changed to United States Mutual Insurance Company. In 1928, the Company became a stock company with the name United Insurance Company. Then in 1955, the current title of United Insurance Company of America was adopted.

On September 1, 1968, the Company became a wholly-owned subsidiary of Unicoa Corporation, which had been formed as a holding company. During 1968, Teledyne, Inc. acquired a majority interest in United and subsequently Unicoa Corporation. On November 2, 1987, Unicoa Corporation was merged into United Insurance Company. United became a wholly-owned subsidiary of Teledyne, Inc. on December 28, 1989.

Unitrin, Inc. was formed in February 1990 for the purpose of holding directly all of the outstanding shares of Teledyne's insurance and finance subsidiaries including United Insurance Company of America. The Unitrin holding company system consists of insurance and finance companies which serve clients in markets across the United States. The group services more than 6 million policyholders and consumer finance customers through a nationwide network of agents, independent agents and loan representatives. The Unitrin group is a financial services provider and specializes in property and casualty, life, health and accident insurance as well as automobile finance products. In 2008, the Unitrin group held nearly $9 billion in assets and employed over 7,000 associates.

The Company qualified to do business in Pennsylvania on January 25, 1946. It is licensed sell insurance in 49 states, excluding New York.

As of the Company's December 31, 2008, annual statement for Pennsylvania, United Insurance Company of America reported direct premiums for ordinary life insurance in the amount of $9,822,852 and accident and health insurance in the amount of $268,106.

IV. 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 24 consumer complaints received during the experience period. All 24 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.

V. UNDERWRITING

The Underwriting review consisted of Life Insurance Rescissions.

The 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.

Life Insurance Rescissions

The Company was requested to provide a list of all policies rescinded during the experience period. The Company identified a universe of 10 life insurance policies rescinded. A rescinded policy is a policy that was issued and the company terminates the contract and returns all premium paid from the policy effective date to the insured. A random sample of 10 files was requested, received and reviewed. The policies 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.

VI. 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. 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 information:

1. Life Claims Processes, One Half Page Word Document
2. A&H Claims Processing, One Half Page Word Document

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

Department Concern: The Company revealed to the Department that there were no claims manuals available for instructing their claims department personnel or to inform the Examiner's as to how the Company methodically planned to be compliant in this area. The Company further replied by providing the Department with the two Word Documents noted above. The documents, while mentioning the two processes involved in the examination, are very weak in detail and lack the scope needed to adjudicate claims in compliance with our regulations, laws and statutes. This lack of direction by the Company could lead to a greater propensity of errors while adjudicating their claims. The Department is very concerned that the lack of direction lead to violations of Unfair Insurance Practices Act, (Act 205) Section 5 (40 P.S. §1171.5). The Department encourages the Company to design and implement specific claims guidelines for all of its products marketed in Pennsylvania.

A. Disability Insurance Claims

The Company was requested to provide a list of disability claims received during the experience period. The Company identified a universe of 175 disability claims. The 175 claims included a number of ongoing disability claims on the same individual. A random sample of 25 claims was requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. The following violations were noted:

12 Violations – Title 31, Pennsylvania Code, Section 146.5

Every insurer, upon receiving notification of a claim, shall within ten working days, acknowledge the receipt of such notice unless payment is made within such period. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated. The Company failed to acknowledge the 12 noted claims within 10 working days.

2 Violations – Title 31, Pennsylvania Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of a claim, unless the investigation cannot reasonably be completed within the time. If the investigation cannot be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company failed to provide a timely status letter for the 2 noted claims.

1 Violation – Title 31, Pennsylvania Code, Section 146.7

Within 15 working days after receipt by the insurer of properly executed proofs of loss, the first- party claimant shall be advised of the acceptance or denial of the claim by the insurer. The Company failed to provide or the Department could not verify notice of acceptance or denial within 15 working days for the noted claim.

13 Violations – Act 205, Section 5 (40 P.S. §1171.5)(a)(10)(iii)&(vi)

"Unfair Methods of Competition" and "Unfair or Deceptive Acts or Practices" in the business of insurance means: Any of the following acts if committed or performed with such frequency as to indicate a business practice shall constitute unfair claim settlement or compromise practices:

(iii) Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

(vi) Not attempting in good faith to effectuate prompt, fair and equitable settlements of claims in which the Company's liability under the policy has become reasonably clear.

The 13 noted claim files were adjudicated with "Unfair Methods of Competition" and "Unfair Deceptive Acts & Practices."

B. Individual Life Claims

The Company was requested to provide a list of claims received during the experience period. The Company identified 1,792 individual life claims received. A random sample of 50 claim files was requested, received and reviewed. The claim files were reviewed to ensure that the Company's claims adjudication process was adhering to the provisions of the policy contract, as well as complying with Title 31, Pennsylvania Code, Chapter 146. The following violations were noted:

9 Violations – Title 31, Pennsylvania Code, Section 146.5.

Every insurer, upon receiving notification of a claim, shall within ten working days, acknowledge the receipt of such notice unless payment is made within such period of time. If an acknowledgement is made by means other than writing, an appropriate

notation of such acknowledgment shall be made in the claim file of the insurer and dated. The Company failed to acknowledge the 9 noted claims within 10 working days.

18 Violations – Title 31, Pennsylvania Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of a claim, unless the investigation cannot reasonably be completed within the time. If the investigation cannot be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company failed to provide a timely status letter for the 18 noted claims.

2 Violations – Title 31, Pennsylvania Code, Section 146.7

Within 15 working days after receipt by the insurer of properly executed proofs of loss, the first- party claimant shall be advised of the acceptance or denial of the claim by the insurer**.** The Company failed to provide or the Department could not verify notice of acceptance or denial within 15 working days for the 2 noted claims.

24 Violations – Act 205, Section 5 (40 P.S. §1171.5)

(a) "Unfair Methods of Competition" and "Unfair or Deceptive Acts or Practices" in the business of insurance means:

(10) Any of the following acts if committed or performed with such frequency as to indicate a business practice shall constitute unfair claim settlement or compromise practices:

(ii) Failing to acknowledge and act promptly upon written or oral communications with respect to claims arising under insurance policies.

(iii) Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

(iv) Refusing to pay claims without conducting a reasonable investigation based upon all available information.

(v) Failing to affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed and communicated to the company or its representative in 2 noted files.

The 24 noted claim files were adjudicated with "Unfair Methods of Competition" and/or "Unfair or Deceptive Acts or Practices."

C. Medical Insurance Claims

The Company was requested to provide a list of claims received during the experience period. The Company identified a universe of 201 medical claims. A random sample of 50 claim files was requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. The following violations were noted:

20 Violations – Title 31, Pennsylvania Code, Section 146.5

Every insurer, upon receiving notification of a claim, shall within ten working days, acknowledge the receipt of such notice unless payment is made within such period. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated. The Company failed to acknowledge the noted 20 claims within 10 working days.

10 Violations – Title 31, Pennsylvania Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of a claim, unless the investigation cannot reasonably be completed within the time. If the investigation cannot be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay

and state when a decision on the claim may be expected. The Company failed to provide a timely status letter for the 10 noted claims.

11 Violations – Title 31, Pennsylvania Code, Section 146.7

Within 15 working days after receipt by the insurer of properly executed proofs of loss, the first- party claimant shall be advised of the acceptance or denial of the claim by the insurer**.** The Company failed to provide or the Department could not verify notice of acceptance or denial within 15 working days for the 11 noted claims.

23 Violations – Act 205, Section 5 (40 P.S. §1171.5)

(a) "Unfair Methods of Competition" and "Unfair or Deceptive Acts or Practices" in the business of insurance means:

(10) Any of the following acts if committed or performed with such frequency as to indicate a business practice shall constitute unfair claim settlement or compromise practices:

(ii) Failing to acknowledge and act promptly upon written or oral communications with respect to claims arising under insurance policies.

(iii) Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

(iv) Refusing to pay claims without conducting a reasonable investigation based upon all available information.

(v) Failing to affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed and communicated to the company or its representative.

The 23 noted claim files were adjudicated with "Unfair Methods of Competition" and/or "Unfair or Deceptive Acts or Practices" as 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 and revise internal control procedures to ensure compliance with the replacement requirements of Title 31, Pennsylvania Code, Chapter 81.

2. The Company must review and revise procedures to ensure all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the Company are maintained in such manner and for such period of time to

ensure compliance with Section 903(a) of the Insurance Department Act of 1921 (40 P.S. §323.3).

3. The Company must implement procedures to ensure compliance with the policy delivery receipt requirements of Section 404-A of the Insurance Company Law of 1921 (40 P.S. §625-4).

4. The Company must review and revise internal control procedures to ensure compliance with requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices.

5. The Company must implement procedures to ensure compliance with the requirements of Insurance Department Act of 1921 "Unfair Methods of Competition" and "Unfair or Deceptive Acts or Practices" in the business of insurance – Act 205, Section 5 (40 P.S. §1171.5).

XII. COMPANY RESPONSE

UNITED INSURANCE COMPANY OF AMERICA
A UNITRIN Company

January 3, 2011

Adrienne H. Bennett
Vice President,
Chief Compliance Officer

Yonise Roberts Page
Pennsylvania Insurance Department
Office of Market Regulation
Life, Accident and Health Divisions
1227 Strawberry Square
Harrisburg, PA 17120

Re: Market Conduct Examination of United Insurance Company of America
Examination Warrant Number: 09-M27-034

Dear Ms. Page:

United Insurance Company of America ("the Company" or "United") has received your letter dated December 10, 2010 along with which you provided a copy of the Report of Examination of United Insurance Company of America. Pursuant to Section 905 (40 P.S. § 323.5), this letter serves as United's response.

IV. Consumer Complaints – The Department noted no violations in this review. The Company acknowledges the Department's findings and makes no further comment.

V. Underwriting/ Life Insurance Rescissions - The Department noted no violations in this review. The Company acknowledges the Department's findings and makes no further comment.

VI. Internal Audit & Compliance Procedures- The Department noted no violations in this review. The Company acknowledges the Department's findings and makes no further comment.

X. Claims

A. Disability Insurance Claims – The Department noted 12 violations of Title 31, Pennsylvania Code, §146.5; 2 violations of Title 31, Pennsylvania Code, §146.6; 1 violation of Title 31, Pennsylvania Code, §146.7; and 13 violations of Act 205, Section 5 (40 P.S. §1171.5)(a)(10)(iii) & (vi).

The Company acknowledges the cited violations of Title 31, Pennsylvania Code, §146.5; §146.6; and §146.7. The Company further states that it has claims handling practices in effect, which address the requirements of the cited Code sections. The Company has taken steps to re-convey the importance of adhering to the statutory requirements in order to ensure accurate and timely handling of its Disability claims.

B. Individual Life Claims - The Department noted 9 violations of Title 31, Pennsylvania Code, §146.5; 18 violations of Title 31, Pennsylvania Code, §146.6; 2 violations of Title 31, Pennsylvania Code, §146.7; and 24 violations of Act 205, Section 5 (40 P.S. §1171.5)(a)(10)(iii) & (vi).

The Company acknowledges the cited violations of Title 31, Pennsylvania Code, §146.5; §146.6; and §146.7. The Company further states that it has claims handling practices in effect, which address the requirements of the cited Code sections. The Company has taken steps to re-convey the importance of adhering to the statutory requirements in order to ensure accurate and timely handling of its Individual Life claims.

C. Medical Insurance Claims - The Department noted 20 violations of Title 31, Pennsylvania Code, §146.5; 10 violations of Title 31, Pennsylvania Code, §146.6; 11 violations of Title 31, Pennsylvania Code, §146.7; and 23 violations of Act 205, Section 5 (40 P.S. §1171.5)(a)(10)(iii) & (vi).

The Company acknowledges the cited violations of Title 31, Pennsylvania Code, §146.5; §146.6; and §146.7. The Company further states that it has claims handling practices in effect, which address the requirements of the cited Code sections. The Company has taken steps to re-convey the importance of adhering to the statutory requirements in order to ensure accurate and timely handling of its Medical insurance claims.

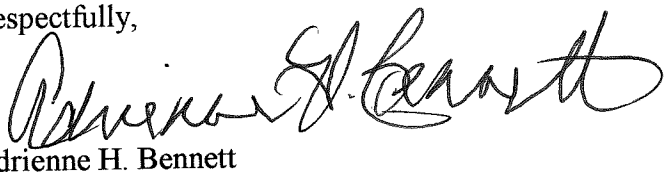
As it relates to the above listed violations of Act 205, Section 5 (40 P.S. §1171.5)(a)(10)(iii) & (vi), the Company disagrees with the Department's assessment regarding the number of violations. Act 205, Section 5 (40 P.S. §1171.5) provides that any of the acts that the statute defines as unfair methods of competition or unfair or deceptive practices, if committed or performed **with such frequency as to indicate a business practice**, shall constitute unfair claim settlement or compromise practices.

The Company states that one improper act does not constitute a practice committed with such frequency as to indicate a business practice. Therefore, one violation of Title 31 does not equate to one violation of Act 205. What constitutes a violation of Act 205, Section 5 (40 P.S. §1171.5), is multiple improper acts committed with such frequency as to indicate a business practice. To the extent that the Department feels that the Company's cited violations are improper acts which were committed with such frequency as to indicate a business practice, then that means the Company has committed a single violation of Act 205, Section 5 (40 P.S. §1171.5)

In conclusion, United values its customers and understands the importance of compliance with insurance statutes and regulations. As a result, United will continue to do it's best to

accurately and efficiently meet its customer's needs and comply with state laws and regulations. Your consideration of the foregoing is sincerely appreciated.

Respectfully,



Adrienne H. Bennett
Vice President, Chief Compliance Officer
AHB/emc

C.c. Ed Konar